

Company Number: 02718241

HENDERSON EUROTRUST PLC

HALF YEAR REPORT (unaudited) for the six months ended 31 January 2016

HENDERSON EUROTRUST PLC
Unaudited Results for the half year ended 31 January 2016

Investment Objective

Henderson EuroTrust plc ("the Company") aims to achieve a superior total return from a portfolio of high quality European investments.

The Company 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.

Performance Highlights

	(Unaudited) Half year ended 31 January 2016	(Unaudited) Half year ended 31 January 2015	(Audited) Year ended 31 July 2015
Net asset value ('NAV') per ordinary share	865.1p	845.8p	895.0p
Revenue return per ordinary share	1.2p	1.0p	18.3p
Dividends per ordinary share	6.0p	5.5p	18.5p
Price per ordinary share	843.0p	842.5p	901.5p
(Discount)/premium	(2.6)%	(0.4)%	0.7%
Total assets ¹	£196,289,000	£179,120,000	£193,764,000

Total Return Performance

	6 months %	1 year %	3 years %	5 years %
NAV ²	-1.9	4.4	33.7	57.5
Benchmark Index ³	-6.1	-2.1	17.0	25.1
Share price ⁴	-5.1	2.2	40.5	71.4
Peer Group NAV ⁵	-4.5	1.8	29.7	50.8

1. Calculated as the total value of equity share capital, reserves and bank loans

2. Net asset value total return per ordinary share with income reinvested

3. The FTSE World Europe (ex UK) Index expressed on a total return basis in sterling terms

4. Share price total return using mid-market share price

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

Sources: Morningstar for the AIC, Datastream

Interim Management Report

Chairman's Statement

Performance

Over the six months to 31 January 2016 the Company's Net Asset Value ("NAV") total return fell by 1.9%. This compares with a return on the benchmark index, FTSE World Europe (ex UK) Index of -6.1%. The share price total return was down by 5.1%. It is naturally pleasing to outperform the index in a downturn, but we recognise that this is of limited solace to shareholders when their shares fall in value.

Share Capital

In the Annual Report I told shareholders that the Company had been able to issue new shares, and I am pleased to report that, to the end of the half year period, the Company has again been in a position to do so; 450,000 ordinary shares have been issued to take advantage of demand in the market.

Although opportunities may perhaps be less frequent in a weaker equity market, we remain committed to take every opportunity to expand the company's capital by issuing new shares; providing this is not dilutive, we believe that this is in the interests of all shareholders.

Gearing

Our Fund Manager has continued to use the borrowing facility over the period to maintain a small level of gearing. Over the most recent half year, the impact of this has been negative, but only to a very modest extent. We continue to value the benefit of low cost, flexible access to gearing. While we keep the attractions of longer term debt under active review, in a period where rates seem likely to be "lower for longer" we remain to be convinced that more expensive longer term debt is in the interest of our shareholders.

Dividend

An interim dividend of 6.0p, an increase of 0.5p on last year, will be paid on 29 April 2016 to shareholders on the Register of Members on 8 April 2016. The shares will go ex-dividend on 7 April 2016.

Outlook

Growth forecasts for Continental Europe have a habit of proving over-optimistic, and the current financial year looks likely to be no exception. With the impact of the latest bout of Quantitative Easing likely to be offset by the slowdown in China and exceptionally weak oil prices, levers which can be pulled to sustain growth are limited. Hence, since my last report in late 2015, equity market sentiment has deteriorated, including in European markets.

The "Brexit" referendum will take place during the current half year; whatever your personal wishes regarding the outcome, your portfolio is, and will remain, invested entirely in companies domiciled in Europe excluding the UK with a focus on sustainable earnings growth over the long-term. Any further weakness in sterling against the euro is of course beneficial to the market value of our portfolio. The referendum questioning Britain's future in the EU is undoubtedly causing concern in the short term. Our Fund Manager is of the view that an "out" vote would increase the level of uncertainty in the whole area. We would remind you however, that we are invested in leading top quality companies which are well placed to withstand this uncertainty.

For and on behalf of the Board

Nicola Ralston

Chairman

31 March 2016

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 Annual Report for the year ended 31 July 2015. 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.

Directors' Responsibility Statement

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

- (a) the financial statements for the half year ended 31 January 2016 have been prepared in accordance with "FRS 104 Interim Financial Reporting";
- (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

Nicola Ralston

Chairman

31 March 2016

Fund Manager's Report

When I wrote in the Annual Report "It could herald a more difficult twelve months ahead" I had not expected the kind of rout that has taken place, with increasing severity, over the last few months. The simplest explanation for that market weakness is perhaps the most worrying, namely that economic growth is not returning to anything like the level that would normally be implied by such a massive injection of monetary liquidity (or to put it differently, Quantitative Easing is not working). Our holdings have held up slightly better than the market, showing an estimated decline of slightly under 2% compared with the fall of about 6% in the Index. Once again resilient performance of reliable growth names such as Fresenius Medical Care, Partners Group and Sodexo has helped, while banks such as Intesa and Credit Agricole have been weak.

