

TR EUROPEAN GROWTH TRUST PLC

REPORT
for the half year ended 31 December 2011
(unaudited)

TR EUROPEAN GROWTH TRUST PLC

Unaudited Results for the Half Year ended 31 December 2011

INTERIM MANAGEMENT REPORT

Chairman's Statement

Performance

The six months to 31 December 2011 were extremely disappointing for European equities as concerns about the Eurozone debt crisis continued to dominate our sector.

Our NAV total return per share was -31.8% over the period compared to -27.7% for our benchmark. Our share price total return was -35.1%, as our discount widened to 22.5% over the period.

Over the three years to 31 December 2011 our NAV total return was 25.5% compared to a 22.3% return for the benchmark.

Investment income was 54.8% higher than the income earned in the first half of the previous financial year.

Gearing

During the period we increased gearing (calculated as investments as a percentage of net assets) from 2.4% at 30 June 2011 to 9.4% at 31 December 2011.

Share buy-backs

We have carried out few buy-backs over the last six months as both share price and NAV volatility has been very high as we have been restructuring the portfolio. We propose to be more active now some signs of stability have returned to the market and the process of restructuring is largely complete.

Prospects, principal risks and uncertainties

The short term outlook seems set to remain dominated by politics, with investors trying to second guess policy action by European heads of state. This is a task made particularly difficult by the numerous national elections to be held over the next few months. However, it is important for investors not to lose sight of the relatively benign conditions for a number of companies, with interest rates at low levels and corporate balance sheets robust. This is likely to lead to an active environment for mergers and acquisition activity which should be beneficial for the small cap investor.

Valuations are likely to remain volatile, but this is a market which should provide some attractive opportunities and I look forward to reporting on our progress in our annual report.

Audley Twiston-Davies
Chairman

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Unaudited Results for the Half Year ended 31 December 2011

HIGHLIGHTS

31 December 2010 (Unaudited) £'000		31 December 2011 (Unaudited) £'000	30 June 2011 (Audited) £'000	%
				change
260,379	Total assets	195,930	273,731	-28.4
254,718	Total net assets	178,561	264,414	-32.5
%	divided between:	%	%	
94.9	Quoted equities	101.2	95.1	
7.2	Unquoted equities	8.3	7.3	
(2.1)	Net current liabilities	(9.5)	(2.4)	
-----		-----	-----	
100.0		100.0	100.0	
=====		=====	=====	
501.74p	Net asset value per ordinary share	352.82p	522.20p	-32.4
	† Net asset value total return			-31.8
409.25p	Ordinary share price	273.50p	427.13p	-36.0
	† Share price total return			-35.1
586.84	Benchmark	447.25	618.42	-27.7
	* HSBC Smaller Europe (ex UK) Index			

* Source: Datastream (expressed on a total return basis)

† Source: Morningstar for the AIC

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Manager's Report

The second half of 2011 proved to be disappointing for both European equities and the TR European Growth Trust. It was a long way removed from the start I had hoped for as manager of the Company.

It was a period when pessimism abounded as investors were unable to look beyond the Eurozone debt crisis. Politicians seemed both clueless and helpless. Their earlier intervention in Greece imposing losses on creditors meant that Eurozone debt was no longer seen as a safe asset. Investors became worried about contagion across the Eurozone despite protestations from politicians that Greece was a "one off".

In the summer months the fund suffered due to a relatively high cyclical exposure. These stocks were hit as investors became concerned about the global economy stalling as the Eurozone crisis played out. The sell-off, as always, was fairly indiscriminate. In many cases these are the same stocks that have rallied very hard as we have entered the New Year. The "real" economy has not been hit as hard as many envisaged in summer.

