

HENDERSON EUROTRUST PLC

HALF YEAR REPORT (unaudited) for the six months ended 31 January 2014

HENDERSON EUROTRUST PLC
Unaudited Results for the half year ended 31 January 2014

Financial Highlights

	(Unaudited) Half year ended 31 January 2014	(Unaudited) Half year ended 31 January 2013	(Audited) Year ended 31 July 2013
Net asset value per ordinary share	797.9p	690.2p	778.0p
Revenue (loss)/return per ordinary share	(0.5)p	0.5p	17.3p
Dividends per ordinary share	5.0p	5.0p	17.0p
Price per ordinary share	772.0p	640.5p	724.0p
Discount	3.2%	7.2%	6.9%

Total Return Performance (base 100)

	6 months	1 year	3 years	5 years
Net assets per ordinary share	104.1	118.2	139.2	196.6
Average Continental European Investment Trust*	103.0	115.5	133.6	214.2
FTSE World Europe (ex UK) Index (the 'benchmark index')	101.7	111.1	118.7	179.8

Sources: Morningstar and the AIC.

* Arithmetic average net asset value total return for the AIC Europe sector.

Total return is the return on the share price or NAV taking into account both the rise and fall in the value of investments and dividends paid to shareholders. Dividends received are assumed to have been reinvested.

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Interim Management Report

Chairman's Statement
Half year ended 31 January 2014

Since our year end last July, Continental European stock markets have continued to make progress and both the Company's share price and the net asset value ('NAV') per share have achieved new highs. Although the economic recovery in the region has remained muted, investors continue to benefit from very low interest rates, as do the companies in which we invest. Indeed this factor has been so important that the faintest sign that it may one day come to an end now seems to cause such distress that central bankers must weigh carefully every word in their public statements, for fear of unsettling markets.

Europe as a destination for funds continues to enjoy something of a renaissance, and demand for our own shares has been robust enough to eliminate, at least for a brief period, the long-standing discount to NAV. Some of that demand has come from individual investors using execution-only platforms, and we suspect that this may well be a consequence of the UK's Retail Distribution Review ('RDR'), the UK's new regime for individual investors. These new regulations may have removed a source of bias that discouraged advisors from recommending closed-ended funds. Whatever the reason, we welcome these new shareholders.

The NAV per share, including distributable income, rose during the Company's first half from 778p to just under 800p, an increase of 2.6%, and in addition we have paid a dividend of 12p per share. Thus the strong gains of the previous fiscal year, if not extended, have at least been consolidated. During the period sterling appreciated against the Euro, muting the percentage gains when expressed in our base currency. The Portfolio Manager's report contains further details of developments within the portfolio.

Your Board has continued to address regulatory issues. The issues connected with the RDR have now largely been dealt with, although as mentioned above it does appear to be affecting demand for our shares. We shall therefore need to monitor its consequences. FATCA is a new US requirement, aimed at minimising tax evasion by US citizens, and therefore we need to register our status with both the UK and US fiscal authorities. AIFMD, the EU directive for alternative investment fund managers, has required our close attention. It has necessitated several revisions to our investment management agreement, as it imposes a number of responsibilities on both our Manager and the Depositary, all of which must be enshrined in our contracts with them.

Although your Board appreciates why these regulatory changes are needed, we shall be glad this year to put them behind us, so that we can once again focus on our primary task of enhancing the value of your Company's shares!

Tim Stevenson's report addresses a number of the opportunities, as well as the challenges, of investing in European companies today. After decades of globalisation, these challenges are broadly similar to those faced by investors in other markets. The crisis in Ukraine is clearly a serious concern, even if as yet it has not materially affected market values. We must hope that the Ukrainian and Russian leaders recognise the strong potential of positive economic links between the two countries and the EU, and this spirit of mutually beneficial interdependence guides political choices in the direction of good, stable, neighbourly relations.

In my statement last October in the Annual Report, I mentioned that I shall be standing down from the Board at the end of March, and that Nicola Ralston, whose outstanding credentials I described then, will be taking over from me as Chairman. Nicola joined us in September of last year, and we have already benefited from the depth of her experience in investment matters. I wish her, the whole Board, and Tim Stevenson our Portfolio Manager, every success in steering the matters of the Company.