There is always a temptation to change tack when the Company has been performing well, and to look at laggards such as oil and engineering (there are few mining stocks in Europe (ex UK) markets). However oil companies have even more problems to face with oil settling at around \$40 (for the time being), and there seems little justification to assume that oil prices will recover strongly given such a weak global economic outlook. We have however returned to Atlas Copco, arguably one of Europe's finest companies, which (in our view) has drifted back to a more reasonable valuation level over the last two years. We have also returned to SAP where the new products, such as HANA database management, start to gain traction. Amongst a number of other purchases is Geberit, a top quality bathroom sanitaryware manufacturer following the relatively recent acquisition of a complementary company. Market turmoil is giving us a good chance to add some quality companies at attractive ratings.

Purchases have been funded by selling Bayer, SCA, Maersk and Brembo amongst others, keeping the total number of holdings at 55.

Outlook

High dividend yields and modest valuation have supported markets recently, perhaps helped by the current dividend paying season. There had been almost an element of panic beginning in equity markets, with the usual suspects from the last few years being rolled out again as causes: Euro stress, Italy, Politics, Brexit, and throw in a banking crisis. These new (or revived) stresses come on top of China slowdown, weaker than expected US growth and the usual weak European growth.

In summary, it is my opinion that we are now firmly entrenched in a world of low growth, and artificial stimulus from ever lower interest rates (including negative rates) will be as ineffective as are most unnatural things. This is not necessarily a bad environment for good companies, and we will remain both patient and highly vigilant to make sure that we select such holdings in what are clearly tougher times for all markets, bonds and equities combined.

Tim Stevenson
Fund Manager

Twenty Largest Investments by value (as at 31 January 2016)

	Investment	Country	Sector	Valuation £'000	% of Portfolio
1	Fresenius Medical Care	Germany	Health Care	7,596	3.9
2	Fresenius	Germany	Health Care	6,246	3.2
3	Deutsche Post	Germany	Air Freight & Logistics	6,187	3.1
4	Nestlé	Switzerland	Food Producers	5,402	2.8
5	Novartis	Switzerland	Pharmaceuticals & Biotechnology	5,209	2.7
6	Nokia	Finland	Technology Hardware & Equipment	5,174	2.6
7	Deutsche Telekom	Germany	Telecommunications	5,172	2.6
8	Elis	France	Support Services	5,159	2.6
9	Essilor	France	Ophthalmology	5,130	2.6
10	Groupe Eurotunnel	France	Industrial Transportation	5,127	2.6
11	Partners	Switzerland	Financial Services	5,002	2.5
12	Atlantia	Italy	Industrial Transportation	4,866	2.5
13	SGS	Switzerland	Support Services	4,712	2.4
14	AXA	France	Insurance	4,483	2.3
15	Intesa Sanpaolo	Italy	Banks	4,446	2.3
16	Sodexo	France	Catering Services	4,446	2.3
17	BIC	France	Commercial Supplies	4,044	2.1
18	Amadeus	Spain	Support Services	3,995	2.0
19	Orange	France	Fixed Line Telecommunications	3,975	2.0
20	Deutsche Boerse	Germany	Financial Services	3,813	1.9
	Total			100,184	51.0

Sector Exposure

As a percentage of the investment portfolio excluding cash

Name of Sector	31 Jan	31 Jan
	2016	2015
	%	%
Basic Materials	3.0	3.9
Consumer Goods	16.8	18.6
Consumer Services	8.3	7.9
Financials	20.4	18.2
Health Care	15.2	17.7
Industrials	19.5	23.0
Oil & Gas	2.1	2.5
Technology	7.8	3.8
Telecommunications	5.7	4.4
Utilities	1.2	-
Total	100.0	100.0

Geographic Exposure

As a percentage of the investment portfolio excluding cash

Name of Country	31 Jan	31 Jan
	2016	2015
	%	%
Denmark	1.2	3.0
Finland	2.6	-
France	30.0	27.2
Germany	23.4	25.4
Ireland	2.9	1.2
Italy	5.9	5.6
Netherlands	6.5	4.5
Norway	1.0	1.4
Spain	4.1	4.6
Sweden	4.4	10.0
Switzerland	18.0	17.1
Total	100.0	100.0

