Henderson EuroTrust plc

Annual Report and Financial Statements for the year ended 31 July 2011

Henderson EuroTrust plc

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.
Performance	The Company has a respectable medium and long term track record relative to its index and peer group, and has beaten the FTSE World Europe (ex UK) Index over 1, 3, 5 and 10 years.
Stock selection	Stocks are selected, without particular reference to country, for their long term growth potential. Companies are reviewed carefully to assess the quality of management, balance sheet strength and growth prospects. The Portfolio Manager meets companies regularly.
Independent board of directors	The Directors meet regularly with the Portfolio Manager to consider investment strategy and to monitor performance.
Benchmark	FTSE World Europe (ex UK) Index.

A factsheet, which is updated each month, may be accessed on **www.hendersoneurotrust.com**

Financial Highlights

Per ordinary share	31 July 2011 pence	31 July 2010 pence	Change %
Net Asset Value	**624.7**	549.0	+13.8
Total Return	**86.1**	74.0	n/a
Revenue Return	**17.6**	12.1	+45.5
Dividends	**15.0**	11.0	+36.4

Dividends

The Company paid an interim dividend of 4.0p (2010: 4.0p) per ordinary share on 28 April 2011. Subject to shareholder approval at the AGM on 15 November 2011, a final dividend of 11.0p (2010: 7.0p) per ordinary share will be paid on 18 November 2011 to shareholders on the register on 14 October 2011. The shares will be quoted ex-dividend on 12 October 2011.

Total Return Performance

	1 year† %	3 years† %	5 years %	10 years %
Net Asset Value Total Return (as published by the AIC)(1) ordinary share	15.8	26.3	40.7	128.8
FTSE World Europe (ex UK) Index(2)	12.6	13.3	27.2	69.9
European Investment Trusts (Peer Group)(3) size weighted average	15.8	14.6	29.1	103.4

Sources: (1) and (3) Morningstar for the AIC. (2) Datastream. (3) Represents the performance of a group of leading investment trust competitors. These figures are preliminary estimates made by the AIC which is the industry recognised source for performance data.
†Cum Income NAVs (following AIC policy change on 1 June 2008)

Ten Year Record

	Net asset value per ordinary share pence	Share price percentage discount to net asset value per ordinary share pence	Revenue return per ordinary share pence	Dividend per ordinary share pence
31 July 2001	306.9	7.4	2.9	2.5
31 July 2002	232.6	12.9	2.4	2.5
31 July 2003	267.8	14.6	3.7	3.0
31 July 2004	292.0	14.5	3.8	3.0
31 July 2005	399.6	8.7	4.3	5.0
31 July 2006	473.9	7.1	5.7	5.5
31 July 2007	552.6	6.5	6.1	6.0
31 July 2008	527.8	11.1	10.1	10.0*
31 July 2009	487.8	9.4	12.4	11.0*
31 July 2010	549.0	10.7	12.1	11.0
31 July 2011	**624.7**	**13.2**	**17.6**	**15.0**
Annualised Growth over ten years	**7.4%**	**–**	**–**	**19.6%**

*Includes a special dividend of 2.0p.
Source: Factset, Datastream, HGI

Contents

Chairman's Statement

Mark Tapley

Results for the year ended July 2011 were again very good indeed in both absolute and relative terms, with the Company's net asset value total return of 15.8%. Tim Stevenson, our manager, should be congratulated on beating our benchmark index, which rose by 12.6%, by a convincing 3.2%. Since the pricking of the dot-com bubble a decade ago he has outperformed the index in nine years of those ten and the sector average in eight. This is a commendably consistent record, especially as it was achieved over a period of changing market conditions, favouring different investment approaches at different times.

We have again analysed the source of our manager's relative performance in the table below. The process of performance attribution necessarily makes assumptions about which decision – country or stock – came first, and we must treat the results with care therefore. However, as last year, the main sources of relative performance appear to have been the choice of individual security and the choice of country. In brief, our manager and his team have focussed on solid growth companies. As Tim explains in the Portfolio Manager's Report, these were found mainly, but not exclusively, in northern Europe. The significant underweighting in financials also contributed to relative performance. Other effects, such as those arising from share buybacks and gearing, were modest but still positive contributors.

Estimated Performance Attribution

	%
Benchmark Return	12.6
Country Allocation	2.6
Stock Selection	0.8
Currency movements (relative to index)	0.7
Cash/gearing	0.3
Management fees and other costs	-1.5
Effect of share buybacks	0.2
Net Asset Value Total Return	15.8
Change in discount to NAV	-3.0
Share Price Total Return	12.8

Taken as a whole, the public and private finances of the Eurozone are healthier than those of the US, Japan or the UK, yet the region is seen more as a pariah than a poster child by international investors. We know why; the region's southern and western fringes continue to suffer from austerity policies forced on them by the weight of their accumulated indebtedness and their apparent inability to outgrow those liabilities. We can do little about such investor attitudes except to point out again and again that the companies we invest in are more often than not global leaders serving a global clientele, based in stable democracies with sound public finances whose economies do not rely on the vagaries of the commodity price cycle. Where else in the world can one find companies with such a mix of attributes?

The clearest signal that these companies are facing the future with confidence comes perhaps from their boards' decisions on dividends. Shareholders – both existing and prospective – in Henderson EuroTrust might note that our own company, as a listed UK investment trust, has relatively little flexibility with regard to dividend policy. Our dividend decisions mainly reflect the accumulation of decisions taken by the boards of directors of the dozens of companies in which we invest. Our proposed final dividend of 11.0p per share increases the full year payout by over a third. If our proposal is accepted at the forthcoming AGM, our dividend will have increased on average by about 19% per annum over the last decade.

Board Changes

Bob Bischof, who has served on the Board since 1996, stands down at the forthcoming AGM. Bob has lived and worked in the UK for many years, but was educated in Germany and frequently travels to continental Europe, where he has strong business connections. He has been an astute observer of trends in the region, his comments are always insightful and his input invaluable. We shall miss him greatly. We thank Bob for his service to the Board and wish him every success for the future.

We asked David Marsh CBE to join the Board earlier this year, to overlap with Bob. David is an expert on monetary affairs, and

Chairman's Statement
continued

an authority on the history of the Euro. There can hardly have been a better moment in recent history to have David's counsel available to us.

Outlook
Storm clouds had begun to gather by the end of our financial year on 31 July and since then equity markets have fallen sharply. The main German index, the DAX, for example, representing some of Europe's most successful and globally-operating companies, opened on 1 August at over 7,250, yet as we write – just a few weeks later – it is trading at around 5,500. The reasons are manifold – European government bond crises, the US's downgrading from its unanimous triple A rating, a consequential slowdown in economic growth and the danger of a double dip recession; these have all contributed to unsettling investors all over the world. Not only has the sell-off been rapid, but it has been surprisingly indiscriminate in the manner in which it happened.

In such market conditions, it is difficult to give a reasoned commentary on the outlook, but we believe that, longer term, as confidence eventually returns, real value will be recognised again and the companies that our manager has picked will come through this turbulence intact.

Annual General Meeting
The meeting will be held on Tuesday 15 November 2011 at 2.30pm at 201 Bishopsgate, London EC2M 3AE, and will be followed by afternoon tea. Full details of the business of the meeting are set out in the Notice of the Meeting which has been sent to shareholders with this report. Tim Stevenson will, as usual, make an investment presentation and the Board will be pleased to answer any questions. All shareholders are most welcome to attend.

Mark Tapley
Chairman

30 September 2011

Portfolio Manager's Report

Tim Stevenson

Performance

In what has been another testing year for European economies and markets, I am pleased to report that we have again performed better than our benchmark index. The Company's net asset value total return appreciation has been 15.8%, compared to the 12.6% rise in the FTSE Europe (ex UK) index. The recovery in company earnings has been accompanied by better dividend distribution and therefore we have been able to increase the final dividend. Over the last nine years (since 31 July 2002), the Total Return has been 99% while the benchmark Index has risen by 31.6% on a comparable basis. Over the same period the annual dividend has increased from 2.5p per share to 15.0p per share. It may well have been a tough time for both economies and equity markets, but this shows that there are still some excellent investments out there. It will be worth remembering that in the current difficult climate for equity investment.

Over the last twelve months, the dangers and threats have come from numerous angles – the earthquake and tsunami in Japan, the Euro crisis, the debt debate in the USA as well as everywhere else, and the inevitable slow down in economic growth. We have continued to focus on 'Northern Europe'. We have no positions in Greece, Portugal or Ireland, and only the same dependable stocks: Saipem and ENI in Italy and Inditex and Amadeus in Spain. The table below shows the major positive and negative contributors to performance, and readers will note that Saipem has been one of the most positive contributors during the year. Once again, quality has paid off, and our patience with good companies has been rewarded over the last few years. Economies may be dull and fraught with serious challenges, but good companies can still thrive.

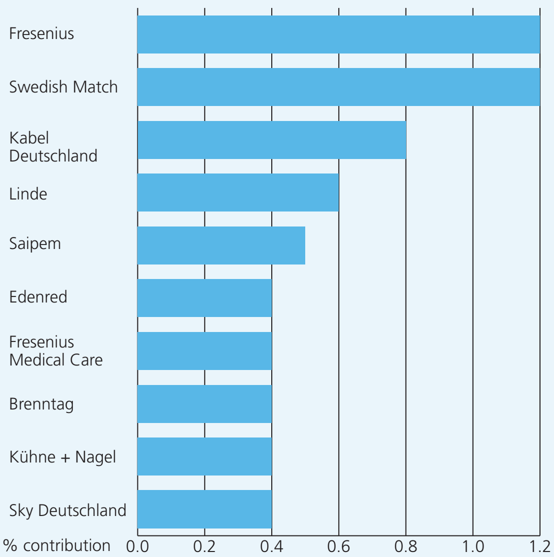
The fact that Sterling has declined a small amount against the Euro (less than 5%) but by a significant amount against the Swiss Franc (over 17%) has helped the value of our investments in the course of the year. The inertia analysis, subject to adjustments for the performance fee and costs, shows that had we made no changes at all, the portfolio would have risen by slightly more than what we achieved.

In April we took out a new borrowing facility for £10 million, and have used up to £7.1 million of this facility. We did however remove virtually all gearing before 31 July on fears about the deepening crisis. For the whole year, gearing is estimated to have added 0.3%, and since we have selectively bought back our own shares, buybacks have added a further 0.2%. As mentioned in previous years, we are reluctant to harm the liquidity in our own shares by buying back and cancelling, but we will also not sit idly by and tolerate a discount which we consider to be too high.