The Board has also decided to appoint John Cornish as the Senior Independent Director of the Company with immediate effect.

Mark Tapley, Chairman

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Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment activity and performance risk
- Portfolio and market risk
- Regulatory risk
- Operational risk

Information on these risks and how they are managed is given in the Report and Financial Statements for the year ended 31 July 2013. In the view of the Board these principal risks and uncertainties were unchanged over the last six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or performance of the Company during the period. Details of related party transactions are contained in the Report and Financial Statements for the year ended 31 July 2013.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- (a) the set of financial statements for the half year ended 31 January 2014 has been prepared in accordance with the Accounting Standards Board's statement 'Half Yearly Financial Reports';
- (b) this report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) this report includes a fair review of the information required by the Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board

Mark Tapley
Chairman

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Portfolio Manager's Commentary

Evidence continues to mount that the recovery in Europe is gaining pace (even though France remains a laggard to some extent). Encouragingly, unemployment has started to decline in peripheral Europe (especially Spain), where the economies have had to make the sharpest adjustments. This has resulted in strong equity markets and the Company's performance has benefited, with the portfolio rising in value by 4.1% while the benchmark index has appreciated by 1.7%.

Over the six months it was mainly cyclically exposed stocks that led the portfolio and the market higher. Our top contributors included our largest holding Deutsche Post (Express Logistics) as well as AP Møller-Maersk (Shipping and Oil), Valeo (Automotive Components) and Commerzbank (Banking). The Company's investment strategy will always be growth biased but we have argued for some time that it is important to have some value/cyclical names alongside our longstanding growth stalwarts. With this flexibility we can benefit from recovery.

We have made no major changes in the holdings over the six months. We have returned to Dassault Systèmes in France, Ericsson in Sweden and also to ABB as we do feel that there will be a widespread improvement in capital spending over the next few years, and all these companies are likely to benefit. We have taken our profit in Wirecard as we considered that the valuation was too demanding for an area which is prone for fast development from new entrants. Two other shares where we feel that valuation looks up with events are Deutsche Börse and Kinnevik, both exiting the portfolio. We have continued to hold a higher number of financials than in previous years as the sector seems to be past the worst.

European markets have begun calendar 2014 in enthusiastic mood, with signs that economies are improving, earnings set to rise after three years of decline or no growth, and equities clearly preferable to bonds. Despite this we saw some nervousness creep back into markets at the end of the period. The primary trigger was the impact of 'tapering' (the process by which the US Federal Reserve is reducing the monthly amount of government bonds it buys) on the emerging markets, but also the continuing fear that Europe is slipping into a deflation trap. We think this risk is being exaggerated. Ukraine has added some uncertainty on Europe's doorstep. Greater demand from the emerging markets has constituted an element of growth for a number of European companies over recent years, while other areas, such as domestic consumer demand, have been weak. In recent months, however, demand in developed markets has shown some revival, and emerging market growth may be slowing, but this is not likely to turn into full scale economic contraction

On deflation, Continental Europe is only just starting to show signs of better economic news. We think that the European Central Bank, which has been vocal in its recognition of the risks, could come up with further policies to stimulate demand and avert deflation if the need arises.

At the company level the latest results season has been lacklustre with company managements choosing to be quite cautious in their outlook statements for 2014. This has added to investors' fears, whereas in reality it is entirely normal for a company to keep expectations under control. Flows on a year-to-date basis show that both international and domestic investors continue to increase their exposure to European equities. With valuations a little lower, and earnings growth in 2014 perhaps nearer to 10–12% rather than our earlier expectations for 12–14%, we believe the markets are far from expensive. With equities continuing to be favoured over bonds in nearly all markets, an attitude of "buy on weakness" is likely to prevail.