Income Statement

	(Unaudited) Half year ended 31 January 2016			(Unaudited) Half year ended 31 January 2015			(Audited) Year ended 31 July 2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
(Losses)/gains from investments held at fair value through profit or loss	-	(2,199)	(2,199)	-	11,724	11,724	-	20,419	20,419
Investment income	616	-	616	553	-	553	4,842	-	4,842
Gross revenue and capital gains/(losses)	616	(2,199)	(1,583)	553	11,724	12,277	4,842	20,419	25,261
Management and performance fees (note 4)	(119)	(1,548)	(1,667)	(107)	(667)	(774)	(226)	(1,784)	(2,010)
Other administrative expenses	(195)	-	(195)	(167)	-	(167)	(362)	-	(362)
Net return on ordinary activities before finance costs and taxation	302	(3,747)	(3,445)	279	11,057	11,336	4,254	18,635	22,889
Finance charges	(4)	(16)	(20)	(6)	(22)	(28)	(11)	(45)	(56)
Net return on ordinary activities before taxation	298	(3,763)	(3,465)	273	11,035	11,308	4,243	18,590	22,833
Taxation on net return on ordinary activities	(39)	-	(39)	(64)	-	(64)	(489)	-	(489)
Net return on ordinary activities after taxation	259	(3,763)	(3,504)	209	11,035	11,244	3,754	18,590	22,344
Return per ordinary share basic and diluted (note 2)	1.2p	(17.8)p	(16.6)p	1.0p	54.1p	55.1p	18.3p	90.7p	109.0p

The total columns of this statement represent the Income Statement of the Company, prepared in accordance with FRS104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

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 2016. The Company has no recognised gains or losses other than those recognised in the Income Statement and the Statement of Changes in Equity.

The accompanying notes are an integral part of the condensed financial statements.

Statement of Changes In Equity

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Half year ended 31 January 2016 (Unaudited)						
As at 1 August 2015	1,038	37,114	263	142,454	4,886	185,755
Net return on ordinary activities after taxation	-	-	-	(3,763)	259	(3,504)
Ordinary shares issued	22	3,926	-	-	-	3,948
Issue costs	-	(7)	-	-	-	(7)
Final dividend for 2015 paid	-	-	-	-	(2,750)	(2,750)
As at 31 January 2016	1,060	41,033	263	138,691	2,395	183,442
Half year ended 31 January 2015 (Unaudited)						
At 1 August 2014	1,020	33,814	263	123,864	4,810	163,771
Net return on ordinary activities after taxation	-	-	-	11,035	209	11,244
Final dividend for 2014 paid	-	-	-	-	(2,548)	(2,548)
At 31 January 2015	1,020	33,814	263	134,899	2,471	172,467
Year ended 31 July 2015 (Audited)						
At 1 August 2014	1,020	33,814	263	123,864	4,810	163,771
Net return on ordinary activities after taxation	-	-	-	18,590	3,754	22,344
Ordinary shares issued	18	3,335	-	-	-	3,353
Issue costs	-	(35)	-	-	-	(35)
Final dividend for 2014 paid	-	-	-	-	(2,549)	(2,549)
Interim dividend for 2015 paid	-	-	-	-	(1,129)	(1,129)
At 31 July 2015	1,038	37,114	263	142,454	4,886	185,755

The accompanying notes are an integral part of the condensed financial statements.

Statement of Financial Position

	(Unaudited) 31 January 2016 £'000	(Unaudited) 31 January 2015 £'000	(Audited) 31 July 2015 £'000
Fixed asset investments held at fair value through profit or loss	196,284 -----	177,030 -----	192,294 -----
Current assets			
Debtors	2,235	602	465
Cash at bank and in hand	650 -----	2,624 -----	2,561 -----
	2,885	3,226	3,026
Creditors: amounts falling due within one year (note 6)	(15,727) -----	(7,789) -----	(9,565) -----
Net current liabilities	(12,842) -----	(4,563) -----	(6,539) -----
Net assets	183,442 =====	172,467 =====	185,755 =====
Capital and reserves			
Called up share capital	1,060	1,020	1,038
Share premium account	41,033	33,814	37,114
Capital redemption reserve	263	263	263
Capital reserves	138,691	134,899	142,454
Revenue reserve	2,395 -----	2,471 -----	4,886 -----
Equity shareholders' funds	183,442 =====	172,467 =====	185,755 =====
Net asset value per ordinary share basic and diluted (note 3)	865.1p =====	845.8p =====	895.0p =====

The accompanying notes are an integral part of the condensed financial statements.

Notes

1. Accounting policies

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, issued in March 2015, the revised reporting standard for half year reporting that was issued following the introduction of FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015. The Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts", in accordance with which the Company's financial statements are also prepared, was re-issued by the Association of Investment Companies in November 2014 to comply with the revised reporting standards. The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures issued in March 2016.