The Portfolio and Approach

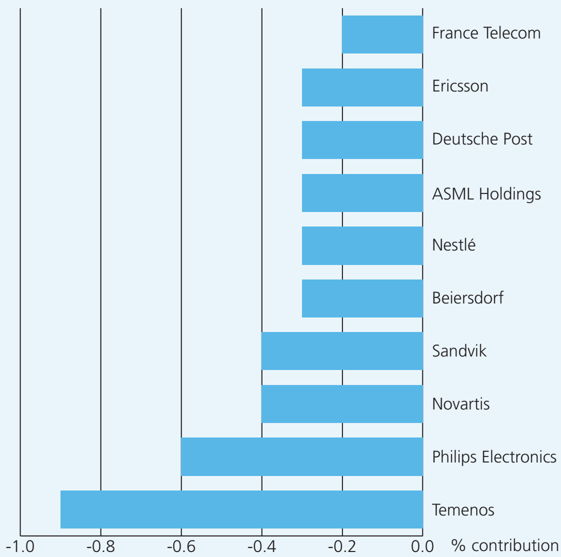
At the end of July there were 50 equity holdings and one derivative in the portfolio – an increase of five over the previous year, and two more than at 31 July 2009. This is towards the

Top ten contributors to relative return



Source: Russell Mellon iMS Enterprise

Bottom ten contributors to relative return



Source: Russell Mellon iMS Enterprise

Portfolio Manager's Report

continued

upper end of the number of holdings over the last few years. Of our top twenty holdings a year ago, only two, Syngenta and Carrefour, have been sold. Turnover (as measured by the lower of purchases or sales as a percentage of average assets) was 64.5% compared with 85.3% in the previous year.

The comments we made a year ago are as valid today as they were then: "it seems reasonable to assume that the rate of economic growth over the next few years will be anaemic". However, the intensification of the Euro crisis over the last twelve months threatens to turn anaemic growth into low or even no growth. As a result the increased emphasis on reliable earnings potential has paid off and is likely to continue to do so.

In the course of the year we sold Nokia (and surprisingly made a tiny profit as well as receiving a good dividend). Nokia has serious problems – and we think that the increased need for faster mobile capacity will lead to stronger growth for Ericsson which has about 37% market share in the important mobile equipment infrastructure market. Our holding in Ericsson has been increased and now features in our top ten holdings.

We have maintained a very cautious view on bank stocks and at the year end only held a small position in each of UBS and Commerzbank, the latter bought after a series of three capital raising exercises. Neither position has helped us, nor has the tiny position in a call option on the Euro Stoxx Bank Index which will mature in December. Both bank stocks were sold in September, leaving no positions in banks.

In contrast we have added to the Insurance sector. For a number of years we have maintained that governments will need to shift the burden of funding pensions from the State to the individual, and it surely has to be banks and insurance companies that have the potential to come up with honest and fair products to do this. With banks struggling, insurance companies are likely to lead this market. We have added AXA to our holdings of Allianz and Zurich Financial Services.

On reliable consistent growth names, we returned to BIC (we held this many years ago), and the lighter and writing instruments company continues to generate excellent cashflows.

Outlook

Markets fell very sharply in the first few weeks of August, immediately after our year end, and the intense uncertainty has remained throughout September. The immediate cause was a growing sense of despair in the leadership of Europe. Indeed, the famous Henry Kissinger quote ("Who do I call if I need to speak to someone in Europe?") is even more pertinent today. M. Trichet, President of the ECB will retire later this year, and in the meantime is doing his best to steer a steady course on the monetary front, and may yet be forced to go even further and start to buy even more bonds from various states. As soon as the current crisis began to spread from Greece, Ireland, Portugal and Spain, and to threaten Italy and France, the need for a decision about fiscal coordination became imperative. We wait for that, and for the next stage of this crisis. The fact that America is also prevaricating over improving its fiscal position has not helped sentiment, even though the scope for increased tax revenue in the USA is far higher given the lower tax rates compared with Europe.

Putting all this together, there are clearly major changes coming over the next few years. My own suspicion is that after years of increased state involvement, the next decades have to be about weaning the Western economies off the addictive mix of debt and state. That could provide some fascinating investment and growth opportunities (notably Healthcare, Catering, Outsourcing, Savings, Technology), as well as the obvious challenges. With valuations of European markets having fallen so far, equities look far more attractive than bonds, and that is why we have a minimal cash position and have a borrowing facility that we are likely to use more actively. We are not complacent as to the risks of low growth or even renewed recession in 2012-13, but since we have investments in exporting companies, and companies which tend to be less reliant on government spending, we should be able to weather the coming storms in reasonable shape.

Tim Stevenson
Portfolio Manager
30 September 2011

Portfolio Manager's Report
continued

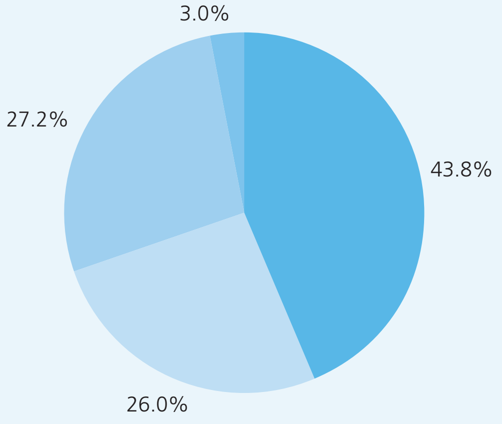
Performance Attribution Analysis – Twelve months to 31 July 2011 (average throughout year)

	Allocation		Performance	
Sector	**Company %**	**Benchmark Index %**	**Company %**	**Benchmark Index %**
Industrials	31.4	14.1	18.0	15.3
Healthcare	12.2	10.4	33.6	32.3
Financials	8.8	23.5	0.5	-6.4
Consumer Staples	12.1	10.7	24.3	17.5
Basic Materials	5.3	8.3	27.8	25.0
Consumer Discretionary	8.4	9.9	28.9	34.3
Energy	6.9	6.9	21.9	17.3
Information Technology	10.8	3.5	2.6	8.3
Telecommunications	4.1	6.3	12.4	6.4
Utilities	–	6.4	–	2.9
Total	**100.0**	**100.0**	**–**	**–**

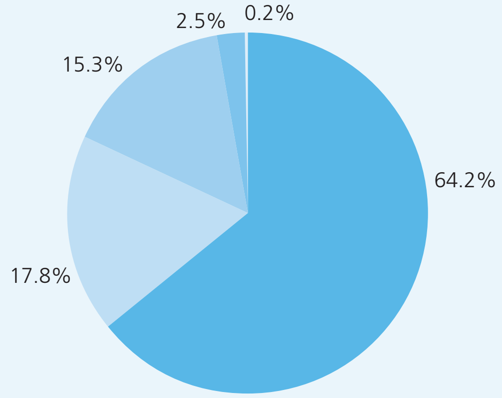
Source: Factset

Investment Portfolio
as at 31 July 2011

Market capitalisation of the holdings in the portfolio at 31 July 2011



Market capitalisation of the benchmark at 31 July 2011



Greater than £15bn
£7.5bn – £15bn
£2.5bn – £7.5bn
£1bn – £2.5bn
Less than £1bn

Source: Factset

Investment Portfolio

continued

Rank (2011)	Rank (2010)	Company	Country	Sub-Sector	Valuation 2011 £'000
1	2	**Deutsche Post**	Germany	Air Freight & Logistics	**5,711**

Deutsche Post provides businesses and consumers worldwide with express, logistics and mail services globally. The company has previously disappointed investors but has now restructured extensively.

2	1	**Fresenius**	Germany	Healthcare	**5,362**

Main business areas are nutrition and infusion therapy, hospital management and kidney dialysis (via its stake in Fresenius Medical Care). Offers stable earnings growth thanks to structural growth in demand for dialysis and hospital care, yet trades at a significant discount to historic valuation multiples.

3	6	**Swedish Match**	Sweden	Tobacco Products	**4,007**

Swedish Match is based in Stockholm and makes smoke free products including snus, snuff and chewing tobacco as well as cigars. The fast growth of its mass market US cigar business has seen it gain market share which should boost earnings in the future.

4	–	**Amadeus**	Spain	Transportation Infrastructure	**3,849**

Amadeus is a technology company that processes transactions for airlines and should benefit from global passenger growth. It also offers IT software solutions to its customers.

5	39	**Ericsson**	Sweden	Telecommunications	**3,636**

Ericsson offers the capability to expand and upgrade mobile networks. This area is likely to see growth as the emergence of smart phones and mobile tablets has placed a great deal of pressure on current infrastructure.

6	–	**BIC**	France	Commercial Services & Supplies	**3,453**

With presence in more than 160 countries, BIC holds world leading positions in the stationery, lighter and shaver markets. BIC holds these positions in its end markets thanks to its innovative, appealing product portfolio, global distribution network and price positioning.

7	23	**Linde**	Germany	Chemicals	**3,423**

The Linde Group is a world leading supplier of industrial, process and speciality gases and is one of the most profitable engineering companies. Linde products and services can be found in nearly every industry, in more than 100 countries.

8	12	**SES Global**	France	Media	**3,368**

SES provides satellite communications and broadcast services. It is well placed to benefit from a widespread roll out of HD TV thanks to its bandwidth monopoly. Long term contracts also offer transparent cash flows over the coming years.

9	35	**Saipem**	Italy	Oil Equipment	**3,167**

Saipem is a large, international turnkey contractor in the oil & gas industry. It operates in remote areas including deepwater and is a leader in the provision of engineering and construction services for both offshore and onshore projects.

10	42	**L'Oréal**	France	Personal Goods	**3,158**

L'Oréal is the leading global cosmetics group offering a broad portfolio of haircare, skincare, make-up, and perfume products in 130 countries. The group focuses on 23 international cosmetics brands which typically command leading market positions. In recent years L'Oréal has expanded successfully in Asia where it has proved popular with consumers.

Top Ten Investments	**39,134**

The Top Ten Investments by value account for 30.8% of the total value of investments (2010: 32.5%).

Investment Portfolio

continued

Rank (2011)	Rank (2010)	Company	Country	Sub-Sector	Valuation 2011 £'000
11	11	**Roche**	Switzerland	Pharmaceuticals & Biotechnology	**3,017**

One of the only pharmaceutical firms that should still be classified as a growth stock. It has a strong early stage pipeline and focus on areas of the market that are less susceptible to competition from generic manufacturers.

12	4	**Essilor**	France	Ophthalmology	**2,886**

One of the world's largest manufacturers of optical lenses with three times the market share of its nearest competitor. Essilor has quasi monopolistic pricing power and now has a large presence in the fast growing Asian market.

13	–	**Deutsche Telekom**	Germany	Telecommunications	**2,866**

Deutsche Telekom has a series of world class assets and is the incumbent telecom operator in Germany with top market positions in fixed and mobile telecommunications. It also has a broad international mobile portfolio including operations in Austria, the Netherlands and Czech Republic. The quality of the assets was recently highlighted with the sale of its US business to AT&T. It also offers a solid and attractive yield.

14	40	**Brenntag**	Germany	Chemicals	**2,846**

Brenntag is the world's largest third party chemicals distributor. It has market leading positions in Europe and Latin America and is number three in North America. The market for third party chemicals distribution is estimated at €115 billion, growing historically at over 10% p.a

15	–	**Legrand**	France	Electrical Installations	**2,844**

Legrand specialises in products and systems for electrical installations and information networks. The company offers good growth at an attractive price.

16	29	**Fresenius Medical Care**	Germany	Healthcare	**2,834**

Fresenius Medical Care is the largest integrated player in the global dialysis product and services market, caring for over 200,000 patients (more than 10% of global patient share) and selling 45% of the world's dialysers and 55% of new dialysis machines purchased in 2009.

17	3	**Adecco**	Switzerland	Professional Services	**2,790**

Adecco is one of the more cyclically sensitive stocks in the portfolio. The recruiter is seeing a strong recovery in its major markets as companies re-hire temporary employees both to meet demand and to increase the level of flexibility within their cost base.