Tim Stevenson
Portfolio Manager

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Twenty Largest Investments by value (as at 31 January 2014)

	Name of Investment	Country	Sector	Valuation £'000	% of Total Portfolio
1	Deutsche Post	Germany	Industrials	9,484	5.4
2	A P Møller-Maersk	Denmark	Industrials	6,300	3.6
3	Pandora	Denmark	Consumer Goods	5,770	3.3
4	Fresenius	Germany	Health Care	5,589	3.2
5	Partners Group	Switzerland	Financials	5,333	3.1
6	Roche	Switzerland	Health Care	4,835	2.8
7	Novartis	Switzerland	Health Care	4,773	2.7
8	Sodexo	France	Consumer Services	4,510	2.6
9	AXA	France	Financials	3,981	2.3
10	Zurich Insurance	Switzerland	Financials	3,921	2.2
11	Amadeus	Spain	Industrials	3,837	2.2
12	UBS	Switzerland	Financials	3,731	2.1
13	Valeo	France	Industrials	3,602	2.1
14	ING	Netherlands	Financials	3,509	2.0
15	Adecco	Switzerland	Industrials	3,461	2.0
16	Aareal Bank	Germany	Financials	3,386	1.9
17	Deutsche Telekom	Germany	Telecommunications	3,303	1.9
18	Nordea	Sweden	Financials	3,301	1.9
19	Nestlé	Switzerland	Consumer Goods	3,290	1.9
20	SGS	Switzerland	Industrials	3,276	1.9
	Total			89,192	51.1

Sector Analysis

Country Analysis

Name of Sector	31 Jan	31 Jan	Index*	Name of Country	31 Jan	31 Jan	Index*
	2014	2013	31 Jan		2014	2013	31 Jan
	%	%	%		%	%	%
Basic Materials	1.7	3.1	8.5	Austria	1.1	1.3	0.7
Consumer Goods	16.8	20.2	18.0	Denmark	9.9	2.3	3.0
Consumer Services	7.8	8.5	5.3	France	19.4	22.2	21.0
Financials	21.0	18.1	23.7	Germany	26.4	30.3	20.3
Health Care	15.8	11.7	12.3	Italy	1.3	5.0	5.4
Industrials	24.3	26.4	14.9	Netherlands	6.8	4.6	6.4
Oil & Gas	2.9	4.3	5.2	Norway	1.9	1.7	1.7
Technology	7.8	5.8	3.9	Spain	4.7	2.9	7.4
Telecommunications	1.9	1.9	4.2	Sweden	5.6	6.8	7.1
Utilities	-	-	4.0	Switzerland	22.9	22.9	20.1
				Other	-	-	6.9
Total	100.0	100.0	100.0	Total	100.0	100.0	100.0

* FTSE World Europe (ex UK) Index.

Sources: Morningstar and Henderson.

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Income Statement

for the half year ended 31 January 2014

	(Unaudited) Half year ended 31 January 2014			(Unaudited) Half year ended 31 January 2013			(Audited) Year ended 31 July 2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains from investments held at fair value through profit or loss	-	7,431	7,431	-	25,082	25,082	-	41,270	41,270
Investment income	237	-	237	372	-	372	4,530	-	4,530
Gross revenue and capital gains	237	7,431	7,668	372	25,082	25,454	4,530	41,270	45,800
Management and performance fees (note 4)	(109)	(819)	(928)	(96)	(387)	(483)	(207)	(1,018)	(1,225)
Other administrative expenses	(182)	-	(182)	(130)	-	(130)	(276)	-	(276)
Net (loss)/return on ordinary activities before finance costs and taxation	(54)	6,612	6,558	146	24,695	24,841	4,047	40,252	44,299
Finance charges	(5)	(20)	(25)	(8)	(28)	(36)	(19)	(75)	(94)
Net (loss)/return on ordinary activities before taxation	(59)	6,592	6,533	138	24,667	24,805	4,028	40,177	44,205
Taxation on net (loss)/return on ordinary activities	(37)	-	(37)	(35)	-	(35)	(503)	-	(503)
Net (loss)/return on ordinary activities after taxation	(96)	6,592	6,496	103	24,667	24,770	3,525	40,177	43,702
(Loss)/return per ordinary share (note 2)	(0.5)p	32.3p	31.8p	0.5p	121.0p	121.5p	17.3p	197.0p	214.3p

The total columns of this statement represent the Income Statement of the Company.

All revenue and capital returns in the above statement derive from continuing operations.