Following the application of the revised reporting standards, there have been no significant changes to the accounting policies set out in the Company's Annual Report for the year ended 31 July 2015.

The condensed financial statements for the year ended 31 July 2015 and for the six months ended 31 January 2015 have been restated where necessary to comply with the new standards and disclosure requirements.

There has been no impact on the Company's Income Statement, Statement of Financial Position (previously called the Balance Sheet) or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for periods previously reported. No Cash Flow Statements have been presented as under the revised disclosure requirements, it is no longer a requirement.

The condensed set of financial statements has been neither audited nor reviewed by the Company's auditors.

2. Return per Ordinary Share

	(Unaudited) Half year ended 31 January 2016 £'000	(Unaudited) Half year ended 31 January 2015 £'000	(Audited) Year ended 31 July 2015 £'000
The return per ordinary share is based on the following figures:			
Revenue return	259	209	3,754
Capital (loss)/return	(3,763)	11,035	18,590
Total	(3,504)	11,244	22,344
Weighted average number of ordinary shares in issue for each period	21,096,030	20,390,541	20,501,199
Revenue return per ordinary share	1.2p	1.0p	18.3p
Capital (loss)/return per ordinary share	(17.8p)	54.1p	90.7p
Total return/(loss) per ordinary share	(16.6p)	55.1p	109.0p

The Company does not have any dilutive securities, therefore, the basic and diluted returns per share are the same.

3. **Net asset value per ordinary share**

Net asset value per ordinary share is based on 21,205,541 (half year ended 31 January 2015: 20,390,541; year ended 31 July 2015: 20,755,541) ordinary shares in issue.

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 2016 there was a performance fee provision of £1,074,000 (half year ended 31 January 2015: £238,000 and year ended 31 July 2015: £878,000).

5. **Investments held at fair value through profit or loss**

The table below analyses fair value measurements for investments held at fair value through profit or loss. These fair value measurements are categorised into different levels in the fair value hierarchy based on the valuation techniques used and are defined as follows under FRS 102:

Level 1: valued using quoted prices in active markets for identical assets

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data

Financial Assets held at fair value through profit or loss at 31 January 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	196,284	-	-	196,284
	-----	-----	-----	-----
Total financial assets carried at fair value	196,284	-	-	196,284
	=====	=====	=====	=====

The investments were previously reported as Level 1 investments under the FRS 29 fair value hierarchy and continue to be classified as Level 1 investments following the adoption of FRS 102 and the amendments to the fair value hierarchy issued in March 2016. There have been no transfers between levels of the fair value hierarchy during the period.

The valuation techniques used by the Company are explained in the accounting policies note 1 (b) in the Company's Annual Report for the year ended 31 July 2015 and are equally applicable under both FRS 29 and FRS 102.

6. **Bank loan**

At 31 January 2016, the Company had drawn down £12,847,000 (half year ended 31 January 2015: £6,653,000; year ended 31 July 2015: £8,009,000) of its £15million multi-currency loan facility.

7. **Going Concern**

Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

8. **Related Party Transactions**

The Company's current related parties are its Directors and Henderson. There have been no material transactions between the Company and its Directors during the half year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the half year end. Directors' shareholdings are disclosed in the Annual Report.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with Henderson affecting the financial position of the Company during the half year under review.

9. **Dividends**

An interim dividend of 6.0p (2015: 5.5p) per ordinary share will be paid on 29 April 2016 to shareholders on the Register of Members on 8 April 2016. The Company's shares will be quoted ex-dividend on 7 April 2016. Based on the number of shares in issue on 31 March 2016, the cost of this dividend will be £1,272,000.

10. **Share capital**

At 31 January 2016 there were 21,205,541 shares in issue. During the period ended 31 January 2016, 450,000 ordinary shares were issued (half year ended 31 January 2015: none; year ended 31 July 2015: 365,000) raising net proceeds of £3,941,000 (half year ended 31 January 2015: £nil; year ended 31 July 2015: £3,318,000). No shares have been issued or bought back since 31 January 2016.

11. **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 2016 and 31 January 2015 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 July 2015 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.

12. **General Information**

Company Status

Henderson EuroTrust plc

Registered as an investment company in England and Wales.

Registration Number: 2718241

Registered Office: 201 Bishopsgate, London EC2M 3AE

SEDOL Number: 0419929

ISIN number: GB0004199294

London Stock Exchange (EPIC) Code: HNE

Global Intermediary Identification Number (GIIN): P560WP.99999.SL.826

Legal Entity Identifier (LEI) Number: 213800DAFFNXRBWOEF12

Directors and Corporate Secretary

The Directors of the Company are Nicola Ralston (Chairman), John Cornish (Senior Independent Director), Joop Feilzer and David Marsh. The Corporate Secretary is Henderson Secretarial Services Limited.