18	–	**United Internet**	Germany	Technology	**2,783**

United Internet is a German listed company with the biggest webhosting business in the world, a DSL broadband operation with 3.3 million subscribers, the strongest portals in Germany and a publicly traded online marketing business (SEDO). We see strong structural growth driven by international expansion.

19	10	**Nestlé**	Switzerland	Food Producer & Processor	**2,695**

Nestlé is the largest food company globally. Over many years Nestlé has delivered consistently strong and dependable operating performance. We believe this is likely to continue in the foreseeable future as it continues to gain market share across divisions and improve capital efficiency.

20	5	**Sodexo**	France	Catering Services	**2,682**

Sodexo is a global leader in contract catering and number one in the world in education and healthcare catering. The group is set to increase market share whilst its vouchers business should become more appreciated by the market.

Top Twenty Investments	**67,377**

The Top Twenty Investments by value account for 53.1% of the total value of investments (2010: 54.9%).

Investment Portfolio

continued

Rank (2011)	Rank (2010)	Company	Country	Sub-Sector	Valuation 2011 £'000
21	14	**Total**	France	Oil & Gas Producers	**2,646**
22	19	**Kühne + Nagel**	Switzerland	Logistics	**2,615**
23	7	**ABB**	Switzerland	Electronic Equipment	**2,476**
24	–	**Atlas Copco**	Sweden	Industrial Equipment	**2,473**
25	15	**Inditex**	Spain	General Retailers	**2,446**
26	21	**Givaudan**	Switzerland	Chemicals	**2,379**
27	43	**Statoilhydro**	Norway	Oil & Gas Producers	**2,284**
28	8	**Deutsche Börse**	Germany	Financial Services	**2,243**
29	9	**SAP**	Germany	Computer Software	**2,223**
30	26	**Allianz**	Germany	Insurance	**2,177**
Top Thirty Investments					**91,339**

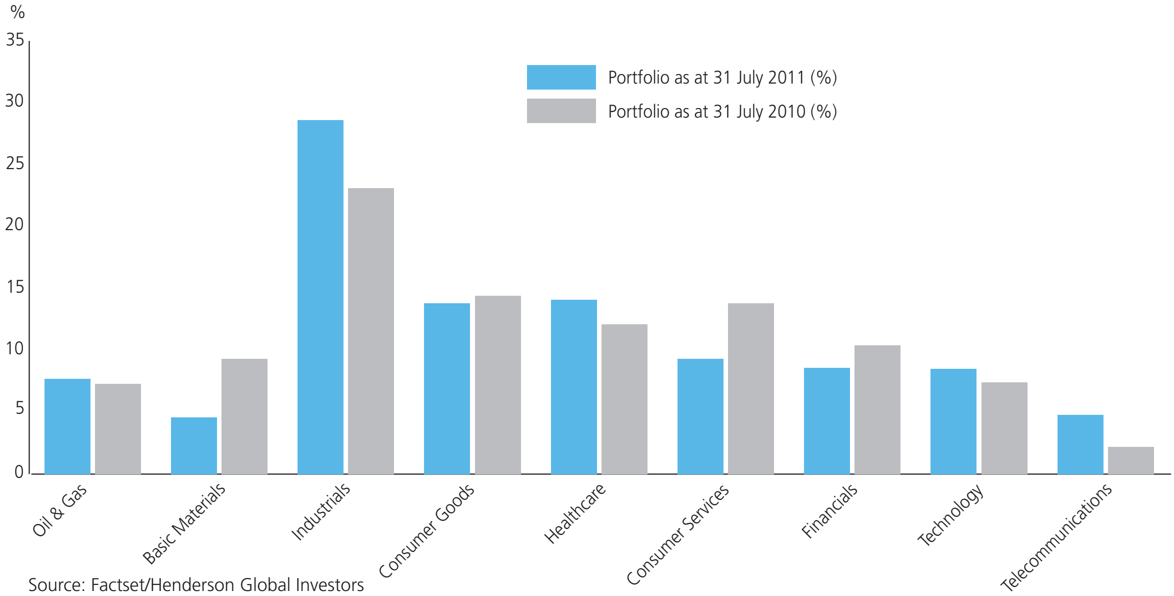
Rank (2011)	Rank (2010)	Company	Country	Sub-Sector	Valuation 2011 £'000
31	–	**Temenos**	Switzerland	Computer Software	**2,118**
32	34	**Henkel**	Germany	Personal Goods	**2,112**
33	–	**Novartis**	Switzerland	Pharmaceuticals & Biotechnology	**2,099**
34	–	**Sandvik**	Sweden	Machinery	**2,089**
35	–	**Unilever**	Netherlands	Food Products	**2,082**
36	16	**France Telecom**	France	Telecommunications	**2,022**
37	–	**AXA**	France	Insurance	**1,958**
38	–	**Kone**	Finland	Machinery	**1,943**
39	20	**Zurich Financial Services**	Switzerland	Financial Services	**1,918**
40	37	**SGS**	Switzerland	Support Services	**1,802**
Top Forty Investments					**111,482**

Rank (2011)	Rank (2010)	Company	Country	Sub-Sector	Valuation 2011 £'000
41	22	**Schneider Electric**	France	Industrial Engineering	**1,787**
42	–	**Sky Deutschland**	Germany	Media	**1,733**
43	31	**ENI**	Italy	Oil & Gas Producers	**1,728**
44	–	**Getinge**	Sweden	Healthcare Equipment	**1,725**
45	–	**AP Møller-Mærsk**	Denmark	Marine	**1,637**
46	27	**Deutsche Lufthansa**	Germany	Airlines	**1,555**
47	13	**Siemens**	Germany	Electrical Products	**1,478**
48	–	**Commerzbank**	Germany	Banking	**1,292**
49	28	**UBS**	Switzerland	Banking	**1,257**
50	25	**Kabel Deutschland**	Germany	Diversified Telecoms	**1,233**
Total Equities					**126,907**
51	–	**Euro Stoxx Banks (Call Option)**	Germany	–	**72**
Total Investments					**126,979**

Investment Portfolio

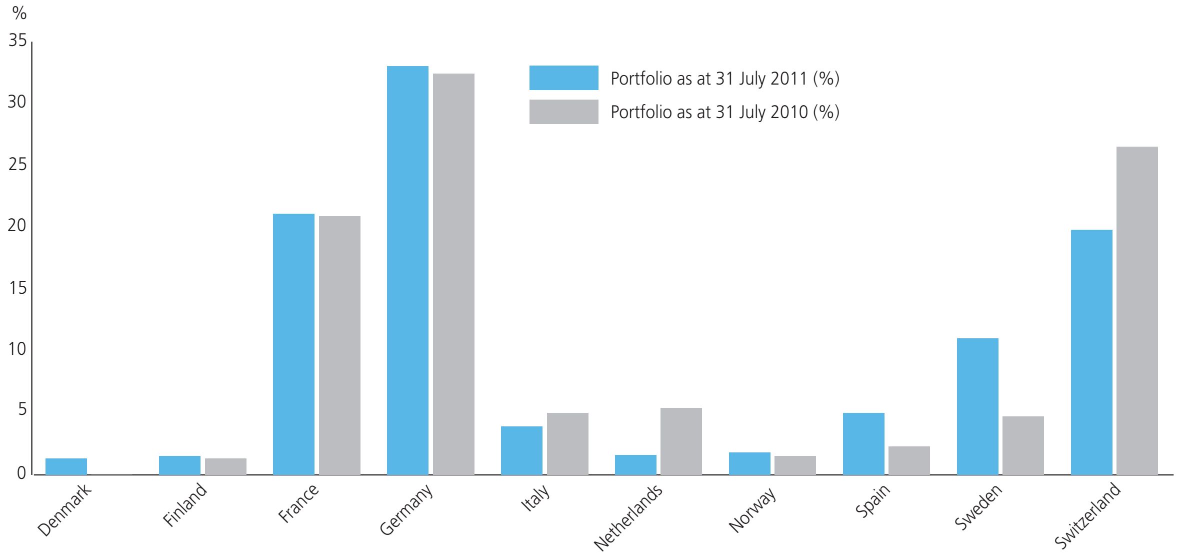
continued

Sector Analysis



Source: Factset/Henderson Global Investors

Geographical Analysis



Source: Factset/Henderson Global Investors

Directors

Mark Tapley, Chairman#†
Mark was appointed to the Board in 2000 and as Chairman in November 2007. He has over 35 years' experience in the investment management industry. He is a Visiting Fellow at Cranfield School of Management, and an adviser to the investment committees of Lloyd's Register and the Consumer Association. He was previously managing director and group chief investment officer of WestLB Asset Management, a member of the CFA Society of the UK and Executive Director of the Hedge Fund Centre at London Business School.

Robert Bischof*
Robert joined the board in 1996. He is the former chairman of McIntyre & King Limited and of Boss Group Limited, a subsidiary of Jungheinrich AG. He is on the board of the German-British Forum Ltd, German British Chamber of Industry and Commerce and SCCO International. He served on the Commission for Public Policy and British Business, was the German Honorary Consul for the North West of England from 1999 to 2005 and received an Order of Merit from the German President for his 'extraordinary contribution' to Anglo-German relations.

John Cornish*◆
John was appointed to the Board in November 2007 and is the Chairman of the Audit Committee. Previously he was a partner at Deloitte LLP where he led the firm's services to the investment trust industry. He served as Chairman of Framlington Innovative Growth Trust plc for four years until 2010 and currently he is a director of RIT Capital Partners plc, RCM Technology Trust PLC, Strategic Equity Capital plc and treasurer of the Royal Alexandra and Albert Foundation.

Joop Feilzer*
Joop was appointed to the Board in November 2007. He is a member of the supervisory board of the Autoriteit Financiële Markten, the body which regulates the Dutch financial sector. He held various executive positions at the Fortis and Fortis Bank group of companies for a number of years, and was formerly a director of various BNP Paribas companies and of AG Insurance. He is a former Vice Chairman of CTP Property NV and a supervisory board member of several Dutch foundations.

David Marsh*
David joined the Board on 24 May 2011. He is Co-Chairman of Official Monetary and Financial Institutions Forum ('OMFIF') and Chairman of management consultancy SCCO International. He is a deputy Chairman of German-British Forum, an advisory board member of the Centre for European Reform and board member of the British Chamber of Commerce in Germany. A former 'Financial Times' journalist, David is a frequent media commentator and the author of four books including 'The Euro – the Politics of the New Global Currency'.

The Directors meet regularly with the Portfolio Manager to determine strategy, monitor investment policy and review performance. The Directors' Report (which incorporates the Corporate Governance Statement), the Statement of Directors' Responsibilities in respect of the financial statements and the Directors' Remuneration Report, are printed on pages 13 to 24.

Robert Bischof will retire from the Board at the conclusion of the Annual General Meeting on 15 November 2011.

#Chairman of Nominations Committee.
†Chairman of Management Engagement Committee.
◆Chairman of Audit Committee.
*Member of Audit, Nominations and Management Engagement Committees.

Management

The portfolio is managed by Tim Stevenson, assisted by William Stormont. Tim has specialised in European investment since 1982 and joined Henderson in 1986.
Tim was a director of the Company from 1992 until 18 November 2010.