No operations were acquired or discontinued during the half year ended 31 January 2014. The Company has no recognised gains or losses other than those recognised in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

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Reconciliation of Movements in Shareholders' Funds
for the half year ended 31 January 2014

Half year ended 31 January 2014 (Unaudited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
As at 31 July 2013	1,020	33,814	263	118,853	4,695	158,645
Net return/(loss) on ordinary activities after taxation	-	-	-	6,592	(96)	6,496
Final dividend for 2013 paid	-	-	-	-	(2,447)	(2,447)
As at 31 January 2014	1,020	33,814	263	125,445	2,152	162,694
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Half year ended 31 January 2013 (Unaudited)						
As at 31 July 2012	1,020	33,814	263	78,676	4,534	118,307
Net return on ordinary activities after taxation	-	-	-	24,667	103	24,770
Final dividend for 2012 paid	-	-	-	-	(2,345)	(2,345)
As at 31 January 2013	1,020	33,814	263	103,343	2,292	140,732
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Year ended 31 July 2013 (Audited)						
As at 1 August 2012	1,020	33,814	263	78,676	4,534	118,307
Net return on ordinary activities after taxation	-	-	-	40,177	3,525	43,702
Final dividend for 2012 paid	-	-	-	-	(2,344)	(2,344)
Interim dividend for 2013 paid	-	-	-	-	(1,020)	(1,020)
As at 31 July 2013	1,020	33,814	263	118,853	4,695	158,645

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Balance Sheet
as at 31 January 2014

	(Unaudited) 31 January 2014 £'000	(Unaudited) 31 January 2013 £'000	(Audited) 31 July 2013 £'000
Fixed asset investments held at fair value through profit or loss	174,382	148,800	164,956
Current assets			
Debtors	417	4,727	334
Cash at bank and in hand	147	1,127	3,520
	564	5,854	3,854
Creditors: amounts falling due within one year	(12,252)	(13,922)	(10,165)
Net current liabilities	(11,688)	(8,068)	(6,311)
Total net assets	162,694	140,732	158,645
Capital and reserves			
Called up share capital	1,020	1,020	1,020
Share premium account	33,814	33,814	33,814
Capital redemption reserve	263	263	263
Capital reserves	125,445	103,343	118,853
Revenue reserve	2,152	2,292	4,695
Equity shareholders' funds	162,694	140,732	158,645
Net asset value per ordinary share (note 3)	797.9p	690.2p	778.0p

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Cash Flow Statement

for the half year ended 31 January 2014

	(Unaudited) Half year ended 31 January 2014 £'000	(Unaudited) Half year ended 31 January 2013 £'000	(Audited) Year ended 31 July 2013 £'000
Net cash (outflow)/inflow from operating activities	(1,107)	(1,328)	1,651
Servicing of finance	(25)	(32)	(92)
Overseas tax (paid)/recovered	(2)	66	251
Net cash outflow from financial investment	(1,341)	(4,139)	(2,588)
Equity dividends paid	(2,447)	(2,345)	(3,364)
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Net cash outflow before financing	(4,922)	(7,778)	(4,142)
Net cash inflow from financing	1,177	7,426	6,263
	-----	-----	-----
(Decrease)/increase in cash	(3,745)	(352)	2,121
	=====	=====	=====
Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities			
Net gain before finance costs and taxation	6,558	24,841	44,299
Capital gain before finance costs and taxation	(6,612)	(24,695)	(40,252)
Increase in prepayments, accrued income and other debtors	(91)	(101)	-
Decrease in creditors and accruals	(97)	(943)	(689)
Expenses charged to capital	(819)	(387)	(1,018)
Tax on unfranked investment income deducted at source	(46)	(43)	(689)
	-----	-----	-----
Net cash (outflow)/inflow from operating activities	(1,107)	(1,328)	1,651
	=====	=====	=====
Reconciliation of net cash flow to movements in net funds			
(Decrease)/increase in cash as above	(3,745)	(352)	2,121
Net cash inflow from increase in loans	(1,177)	(7,426)	(6,263)
Exchange movements	372	(535)	(615)
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Change in net debt resulting from cashflows	(4,550)	(8,313)	(4,757)
Net (debt)/funds at start of the period	(4,709)	48	48
	-----	-----	-----
Net debt at end of the period	(9,259)	(8,265)	(4,709)
	=====	=====	=====
Represented by:			
Cash and cash equivalents	147	1,127	3,520
Bank loans	(9,406)	(9,392)	(8,229)
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	(9,259)	(8,265)	(4,709)
	=====	=====	=====

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Notes

1. Accounting policies

The accounts have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of investments at fair value and in accordance with applicable accounting standards, pronouncements on interim reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice for Investment Trusts ('SORP') dated January 2009.