Directors' Report

The Directors present the audited financial statements of the Company and their report for the year from 1 August 2010 to 31 July 2011.

Business Review

The following business review is designed to provide information primarily about the Company's business and results for the year ended 31 July 2011. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 and with the Portfolio Manager's Report on pages 5 to 7, which give a detailed review of the investment activities for the year and an outlook for the future.

a) Status

Henderson EuroTrust plc (registered in England & Wales, number 2718241) traded throughout the year and was not dormant. The Company is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. It is required to seek approval from HM Revenue & Customs ('HMRC') of its status as an investment trust under the above mentioned section every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 July 2010, although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

The Company is not a close company.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

b) Investment Objective and Policy

Objective

The objective of the Company is to invest 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 aims to achieve a superior total return from a portfolio of high quality European investments.

Policy

Companies are reviewed carefully to assess the quality of management, balance sheet strength and growth prospects. The Portfolio Manager meets regularly with those companies.

As an investment trust, the Company will not invest more than 15% of gross assets in any one company or group of companies; however, subject to this, the Board has not set any minimum or maximum limits on the number of investments in the portfolio or imposed any country or sector limits within the European context, although the Company does not invest in UK companies. Typically there are between 40 and 50 holdings in the portfolio, reflecting a diversified mix of business and geographical sectors, but the Company will not hold more than 10% of the share capital of any company. Unquoted investments may be made, although in aggregate these may not amount to more than 10% of the portfolio, and the Company has none at the present time.

A full list of the investments in the portfolio at 31 July 2011 is shown on pages 8 to 10. The largest holding at year end was in Deutsche Post (4.5%). The top 10 holdings amounted to 30.8% of the total investments.

In accordance with the Listing Rules of the UKLA, the Company will not invest more than 15% (at the time the investment is made) of its total assets in other UK listed investment companies. In addition, it will not invest more than 10%, in aggregate, of its total assets in UK listed investment companies who have not published an investment policy confirming that they will not themselves invest more than 15% of their total assets in other UK listed investment companies.

In practice the Company has never had any investments in other pooled vehicles and there is currently no intention to change that policy.

Gearing

The Company's Articles allow borrowings up to 100% of shareholders' funds. In normal circumstances, the Directors would expect the Company to be fairly fully invested but it may hold cash and cash instruments up to 20% or be geared up to 30% of the total assets.

c) Financial Review

Results for the year

Total net assets at 31 July 2011 amounted to £128,198,000 compared with £114,610,000 at 31 July 2010, and the net asset value ('NAV') per ordinary share increased to 624.7p from 549.0p. At 1 August 2010 there were 20,876,925 shares in issue and by 31 July 2011 this had reduced to 20,521,675 shares following share buybacks.

Total return for the year was £17,855,000 compared to £15,980,000 a year earlier. Dividends totalling 15.0p per share are recommended in respect of 2011, compared to 11.0p in 2010.

At 31 July 2011 there were 50 equity investments and one derivative (2010: 46 equity investments) as detailed on pages 8 to 10.

Directors' Report

continued

In the year under review finance costs totalled £44,000 (2010: £43,000), the management fee totalled £918,000 (2010: £846,000) and other expenses £325,000 (2010 £288.000). These figures include VAT where applicable. A performance fee of £637,000 (2010: £584,000) is payable.

Net revenue after taxation for the year was £3,657,000, an increase of 39.8% on the previous year.

The Board aims to make progressive increases in annual dividend payments. For the financial year under review, an interim dividend of 4.0p and a final dividend of 11.0p provides a total dividend of 15.0p per ordinary share. Subject to approval at the AGM, the final dividend will be paid on 18 November 2011 to shareholders on the register of members on 14 October 2011. The Company's shares will be quoted ex-dividend on 12 October 2011.

Payment of Suppliers
It is the payment policy for the financial year to 31 July 2012 to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 31 July 2011.

Bank Facilities and Gearing
Since April 2011 the Company has had in place a £10 million loan facility which allows it to borrow as and when appropriate. The maximum amount drawn down in the period under review was £7.1 million, with borrowing costs for the year totalling £44,000. £0.5 million was outstanding at the year end. Actual gearing at 31 July 2011 was 0.4% of net asset value.

Future developments
While the future performance of the Company will depend to some degree on macro-economic factors and the performance of international financial markets, the Board is clear in its intention to continue with its stated investment objective, which has served shareholders well over the years. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement (on pages 3 and 4) and the Portfolio Manager's Report (on pages 5 to 7).

Going Concern
The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. In reviewing the position as at the date of this report, the Board has considered the 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' published by the Financial Reporting Council in October 2009.

d) Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

- *Performance measured against benchmark*
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and its benchmark, the FTSE World Europe (ex UK) Index. The Board considers this to be its most important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to the Manager, as set out below.

- *Discount/premium to net asset value ('NAV')*
  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV, looks at ways of managing this, and reviews the average discount/premium of the peer group companies in the AIC Europe sector.

  Your Board has bought back a total of 355,250 shares in the year. In accordance with the authority granted at the last AGM, and which the Directors seek to renew at the forthcoming meeting, the Company retains the flexibility to repurchase shares when it sees fit. A further 43,134 shares have been bought since the end of the financial year and the Board will continue to instruct purchases as required and in accordance with the authority.

  The Company publishes its NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 has included current financial year revenue, the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical comparison.

- *Performance against the Company's peer group*
  The Company is included in the AIC Europe sector. In addition to comparison against the stated benchmark, the Board also considers the performance of its peer group at each Board meeting.

Directors' Report

continued

- *Total Expense Ratio ('TER')*
  The TER is a measure of the total expenses incurred by the Company including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. The TER is calculated by taking the management fee and adding the administrative expenses and dividing by the average NAV. The TER before performance fees and finance costs as at 31 July 2011, amounted to 0.96% (2010: 0.94%) of the assets of the Company. With the inclusion of the performance fee this amounted to 1.45% (2010: 1.43%). The Board monitors all Company expenses on a regular basis.

e) Related party transactions

The provision of investment management, accounting, company secretarial and administration services has been outsourced to Henderson Global Investors Limited ('Henderson'). This is the only related party arrangement currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with this related party which have affected the financial position or performance of the Company during the year under review.

Custody services are supplied by JPMorgan Chase.

f) Management arrangements

The investment management agreement with Henderson referred to above is renewed annually.

The base management fee is calculated at the rate of 0.70% per annum of chargeable assets under management with an additional annual performance related element.

A performance fee is charged if the adjusted NAV of the ordinary shares at the end of any calculation period exceeds the high water mark represented by the formula asset value of 269p per share calculated as at 2 July 2002 (being the date following the repayment of the zero dividend preference shares). The fee will be paid to the Manager in respect of the calculation period (which is the accounting reference period) at the rate of 15% of any outperformance of the NAV total return per ordinary share, in excess of the total return over the same period of the Company's benchmark, the FTSE World Europe (ex UK) Index (sterling adjusted). If the NAV total return of the ordinary shares underperforms the benchmark, no performance fee will be payable until the underperformance has been made good.

The performance fee is subject to the following conditions: (a) the aggregate amount of the management/custody fee and any performance fee payable in respect of any calculation period will not exceed 1.5% of the total assets of the Company on the last business day of such calculation period. If condition (a) applies, the high water mark will be adjusted downwards accordingly, and (b) no performance fee is payable if and to the extent that the adjusted NAV per ordinary share on the last business day of the calculation period in question is less than 90% of the NAV per ordinary share on the last day of the previous calculation period. Effective 1 August 2011, the performance fee calculation will be adjusted for the effect of share buybacks.

For the year ended 31 July 2011 the Manager has outperformed the Index and the adjusted NAV is in excess of the NAV at 31 July 2010. A performance fee of £637,000 has been earned in the year under review.

The management agreement may be terminated by either party but in certain circumstances the Company will be required to pay compensation to Henderson of an amount of up to one year's management charge. Compensation is not payable if one or more years' notice of termination is given.

During the year under review the Manager used certain services which were paid for, or provided, by various brokers. In return it placed business, which may have included transactions relating to the Company, with these brokers.

g) Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

- *Investment activity and performance*
  An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.

- *Portfolio and market*
  Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The Board reviews the portfolio each month and mitigates risk through diversification of investments in the portfolio.

Directors' Report

continued

- *Regulatory*

  A breach of section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Manager is contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal controls reports produced by the Manager on a quarterly basis, which confirm regulatory compliance.

- *Operational*

  Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.

  Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement which is set out below.

  Further details of the Company's exposure to market risk (including market price risk, currency risk, and interest rate risk), liquidity risk and credit and counterparty risk and how they are managed are contained in Note 15 on pages 37 to 43.

Corporate Governance Statement

a) Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 7.2 of the Disclosure and Transparency Rules of the UK Listing Authority requires all listed companies to publish a corporate governance statement, while paragraph 9.8.6 of the Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'Code'). As an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

The Financial Reporting Council (the 'FRC') confirmed on 30 September 2010 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies (the 'AIC Guide'), published in October 2010, boards of investment companies should fully meet their obligations in relation to the Code and paragraph 9.8.6 of the Listing Rules. The AIC Code of Corporate Governance published in October 2010 (the 'AIC Code'), as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board of Henderson EuroTrust plc believes that reporting against the AIC Code by reference to the AIC Guide will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found at www.theaic.co.uk

b) Statement of compliance

The AIC Code comprises 21 principles. The Directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the Code except as noted below.

The Code includes provisions relating to:

- The role of chief executive
- Senior Independent Director
- Executive directors' remuneration
- The need for an internal audit function

As the Company delegates to an external investment manager its day-to-day operations and has no employees, the Board does not consider these provisions to be relevant to the Company and has not reported further in respect of these provisions.

In addition, Mark Tapley and Robert Bischof have each served on the Board for in excess of nine years. Mark Tapley is seeking re-election at the Annual General Meeting.

c) Directors

- *Board composition and independence*

  The Articles of Association provide that the total number of directors shall be not less than two nor more than ten. The Board currently consists of five non-executive Directors, who are independent of the Company's Manager. The Chairman is Mark Tapley. Tim Stevenson, the Portfolio Manager, who was a director until 18 November 2010, is employed by the Manager and has therefore not been considered an independent director throughout the period of his appointment. The Directors' biographies, set out on page 12, demonstrate the breadth of investment, commercial and professional experience relevant to the

Directors' Report

continued

positions as Directors of the Company. The Directors keep closely in touch with developments in Europe and visit the region periodically. No Director has a service contract with the Company.

A senior non-executive director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead when issues arise and to whom concerns can be conveyed.

- *Directors' appointment, retirement and rotation*
The Articles of Association provide that the Board may appoint directors to the Board and any director so appointed must stand for election by the shareholders at the AGM following appointment. David Marsh was appointed on 24 May 2011 and accordingly offers himself for election at the forthcoming AGM.

The Articles of Association require one-third of the Directors to retire by rotation at each AGM, while the AIC Code requires each director to retire at intervals of not more than three years. Directors may then offer themselves for re-election. The Director offering himself for re-election is Joop Feilzer, who was last re-elected in 2008. Under the Articles of Association shareholders may remove a director before the year of his term by passing an ordinary resolution.

Mark Tapley has served on the Board for over nine years and is therefore obliged to offer himself for re-election on an annual basis. The Board believes that length of service does not diminish the contribution from a director and that a director's experience and knowledge of the company can be a positive benefit to the Board. The Directors have reviewed the balance of experience of all board members and confirm Mark Tapley continues to provide a valuable and beneficial contribution to the Company and that his experience complements the abilities of the other directors. The Board has therefore concluded that he remains independent. Robert Bischof has also served on the Board for over nine years but will not be seeking re-election at the AGM.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

The Directors have reviewed the performance and commitment of the Directors standing for election and consider that all of the Directors should continue in post as they bring a wide, current and relevant business experience that allows them to contribute effectively to the leadership of the Company.

- *Directors' remuneration*
A report on Directors' remuneration is on pages 23 to 24.

- *Directors' interests in shares*
The interests of the current Directors in the ordinary shares of the Company at the beginning (or date of appointment, if later) and end of the financial year are shown in the table below.

Ordinary shares of 5p	**31 July 2011**	1 August 2010
Beneficial:		
Mark Tapley	**20,000**	20,000
Robert Bischof	**7,000**	5,000
John Cornish	**–**	–
Joop Feilzer	**5,000**	5,000
David Marsh[1]	**–**	–

[1]Appointed 24 May 2011.

There have been no changes in the interests of the Directors since the year end.

- *Directors' conflicts of interest*
Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 ('the Act') has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the Articles of Association contain a provision to this effect. The Act also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two safe harbours – either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's Articles of Association give the Directors the relevant authority required to deal with conflicts of interest.

Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. The Directors have also all undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the register, which will be reviewed annually by the Board.

It has also been agreed that Directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new Directors will be asked to submit a list of potential situations falling within

Directors' Report

continued

the conflicts of interest provisions of the 2006 Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, Directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the Directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts has operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the Directors.

- *Directors' professional development*
  When a new Director is appointed he or she is offered a training seminar which is held by the Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

- *Directors' indemnity*
  Directors' and officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court.

d) The Board

- *Responsibilities of the Board and its Committees*
  During the year five Board meetings were held to deal with the important aspects of the Company's affairs. The Board has a formal schedule of matters specifically reserved for its decision, categorised under various headings, which include strategy and management, structure and capital, financial reporting and controls, internal controls, communications, board and committee memberships and corporate governance.

  The Board has three Committees: the Audit Committee, the Management Engagement Committee and the Nominations Committee. The terms of reference for these Committees are available on the Company's website.

- *Audit Committee*
  During the year under review the Audit Committee members were John Cornish (Chairman), Robert Bischof, Joop Feilzer and from 24 May 2011 David Marsh, all of whom are considered to be independent. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

  The Audit Committee meets at least twice a year and is responsible for the review of the annual financial statements, the nature and scope of the external audit and the findings therefrom, the terms of appointment of the auditors together with their remuneration, performance, independence and objectivity, as well as any non-audit services provided by the auditors, and the half year report. It meets with representatives of the Investment Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP. The Audit Committee has reviewed the audit appointment in the past and does not consider it necessary to repeat this at present. The auditors are required to rotate the audit partner every five years and this is the first year that the current partner has been in place.

- *Management Engagement Committee*
  The Committee comprises all the Directors and is chaired by Mark Tapley. It meets at least annually to review the investment management agreement and the services provided by the Manager. Details of Henderson's responsibilities as Manager can be found on page 15.

- *Nominations Committee*
  All Directors are members of the Nominations Committee. The Chairman of the Board acts as Chairman of the Committee but would not chair the Committee when the Chairman's successor is being considered. The Committee is responsible for reviewing Board succession planning, the performance of the Board as a whole and the Board Committees and the appointment of new directors and meets as required.

- *Board attendance*
  Attendance at the Board and Committee meetings held during the financial year is shown opposite. All the Directors also attended the Annual General Meeting in November 2010.

Directors' Report
continued

No. of meetings	Board 5	Audit Committee 2	Management Engagement Committee 1	Nominations Committee 1
Mark Tapley	5	n/a	1	1
Robert Bischof	5	2	1	1
John Cornish	5	2	1	1
Joop Feilzer	5	2	1	1
David Marsh(1)	2	–	1	–
Tim Stevenson(2)	2	–	–	–

(1) Appointed 24 May 2011.

(2) Resigned 18 November 2010. In practical terms continued to attend meetings by invitation throughout the year in his capacity as Portfolio Manager.

e) Performance Evaluation

The performance of the Company is considered in detail at each Board meeting. The work of the Board as a whole and of the Board Committees was reviewed by the Nominations Committee in May 2011 and no areas of concern were identified.

In addition, the Nominations Committee members review the performance of the Chairman in his role. The Chairman reviews each individual director's contribution.

f) Internal Controls

The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated by its clients. The effectiveness of the internal controls is assessed by the Manager's internal audit and compliance and risk departments on an ongoing basis.

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ('the Turnbull Guidance') and revised by the FRC in October 2005. The process has been in place since 2000 and up to the date of approval of this Annual Report.

The Board is responsible overall for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the Company's business risks and these have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls which includes a report from the Manager's auditors on the control policies and procedures in operation. It also receives reports on the controls in place within other key suppliers.

The Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Manager's compliance and risk department on a continuing basis.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 July 2011, and to the date of approval of this Annual Report and Financial Statements.

g) Accountability and relationship with the Manager

The Statement of Directors' Responsibilities is set out on page 22, the Independent Auditors' Report on page 25 and the statement of Going Concern on page 14.

The Board has delegated contractually to external third parties, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional

Directors' Report

continued

advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board and the Manager operate in a supportive, co-operative and open environment.

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011 and confirmed its zero tolerance to bribery and corruption in its business activities. It has sought assurances from its main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

h) Continued Appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are contained in the Directors' Report on page 15.

The Board reviews investment performance at each Board meeting and a formal review of the Manager is conducted annually. The Manager has extensive investment management resources and wide experience in managing and administering investment trust companies.

As a result of their annual review, it is the opinion of the Directors that the continued appointment of the current Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

i) Share capital and shareholders

The Company's share capital comprises ordinary shares with a nominal value of 5 pence each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights, and there are no shares which carry specific rights with regard to the control of the Company.

At 31 July 2010, there were 20,876,925 shares in issue. During the year, 355,250 shares (representing 1.70% of the issued share capital) were bought back at an average price of 557p per share, and cancelled. The number of ordinary shares in issue on 31 July 2011 was 20,521,675. Since the year end a further 43,134 shares have been brought back.

- *Substantial share interests*
  As at 31 July 2011 the following had declared an interest of 3% or more of the voting rights in the Company:

Shareholder	% of voting rights
Investec Wealth & Management	12.12%
Henderson Global Investors	11.09%
Lloyds TSB Group plc (including Scottish Widows Investment Partnership)	7.70%
Insight Investment	7.10%
1607 Capital Partners	5.08%
Legal & General	3.98%

Since the year end the Company has not been notified of any declarations of interests in the voting rights.

At 31 July 2011, 5.04% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products and 2.84% by participants in the Henderson products. These participants are given the opportunity to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. The relevant nominee company has undertaken to instruct its nominee company to exercise the voting rights of any shares held through the products that they have not exercised by the individual participants in them. They will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

- *Relations with Shareholders*
  Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily publication at the London Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet.

At each AGM a presentation is made by the Manager following the formal business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committee at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Annual Report and Financial Statements and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the registered office address. At other times the Company responds to letters from shareholders on a range of issues.

Directors' Report

continued

General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

j) Corporate Responsibility

- *Responsible investment*

  Responsible Investment is the term Henderson uses to cover its work on corporate governance and corporate responsibility (or social, environmental and ethical (SEE) issues) in the companies in which it invests on its clients' behalf, across all funds. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance (ESG) issues into mainstream investment decision-making and ownership practices.

  The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision.

- *Voting policy and the UK Stewardship Code*

  Henderson's Responsible Investment Policy sets out the Manager's approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients, and its policy on proxy voting. The Policy also sets out how Henderson implements the Stewardship Code. The Company has delegated responsibility for voting to the Manager. The Board receives a report, at least annually, on the voting undertaken by the Manager on behalf of the Company.

  The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution, the Portfolio Manager and/or members of the Board will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefor are fed back to the investee company prior to voting.

  The Henderson Responsible Investment Policy and further details of Henderson's responsible investment activities can be found on the Henderson website, www.henderson.com

- *Environmental matters*

  The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible.

Annual General Meeting ('AGM')

The AGM will be held on Tuesday 15 November 2011 at 2.30 pm at the Company's registered office. The formal notice of the AGM is set out in a separate document which has been sent to shareholders with this report.

The Directors seek annual authority from the shareholders to allot new shares, to disapply pre-emption rights and to buyback shares for cancellation or to be held in Treasury. At the AGM held in November 2010 the Directors were granted authority to buyback 3,115,210 shares. At 31 July 2011 260,250 shares had been bought back from this authority. A further 43,134 shares have been bought back since and therefore the Directors have the authority to purchase a further 2,811,826 shares. This authority will expire at the conclusion of the 2011 AGM.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration, will be proposed at the AGM.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Report are listed on page 13. Each of those Directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Ruth Saunders, FCIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary 30 September 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 12 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' report in this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Mark Tapley
Chairman
30 September 2011

The financial statements are published on the www.hendersoneurotrust.com website, which is a website maintained by the Company's Manager, Henderson Global Investors Limited ('Henderson'). The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with sections 420-422 to the Companies Act 2006. The report also meets the relevant Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, a resolution to approve the report will be proposed at the AGM. The Company's auditors are required to report on certain information contained within this report. Where information set out below has been audited it is indicated as such.

Remuneration policy

All Directors are non-executive and a Remuneration Committee has not been established. The whole Board considers matters relating to Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and be sufficient to enable candidates of high calibre to be recruited. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates annually, although such review will not necessarily result in any change to the rates, and account is taken of fees paid to directors of other investment trust companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors or third parties.

Directors' fees (Audited Information)

The Company's Articles of Association limit the fees payable to the Directors in aggregate to £120,000 per annum. Since 1 August 2009 the annual fees paid to the Directors have been £25,000 for the Chairman, £20,000 for the Audit Committee Chairman and £18,000 for other Directors.

The fees payable by the Company in respect of each of the Directors who served during the year, and during 2010, were as follows:

	2011	2010
Mark Tapley	**£25,000**	£25,000
Robert Bischof	**£18,000**	£18,000
John Cornish	**£20,000**	£20,000
Joop Feilzer	**£18,000**	£18,000
David Marsh[(1)]	**£3,379**	–
Tim Stevenson[(2)]	**–**	–
TOTAL	**£84,379**	£81,000

Notes:

(1) Appointed 24 May 2011.

(2) Resigned 18 November 2010 and fees waived.

Joop Feilzer received £1,445 (2010: £2,348) expenses during the year which related to costs incurred in respect of Board meeting attendance during the year. No reimbursement was made to any other Director in this respect.