For the period under review the Company's accounting policies have not varied from those described in the Annual Report and Financial Statements for the year ended 31 July 2013. The Financial Statements have not been either audited or reviewed by the Company's auditors.

2. (Loss)/return per ordinary share

(Loss)/return per ordinary share is based on the net return attributable to the ordinary shares of £6,496,000 (half year ended 31 January 2013: £24,770,000; year ended 31 July 2013: £43,702,000) and on the 20,390,541 weighted average number of shares (half year ended 31 January 2013: 20,390,541; year ended 31 July 2013: 20,390,541) in issue.

Revenue loss per ordinary share is based on the net revenue loss attributable to the ordinary shares of £96,000 (half year ended 31 January 2013: return of £103,000; year ended 31 July 2013: return of £3,525,000) and on the 20,390,541 weighted average number of shares (half year ended 31 January 2013: 20,390,541; year ended 31 July 2013: 20,390,541) in issue.

Capital return per ordinary share is based on the net capital return attributable to the ordinary shares of £6,592,000 (half year ended 31 January 2013: £24,667,000; year ended 31 July 2013: £40,177,000) and on the 20,390,541 weighted average number of shares (half year ended 31 January 2013: 20,390,541; year ended 31 July 2013: 20,390,541) in issue.

3. Net asset value per ordinary share

Net asset value per ordinary share is based on the 20,390,541 (half year ended 31 January 2013: 20,390,541; year ended 31 July 2013: 20,390,541) ordinary shares in issue. During the period ended 31 January 2014, no ordinary shares were repurchased for cancellation (half year ended 31 January 2013: none; year ended 31 July 2013: none).

4. Management and performance fees

Management and performance fees are charged in accordance with the terms of the management agreement. Performance fees are provided for, based on the out-performance of the Company's net asset value against the FTSE World Europe (ex UK) Index. For the half year ended 31 January 2014 there was a performance fee provision of £382,000 (half year ended 31 January 2013: £NIL and year ended 31 July 2013: £188,000).

5. Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

6. Interim dividend

An interim dividend of 5.0p (2013: 5.0p) per ordinary share will be paid on 25 April 2014 to shareholders on the Register of Members on 4 April 2014. The Company's shares will be quoted ex-dividend on 2 April 2014. Based on the number of shares in issue on 26 March 2014, the cost of this dividend will be £1,019,527.

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7. Comparative information

The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 January 2013 and 31 January 2014 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 July 2013 are an extract based on the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

8. General Information

a) Company Objective and Investment Style

Invests predominantly in large and medium sized companies which are perceived to be undervalued in view of their growth prospects or on account of a significant change in management or structure. The Company's aim is to achieve a superior total return from a portfolio of high quality European investments.

b) Company Status

Henderson EuroTrust plc is registered in England, No. 2718241, has its registered office at 201 Bishopsgate, London EC2M 3AE and is listed on the London Stock Exchange. The SEDOL/ISIN number is GB0004199294. The London Stock Exchange (EPIC) Code is HNE.

c) Directors and Secretary

The Directors of the Company are Mark Tapley (Chairman), Nicola Ralston (Chairman – designate), John Cornish (Senior Independent Director), Joop Feilzer and David Marsh. The Secretary is Henderson Secretarial Services Limited, represented by Wendy King, FCIS.

d) Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at www.hendersoneurotrust.com.

9. Half Year Report

The Half Year Report will be available in typed format on the Company's website (www.hendersoneurotrust.com) or from the Company's registered office, 201 Bishopsgate, London EC2M 3AE. An abbreviated version, the 'Update', will be circulated to shareholders in early April.

For further information please contact:

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