Tim Stevenson, a Director of the Company until 18 November 2010 and the Portfolio Manager, is employed and paid by Henderson for the provision of services to the Company. Under the Companies Act 2006 it is necessary to state the proportion of the amount he received from Henderson which relates to the management of the Company, even though the Company does not pay these emoluments to him and is not involved in their determination. The Company has been informed that the emoluments paid by Henderson to Tim Stevenson in respect of his services to the Company during the part of the year in which he was a Director of the Company were £10,612 (2010: £220,050) as analysed:

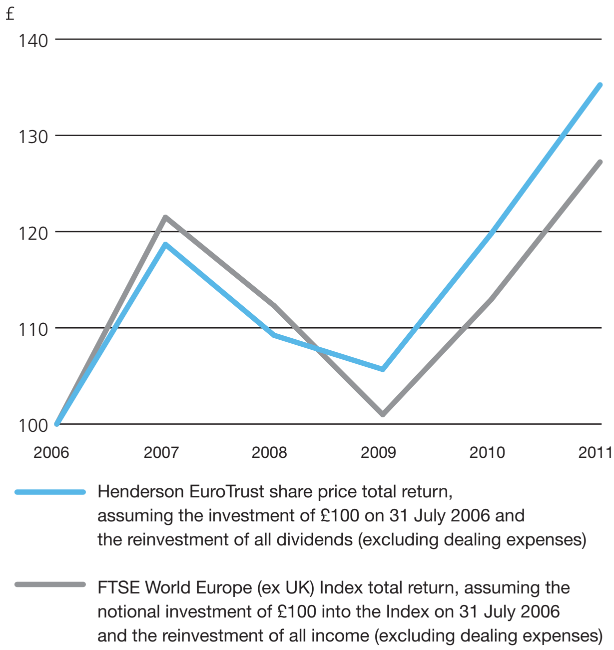
	Period 1 Aug 2010 to 18 Nov 2010	Year to 31 July 2010
Salary and other benefits	**£10,612**	£20,050
Performance related bonus	**–**	£200,000
TOTAL	**£10,612**	£220,050

A contribution was paid by Henderson on behalf of Tim Stevenson to a non-contributory defined benefit pension scheme. The increase in the benefit was £1,137 (2010: £7,600).

Directors' Remuneration Report
continued

Performance Graph

A line graph, as required by the Act, showing the Company's share price total return compared to the FTSE World Europe (ex UK) Index, is shown below.



The FTSE World Europe (ex UK) Index has been selected for the above chart as this is the Company's benchmark Index.

Source: Funddata, Datastream

By order of the Board

Ruth Saunders, FCIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary

30 September 2011

Independent Auditors' Report

to the members of Henderson EuroTrust plc

We have audited the financial statements of Henderson EuroTrust plc for the year ended 31 July 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2011 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 14, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2011

Income Statement

for the year ended 31 July 2011

Notes		Year ended 31 July 2011 Revenue return £'000	Year ended 31 July 2011 Capital return £'000	Year ended 31 July 2011 Total £'000	Year ended 31 July 2010 Revenue return £'000	Year ended 31 July 2010 Capital return £'000	Year ended 31 July 2010 Total £'000
2	Gains from investments held at fair value through profit or loss	**–**	**15,604**	**15,604**	–	14,645	14,645
3	Investment income	**4,546**	**–**	**4,546**	3,496	–	3,496
4	Other interest receivable and similar income	**2**	**–**	**2**	–	–	–
	Gross revenue and capital gains	**4,548**	**15,604**	**20,152**	3,496	14,645	18,141
5	Management and performance fees	**(184)**	**(1,371)**	**(1,555)**	(169)	(1,247)	(1,416)
6	Other administrative expenses	**(325)**	**–**	**(325)**	(288)	–	(288)
	Net return on ordinary activities before finance charges and taxation	**4,039**	**14,233**	**18,272**	3,039	13,398	16,437
7	Finance charges	**(9)**	**(35)**	**(44)**	(9)	(34)	(43)
	Net return on ordinary activities before taxation	**4,030**	**14,198**	**18,228**	3,030	13,364	16,394
8	Taxation on net return on ordinary activities	**(373)**	**–**	**(373)**	(414)	–	(414)
	Net return on ordinary activities after taxation	**3,657**	**14,198**	**17,855**	2,616	13,364	15,980
9	**Return per ordinary share – basic and diluted**	**17.6p**	**68.5p**	**86.1p**	12.1p	61.9p	74.0p

The total column of this statement represents the Income Statement of the Company.

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

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The Company had no recognised gains or losses other than those disclosed in the Income Statement.

Reconciliation of Movements in Shareholders' Funds

for the years ended 31 July 2011 and 31 July 2010

Notes	**Year ended 31 July 2011**	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	At 31 July 2010	**1,044**	**33,814**	**239**	**76,555**	**2,958**	**114,610**
	Net return from ordinary activities after taxation	**–**	**–**	**–**	**14,198**	**3,657**	**17,855**
16	Repurchase of ordinary shares	**(18)**	**–**	**18**	**(1,979)**	**–**	**(1,979)**
10	Final dividend paid in respect of the year ended 31 July 2010 (paid 22 November 2010)	**–**	**–**	**–**	**–**	**(1,460)**	**(1,460)**
10	Interim dividend paid in respect of the year ended 31 July 2011 (paid 28 April 2011)	**–**	**–**	**–**	**–**	**(828)**	**(828)**
	At 31 July 2011	**1,026**	**33,814**	**257**	**88,774**	**4,327**	**128,198**

Notes	Year ended 31 July 2010	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 July 2009	1,148	33,814	135	73,934	3,016	112,047
	Net return from ordinary activities after taxation	–	–	–	13,364	2,616	15,980
16	Repurchase of ordinary shares	(104)	–	104	(10,743)	–	(10,743)
10	Final dividend paid in respect of the year ended 31 July 2009 (paid 17 November 2009)	–	–	–	–	(1,376)	(1,376)
10	Special dividend paid in respect of the year ended 31 July 2009 (paid 17 November 2009)	–	–	–	–	(458)	(458)
10	Interim dividend paid in respect of the year ended 31 July 2010 (paid 30 April 2010)	–	–	–	–	(840)	(840)
	At 31 July 2010	1,044	33,814	239	76,555	2,958	114,610

The notes on pages 30 to 45 form part of these financial statements

Balance Sheet

at 31 July 2011

Notes		2011 £'000	2010 £'000
	Fixed asset investments held at fair value through profit or loss		
11	Listed at market value – overseas	**126,907**	112,859
	Current assets		
12	Debtors	**1,194**	492
	Cash at bank	**2,044**	3,808
		3,238	4,300
13	**Creditors: amounts falling due within one year**	**(1,947)**	(2,549)
	Net current assets	**1,291**	1,751
	Total net assets	**128,198**	114,610
	Capital and reserves		
16	Called up share capital	**1,026**	1,044
17	Share premium account	**33,814**	33,814
18	Capital redemption reserve	**257**	239
18	Capital reserves	**88,774**	76,555
18	Revenue reserve	**4,327**	2,958
	Shareholders' funds	**128,198**	114,610
14	**Net asset value per ordinary share**	**624.7p**	549.0p

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2011.

Mark Tapley
Director

The notes on pages 30 to 45 form part of these financial statements

Cash Flow Statement

for the year ended 31 July 2011

Notes		2011 £'000	2011 £'000	2010 £'000	2010 £'000
19	**Net cash inflow from operating activities**		**2,169**		1,124
	Servicing of finance				
	Interest paid	**(45)**		(41)	
	Net cash outflow from servicing of finance		**(45)**		(41)
	Taxation				
	UK Corporation Tax paid	**–**		(278)	
	Overseas tax recovered	**302**		176	
	Net tax recovered/(paid)		**302**		(102)
	Financial investment				
	Purchases of investments	**(78,167)**		(96,729)	
	Sales of investments	**78,774**		108,903	
	Net cash inflow from financial investment		**607**		12,174
	Equity dividends paid		**(2,288)**		(2,674)
	Net cash inflow before financing		**745**		10,481
	Financing				
	Repurchase of own shares	**(1,979)**		(10,743)	
	(Repayment)/drawdown of loans	**(806)**		1,346	
	Net cash outflow from financing		**(2,785)**		(9,397)
	(Decrease)/increase in cash		**(2,040)**		1,084
	Reconciliation of net cash flow to movement in net funds				
20	(Decrease)/increase in cash as above		**(2,040)**		1,084
20	Exchange movements		**276**		169
	Net cash inflow/(outflow) from decrease/(increase) in loans		**806**		(1,346)
	Change in net funds resulting from cash flows		**(958)**		(93)
	Net funds at 1 August		**2,477**		2,570
20	**Net funds at 31 July**		**1,519**		2,477

The notes on pages 30 to 45 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('the AIC') in January 2009. All of the Company's operations are of a continuing nature. The Company's accounting policies are consistent with the prior year.

(b) Fixed asset investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Assets are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. Unquoted investments are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot reliably be measured, the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'Gains or losses from investments held at fair value through profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(c) Capital gains and losses

Capital gains and losses arising on investments sold and investments held, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in the capital reserves.

(d) Income

Dividends receivable from equity shares are taken to revenue return on an ex-dividend basis. Bank deposit interest and stock lending fees are taken to revenue on an accruals basis.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, a derivative financial instrument is recognised initially at fair value. The derivative is re-measured subsequently at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where actual or expected loss from taking up the securities underwritten exceeds the commission income are allocated to the capital return. Net gains are allocated to the revenue return.

(e) Expenses and finance charges

All expenses are accounted for on an accruals basis. Finance charges, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method. On the basis of the Board's expected long term split of returns in the form of capital gains and income of 80% and 20% respectively, the Company charges 80% of its interest payable and management fee to the capital return. Any performance fees payable are allocated wholly to capital, reflecting the fact that although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance. All other expenses are charged to revenue return. All of these amounts are stated net of any tax relief and inclusive of any related irrecoverable value added tax.

Notes to the Financial Statements
continued

1 Accounting policies (continued)

(f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred from the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(g) Foreign currency

In accordance with FRS 23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be Sterling.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets and liabilities and equity investments held at fair value through profit or loss denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue return or capital return, depending on whether the gain or loss is of a revenue or capital nature.

(h) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Reconciliation of Movements in Shareholders' Funds.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(i) Repurchase of ordinary shares

The cost of repurchasing ordinary shares, including related stamp duty and transaction costs, is taken directly to equity and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

(j) Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:

– expenses and finance costs charged to capital net of tax relief;
– gains and losses on the disposals of investments;
– realised foreign exchange differences of a capital nature; and
– costs of repurchasing ordinary share capital.

Capital reserve arising on investments held

The following are accounted for in this reserve:

– increases and decreases in the valuation of investments held at the year end; and
– unrealised foreign exchange differences of a capital nature.

2 Gains from investments held at fair value through profit or loss

	2011 £'000	2010 £'000
Gains on the sale of investments based on historical cost	**8,495**	8,903
Less: revaluation gains recognised in previous years	**(4,453)**	(4,587)
Gains on investments sold in the year based on carrying value at the previous balance sheet date	**4,042**	4,316
Revaluation of investments held at 31 July	**11,286**	10,160
Exchange gains	**276**	169
	15,604	14,645

3 Investment income

	2011 £'000	2010 £'000
Overseas dividend income	**4,546**	3,496

Notes to the Financial Statements
continued

4	**Other interest receivable and similar income**	**2011 £'000**	2010 £'000
	Deposit interest	**2**	–
		2	–

5	**Management and performance fees**	**2011 Revenue return £'000**	**2011 Capital return £'000**	**2011 Total £'000**	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000
	Management fee	**184**	**734**	**918**	169	677	846
	Performance fee	**–**	**637**	**637**	–	584	584
	Less prior year adjustment	**–**	**–**	**–**	–	(14)	(14)
		184	**1,371**	**1,555**	169	1,247	1,416

A summary of the terms of the management agreement is given in the Directors' Report on page 15.

6	**Other administrative expenses (including irrecoverable VAT)**	**2011 £'000**	2010 £'000
	Directors' fees (see the Directors' Remuneration Report on page 23)	**84**	81
	Auditors' remuneration – for audit services	**24**	23
	Other administrative expenses	**217**	184
		325	288

7	**Finance charges**	**2011 Revenue return £'000**	**2011 Capital return £'000**	**2011 Total £'000**	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000
	Loan interest	**9**	**35**	**44**	9	34	43

Notes to the Financial Statements

continued

8 Taxation

(a) Analysis of charge in the year

Analysis of charge in the year	**2011 Revenue return £'000**	**2011 Capital return £'000**	**2011 Total £'000**	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000
Corporation tax at 27.33% (2010: 28%)	**–**	**–**	**–**	29	–	29
Double taxation relief	**–**	**–**	**–**	(29)	–	(29)
	–	**–**	**–**	–	–	–
Foreign withholding taxes	**608**	**–**	**608**	650	–	650
Overseas tax reclaimable	**(235)**	**–**	**(235)**	(236)	–	(236)
Current tax charge for the year (see note 8(b))	**373**	**–**	**373**	414	–	414

(b) Factors affecting the tax charge for the year

Factors affecting the tax charge for the year	**2011 Revenue return £'000**	**2011 Capital return £'000**	**2011 Total £'000**	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000
Net profit on ordinary activities before taxation	**4,030**	**14,198**	**18,228**	3,030	13,364	16,394
Corporation tax at 27.33% (2010: 28%)	**1,101**	**3,880**	**4,981**	848	3,742	4,590
Effects of:						
Non-taxable gains on investments held at fair value through profit or loss	**–**	**(4,264)**	**(4,264)**	–	(4,101)	(4,101)
Non-taxable overseas dividends	**(1,242)**	**–**	**(1,242)**	(819)	–	(819)
Overseas tax	**373**	**–**	**373**	414	–	414
Relief for double taxation	**–**	**–**	**–**	(29)	–	(29)
Excess management expenses	**141**	**384**	**525**	–	359	359
Current tax charge	**373**	**–**	**373**	414	–	414

(c) Deferred tax

Following the abolition of eligible unrelieved foreign tax, with effect from 1 July 2009, the Company has unprovided deferred tax assets of £773,000 at 31 July 2011 (2010: £328,000) arising as a result of excess management expenses and loan relationship deficits. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

Due to its status as an investment trust, the Company is exempt from tax on capital gains or losses on the revaluation or disposal of investments.

Notes to the Financial Statements

continued

9 Return per ordinary share

The total return per ordinary share is based on the net return attributable to the ordinary shares of £17,855,000 (2010: £15,980,000) and on 20,737,127 ordinary shares (2010: 21,606,893) being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2011 £'000	2010 £'000
Revenue return	**3,657**	2,616
Capital return	**14,198**	13,364
Total return	**17,855**	15,980
Weighted average number of ordinary shares	**20,737,127**	21,606,893
Revenue return per ordinary share	**17.6p**	12.1p
Capital return per ordinary share	**68.5p**	61.9p
Total return per ordinary share	**86.1p**	74.0p

The Company does not have any dilutive securities.

10 Dividends on ordinary shares

	Register date	Payment date	**2011 £'000**	2010 £'000
Final dividend (6.0p) for the year ended 31 July 2009	16 October 2009	17 November 2009	**–**	1,376
Special dividend (2.0p) for the year ended 31 July 2009	16 October 2009	17 November 2009	**–**	458
Interim dividend (4.0p) for the year ended 31 July 2010	14 April 2010	30 April 2010	**–**	840
Final dividend (7.0p) for the year ended 31 July 2010	15 October 2010	22 November 2010	**1,460**	–
Interim dividend (4.0p) for the year ended 31 July 2011	1 April 2011	28 April 2011	**828**	–
			2,288	2,674

The proposed final dividend for the year ended 31 July 2011 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Notes to the Financial Statements

continued

10 Dividends on ordinary shares (continued)

The total dividends payable in respect of the financial year which form the basis of section 1158 of the Corporation Tax Act 2010 are set out below:

	2011 £'000
Revenue available for distribution by way of dividend for the year	**3,657**
Interim dividend of 4.0p paid 28 April 2011	**(828)**
Proposed final dividend for the year ended 31 July 2011 of 11.0p (based on 20,478,541 ordinary shares in issue at 30 September 2011)	**(2,253)**
Undistributed revenue for section 1158 purposes*	**576**

*Undistributed revenue comprises 12.7% of the income from investments of £4,546,000 (see note 3).

11 Fixed asset investments

	Listed Investments £'000	Derivatives – Options £'000	Total £'000
Valuation at 31 July 2010	112,859	–	112,859
Investment holding gains at 1 August 2010	(14,491)	–	(14,491)
Cost of investments at 1 August 2010	98,368	–	98,368
Purchases at cost	77,518	775	78,293
Sales at cost	(70,539)	(467)	(71,006)
Cost of investments at 31 July 2011	105,347	308	105,655
Investment holding gains at 31 July 2011	21,560	(236)	21,324
Valuation at 31 July 2011	**126,907**	**72**	**126,979**

Purchase transaction costs for the year ended 31 July 2011 were £115,000 (2010: £155,000). These comprise mainly brokers' commissions. Sale transaction costs for the year ended 31 July 2011 were £119,000 (2010: £153,000).

12 Debtors

	2011 £'000	2010 £'000
Sales for future settlement	**727**	–
Withholding tax recoverable	**380**	477
Prepayments and accrued income	**15**	15
Derivative financial instruments	**72**	–
	1,194	492

Notes to the Financial Statements

continued

13	**Creditors: amounts falling due within one year**	**2011 £'000**	2010 £'000
	Bank loans (see note 15.2)	**525**	1,331
	Purchases for future settlement	**393**	267
	Management fee	**317**	255
	Performance fee	**637**	584
	Other accruals	**74**	110
	Loan interest payable	**1**	2
		1,947	2,549

14 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to ordinary shares of £128,198,000 (2010: £114,610,000) and on 20,521,675 (2010: 20,876,925) ordinary shares in issue at the year end. There were no shares held in Treasury at the year end (2010: nil).

The movements during the year of the assets attributable to the ordinary shares were as follows:

	£'000
Total net assets attributable to the ordinary shares at 1 August 2010	114,610
Total net return on ordinary activities after taxation	17,855
Dividends paid on ordinary shares in the year	(2,288)
Buybacks of ordinary shares	(1,979)
Total net assets attributable to the ordinary shares at 31 July 2011	**128,198**

15 Risk management policies and procedures

As an investment trust company the Company invests in equities and other investments for the long term so as to secure its investment objectives as stated on the inside front cover and in the Directors' Report. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks, market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and the Manager coordinate the Company's risk management.

The Board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk category. The policies for the management of risk have not changed from the previous accounting period.

The Company has a spread of investments which by their nature are less risky than placing the entire amount of the Company's assets on solely one investment. By their nature, equity investments can be higher risk than some other investments but the longer term return can be positive. Performance of equities has been and is likely to continue to be volatile over shorter periods.

Notes to the Financial Statements
continued

15 Risk management policies and procedures (continued)

15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

Market price risks (changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the quoted and unquoted investments.

Management of the risk

The Board of Directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Investment Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Portfolio Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation.

The Company's exposure to other changes in market prices at 31 July 2011 on its investments and derivatives held at fair value through profit or loss was £126,979,000 (2010: £112,859,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 8 to 11. There is a concentration of exposure to Germany, Switzerland and France, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year, and the equity, to an increase or decrease of 20% (2010: 20%) in the fair values of the Company's equities. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	2011		2010	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after tax				
Revenue return	**(36)**	**36**	(32)	32
Capital return	**25,254**	**(25,254)**	22,446	(22,446)
Total return after tax for the year	**25,218**	**(25,218)**	22,414	(22,414)
Impact on net assets	**25,218**	**(25,218)**	22,414	(22,414)

15.1.2 Currency risk

A proportion of the Company's assets, liabilities, income and expenses are denominated in currencies other than Sterling (the Company's functional currency, and presentational currency). As a result, movements in exchange rates may affect the Sterling value of those items.

Notes to the Financial Statements

continued

15 Risk management policies and procedures (continued)

Management of the risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings may be used to hedge the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 30% of net asset value.

Investment income denominated in foreign currencies is converted into Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The carrying values of the Company's monetary items that have foreign currency exposure at 31 July 2011 are shown below. Where the Company's equity investments, which are not monetary items, are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

Exposure to other currencies in the tables below includes Danish Krone and Norwegian Krone.

2011	**Euro £'000**	**Swiss Franc £'000**	**Swedish Krona £'000**	**Other £'000**
Debtors (amounts due from brokers, dividends and other income receivable)	**367**	**–**	**360**	**–**
Creditors (amounts due to brokers, bank loans and interest payable)	**(526)**	**(333)**	**–**	**–**
Cash at bank and on deposit	**527**	**–**	**–**	**–**
Total foreign currency exposure on net monetary items	**368**	**(333)**	**360**	**–**
Investments at fair value through profit or loss that are equities	**83,961**	**25,166**	**13,930**	**3,922**
Total net foreign currency exposures	**84,329**	**24,833**	**14,290**	**3,922**

2010	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Debtors (amounts due from brokers, dividends and other income receivable)	120	357	–	–
Creditors (amounts due to brokers, bank loans and interest payable)	(1,600)	–	–	–
Cash at bank and on deposit	3,373	419	–	–
Total foreign currency exposure on net monetary items	1,893	776	–	–
Investments at fair value through profit or loss that are equities	75,987	29,922	5,249	1,701
Total net foreign currency exposures	77,880	30,698	5,249	1,701

The above amounts are not necessarily representative of the exposure to risk during the year as levels of monetary foreign currency exposure may change significantly throughout the year.

Notes to the Financial Statements
continued

15 Risk management policies and procedures (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return after tax for the year and the net assets with regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for the Sterling/Euro, Sterling/Swiss Franc, Sterling/Swedish Krona, Sterling/other.

It assumes the following changes in exchange rates:

Sterling/Euro +/- 10% (2010: 10%).
Sterling/Swiss Franc +/- 10% (2010: 10%).
Sterling/Swedish Krona +/- 10% (2010: 10%).
Sterling/Other +/- 10% (2010: 10%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at each balance sheet date.

If Sterling had depreciated against the currencies shown the impact on the total return and net assets would have been as follows:

	2011				2010			
	Euro £'000	**Swiss Franc £'000**	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Income Statement – net return after taxation								
Revenue return	**281**	**66**	**43**	**10**	219	49	6	15
Capital return	**9,326**	**2,744**	**1,579**	**434**	8,629	3,102	379	188
Change in total return after taxation for the year and shareholders' funds	**9,607**	**2,810**	**1,622**	**444**	8,848	3,151	385	203

Notes to the Financial Statements

continued

15 Risk management policies and procedures (continued)

If Sterling had appreciated against the currencies shown, this would have had the following effect:

	2011 Euro £'000	2011 Swiss Franc £'000	2011 Swedish Krona £'000	2011 Other £'000	2010 Euro £'000	2010 Swiss Franc £'000	2010 Swedish Krona £'000	2010 Other £'000
Income Statement – net return after taxation								
Revenue return	**(230)**	**(61)**	**(35)**	**(8)**	(179)	(40)	(6)	(12)
Capital return	**(7,617)**	**(2,275)**	**(1,259)**	**(354)**	(7,050)	(2,499)	(309)	(154)
Change in total return after taxation for the year and shareholders' funds	**(7,847)**	**(2,336)**	**(1,294)**	**(362)**	(7,229)	(2,539)	(315)	(166)

In the opinion of the Directors, the above sensitivity analyses are not necessarily representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

15.1.3 Interest rate risk

Interest rate movements may affect the interest payable on the Company's variable rate borrowings.

Management of the risk

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when borrowing under the multi-currency loan facility.

Interest rate exposure

The exposure at 31 July of financial assets and financial liabilities to floating interest rates is shown below:

	2011 Total (within one year) £'000	2010 Total (within one year) £'000
Exposure to floating interest rates:		
Cash at bank	**2,044**	3,808
Creditors:		
Borrowings under multi-currency loan facility	**(525)**	(1,331)
	1,519	2,477

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through its multi-currency loan facility.

Loan sensitivity: Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £525,000 (note 13) and if that level of borrowings was maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total net return on ordinary activities after taxation by approximately £5,000 (2010: £13,000).

Notes to the Financial Statements

continued

15 Risk management policies and procedures (continued)

15.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £10 million of which £525,000 was drawn down at the year end (2010: £1.3 million) and an overdraft facility with a sub custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short term borrowings be used to manage short term cash requirements.

Liquidity risk exposure

The contractual maturities of the financial liabilities at 31 July, based on the earliest date on which payment can be required were as follows:

	2011 Due within one month £'000	2010 Due within one month £'000
Bank loans and overdrafts (including accrued interest)	**526**	1,333
Other creditors and accruals	**1,421**	1,218
	1,947	2,551

15.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- investment transactions may be carried out with a large number of approved brokers, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker.
- cash at bank is held only with banks considered to be credit worthy and is subject to continual review.

Stock lending transactions may be carried out with a number of approved counterparties, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be lent to any one counterparty. The Company had no stock lending transactions during the year. (2010:nil)

None of the Company's financial assets or liabilities are secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year.

15.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value due to their short term to maturity (amounts due from brokers, dividends and interest receivable and amounts due to brokers, accruals, cash at bank and bank loans).

Notes to the Financial Statements

continued

15 Risk management policies and procedures (continued)

15.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the FRS 29 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 July 2011	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	126,907	–	–	**126,907**
Derivative financial instruments	72	–	–	**72**
	126,979	–	–	**126,979**

Financial assets at fair value through profit or loss at 31 July 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	112,859	–	–	112,859

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

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

There have been no transfers during the year between any of the levels.

15.6 Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that it will be able to continue as a going concern; and
– to maximise the income and capital return to its equity shareholders

through an appropriate balance of equity capital and debt.

The Company's capital at 31 July 2011 comprised its equity share capital, reserves and bank loans that are shown in the balance sheet at a total of £128,723,000 (2010: £115,941,000).

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the need to buy back equity shares for cancellation or to be held in Treasury, which takes account of the difference between the net asset value per share and the share price (the level of share price discount or premium);
– the need for new issues of equity shares; and
– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to additional externally imposed capital requirements:

– As a public company, the Company has a minimum issued share capital of £50,000; and
– In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by law.

These requirements are unchanged since last year, and the Company has complied with them.

Notes to the Financial Statements

continued

16 Called up share capital	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 5p each	–	75,000,000	3,750
Issued – balance brought forward	20,876,925	20,876,925	1,044
Repurchase and cancellation of ordinary shares	(355,250)	(355,250)	(18)
Balance carried forward	**20,521,675**	**20,521,675**	**1,026**

During the year 355,250 (2010: 2,091,138) ordinary shares were repurchased at a total cost of £1,979,000 (2010: £10,743,000) and subsequently cancelled. Since the year end a further 43,134 shares have been repurchased.

17 Share premium account	£'000
At 1 August 2010 and 31 July 2011	**33,814**

18 Reserves	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000	Revenue reserve £'000
At 1 August 2010	239	62,064	14,491	76,555	2,958
Transfer on disposal of assets	–	4,453	(4,453)	–	–
Net movement on investments held at fair value through profit or loss	–	4,042	11,286	15,328	–
Net movement on foreign exchange	–	276	–	276	–
Expenses and finance costs charged to capital	–	(1,406)	–	(1,406)	–
Repurchase of ordinary shares	18	(1,979)	–	(1,979)	–
Final dividend for the year ended 31 July 2010 (paid 22 November 2010)	–	–	–	–	(1,460)
Net revenue return after taxation for the year	–	–	–	–	3,657
Interim dividend for the year ended 31 July 2011 (paid 28 April 2011)	–	–	–	–	(828)
At 31 July 2011	**257**	**67,450**	**21,324**	**88,774**	**4,327**

19 Reconciliation of operating revenue to net cash inflow from operating activities	2011 £'000	2010 £'000
Net return before finance charges and taxation	**18,272**	16,437
Capital return before finance charges and taxation	**(14,233)**	(13,398)
Revenue return before finance charges and taxation	**4,039**	3,039
Decrease in prepayments, accrued income and other debtors	**–**	117
Increase/(decrease) in accruals	**79**	(142)
Tax on unfranked investment income deducted at source	**(578)**	(643)
Expenses allocated to capital	**(1,371)**	(1,247)
Net cash inflow from operating activities	**2,169**	1,124

Notes to the Financial Statements

continued

20	Analysis of changes in net funds	At 1 August 2010 £'000	Cashflow £'000	Exchange movements £'000	**At 31 July 2011 £'000**
	Cash at bank	3,808	(2,040)	276	**2,044**
	Debt falling due within one year	(1,331)	806	–	**(525)**
		2,477	(1,234)	276	**1,519**

21 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments at 31 July 2011 (2010: £nil).

Contingent liabilities

There were no contingent liabilities at 31 July 2011 (2010: £nil).

22 Transactions with the management company

Under the terms of an agreement dated 14 December 2005, the Company appointed a wholly owned subsidiary company of Henderson Global Investors (Holdings) plc ('Henderson') to provide investment management, accounting, company secretarial and administrative services. Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services.

Details of the management fee arrangements for these services are given in the Directors' Report on page 15. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 July 2011 was £918,000, (2010: £846,000) of which £317,000 (per note 13) was outstanding at 31 July 2011 (2010: £255,000).

A performance fee is also payable to Henderson amounting to £637,000 (2010: £584,000). These amounts were outstanding at the respective balance sheet dates.

In addition to the above services, Henderson has provided the Company with marketing services during the year. The total fees, excluding VAT paid or payable for these services for the year ended 31 July 2011 amounted to £16,000 (2010: £15,000) of which £5,000 was outstanding at 31 July 2011 (2010: £1,000).

Since 1 August 2005, the Company has contracted directly with JPMorgan Chase for the provision of custodian services.

Glossary of Terms

AIC
The Association of Investment Companies.

Benchmark
The FTSE World Europe (ex UK) Index.

Gearing
The gearing percentage reflects the amount of borrowings (ie bank loans) a company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall.

Investment Trusts
Investment trusts are public limited companies, quoted on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments. Income, net of expenses and tax, is substantially distributed to shareholders.

Net Asset Value ('NAV') per ordinary share
The value of the Company's assets (ie investments and cash held) less any liabilities (eg bank loans) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV is published daily.

Performance Attribution Analysis
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark. This is broken down to show the effect of stock selection, gearing, expenses and changes in share capital made during the year. In a falling market, the gearing effect will have a negative contribution to performance, whereas in a rising market it will have a positive contribution.

Premium/Discount
The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV.

Total Expense Ratio
This is the total expenses incurred by the Company, including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. We have shown separately the percentage of management/other expenses and the performance fee (when applicable).

Total Returns
This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

Warning to Shareholders

Shareholders should be wary of unsolicited telephone calls or correspondence concerning the Company and offering investment advice, offers to buy shares at a discount or free company reports.

It is extremely unlikely that Henderson EuroTrust plc, its Manager (Henderson Global Investors) or its Registrar (Computershare Investor Services) would make unsolicited telephone calls to shareholders. In the event that the Company or its advisers did make unsolicited calls, shareholders would never be asked to confirm their personal details and such calls would relate only to official documentation already circulated to shareholders and never be in respect of offering investment advice, or unpublished investment or financial information regarding the Company.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the telephone number provided on page 48.

Investor Information

Release of Results
Half year results are announced in late March. Full year results are announced in late September or early October.

Shareholder Details
Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**.

BACS
Dividends and interest can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 48) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Nominee Share Code
Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Investors in Halifax Share Dealing Limited products and Henderson ISAs receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Disability Act
Copies of this Report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a "typetalk" operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Share Price Listing
The market price of the Company's ordinary shares is published daily in 'The Financial Times' which also shows figures for the estimated NAV and the discount.

Performance Details/Share Price Information
Details of the Company's share price and NAV can be found on the website. The address is **www.hendersoneurotrust.com**
The Company's NAV is published daily.

Investor Information
continued

Directors
Mark Tapley (Chairman)
Robert Bischof
John Cornish
Joop Feilzer
David Marsh, CBE

Investment Manager
Henderson Global Investors Limited,
authorised and regulated by the Financial Services Authority,
represented by Tim Stevenson

Registered Number
Registered as an investment company in
England and Wales No. 2718241

Secretary
Henderson Secretarial Services Limited
represented by Ruth Saunders, FCIS

Registered Office
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Fax: 020 7818 1819
Email: help@henderson.com

Independent Auditors
PricewaterhouseCoopers LLP
7 More London
Riverside
London SE1 2RT

Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1034
www.computershare.com

Halifax Share Dealing Limited
Lovell Park Road
Leeds LS1 1NS
Telephone: 0845 609 0408
Email: communications@halifax.co.uk
www.halifax.co.uk

Henderson ISAs
ISA Department
Henderson Global Investors
PO Box 10665
Chelmsford CM99 2BF
Telephone: 0800 856 5656

Stockbrokers
JPMorgan Cazenove
20 Moorgate
London EC2R 6DA

Website
Details of the Company's share price and net asset value, together with other information about the Company can be found on the website, **www.hendersoneurotrust.com**

Share Identification Codes
SEDOL/ISIN: GB0004199294
EPIC: HNE

aic
The Association of Investment Companies

London Stock Exchange
LISTED
PREMIUM

Henderson EuroTrust plc is managed by

Henderson GLOBAL INVESTORS

This report is printed on 9lives, a paper containing 55% recycled fibre & 45% FSC accredited virgin fibre. Pulps used are elemental chlorine free manufactured at a mill accredited with the ISO 14001 environmental management system.

The FSC logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

FSC Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
Cert no. TT-COC-002251
www.fsc.org
© 1996 Forest Stewardship Council

55%

Printed by Leycol, London

HGI9206/2011