It was into this background that we attempted to reposition the Company and give the Company a more stable core of high return businesses. This has led to high stock turnover during the period. We have introduced new holdings such as **Ingenico**, a global leader in retail payment terminals and services, and **D'ieteren**, the Belgian windscreen repair company. Other companies such as **Selçuk**, the Turkish drug distribution company, and **CFAO**, the French company that distributes cars and pharmaceuticals in Africa, have been sold.

The sell-off in the second half of last year created a number of interesting opportunities for the Company, particularly in Italy where the equity market was severely hit. There have been a number of false dawns in Italy and huge problems remain, such as labour inflexibility, bureaucracy and tax evasion. However, the technocrat (if undemocratic) government led by Mr Monti brings hope and many valuations are extremely attractive. We have added positions in Italian companies with a strong global presence. These new holdings include **De'Longhi**, the leader in coffee machines and Kenwood kitchen appliances, **Sorin**, a medical technology company specializing in cardiovascular disease, and **Amplifon**, the hearing aid retailer.

As we have entered the New Year investors have realised the world is still turning, with the US seeing early shoots of recovery and the emerging markets continuing to grow. The European Central Bank has at the very least delayed a banking crisis with the Long Term Refinancing Operation Liquidity scheme. We, like others, expect Europe to continue to provide a muted economic backdrop, particularly with the German inspired "fiscal compact". Despite that, we think there is a large number of European companies on attractive valuations that can benefit from growth outside of the region.

The Eurozone still has a need for greater integration and a redistribution of wealth across the region. It still remains unclear how Greece will be a "one off" and whether it can remain within the Eurozone. The "fiscal compact" is a very necessary stage one but ultimately must be followed by a growth stimulus. Anything else is neither socially acceptable nor politically viable. People, especially the young, must be given hope.

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Unaudited Results for the Half Year ended 31 December 2011

Manager's Report (continued)

However, 2012 does offer hope for equity markets with the backdrop of low interest rates, quantitative easing, the likelihood of increasing mergers and acquisitions, strong corporate balance sheets and attractive valuations. It is unlikely to be a smooth ride but I remain cautiously optimistic about the months ahead. We can find exciting new ideas to make money for our investors.

Ollie Beckett

Fund Manager

Geographical distribution (% of portfolio)

	31 December 2011	30 June 2011
Austria	5.3	5.7
Belgium	3.9	3.2
Finland	1.7	1.8
France	15.9	15.0
Germany	30.1	27.0
Ireland	1.2	-
Italy	8.3	5.6
Luxembourg	0.6	1.3
Netherlands	5.9	3.9
Norway	6.0	9.1
Spain	3.0	7.3
Sweden	2.9	2.7
Switzerland	14.3	14.8
Turkey	-	1.5
Ukraine	0.4	0.7
Other	0.5	0.4
	----- 100.0 =====	----- 100.0 =====

Sector distribution (% of portfolio)

	31 December 2011	30 June 2011
Basic Materials	12.1	18.3
Business Providers	14.0	13.2
Consumer Goods	10.2	11.5
Financials	11.8	9.4
Industrial Goods	16.9	13.6
Natural Resources	5.9	8.3
Retail Providers	10.7	10.0
Technology	18.4	15.7
	----- 100.0 =====	----- 100.0 =====

TR EUROPEAN GROWTH TRUST PLC

Unaudited Results for the Half Year ended 31 December 2011

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2011

	Half year ended 31 December 2011 (Unaudited)			Half year ended 31 December 2010 (Unaudited)			Year ended 30 June 2011 (Audited)		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investment income	566	-	566	356	-	356	2,979	-	2,979
Other income	2	-	2	11	-	11	68	-	68
Gains on investments held at fair value through profit or loss	-	(83,165)	(83,165)	-	61,266	61,266	-	70,112	70,112
Total income / (loss)	568	(83,165)	(82,597)	367	61,266	61,633	3,047	70,112	73,159
Expenses									
Management fees	(91)	(362)	(453)	(121)	(486)	(607)	(254)	(1,016)	(1,270)
Other expenses	(226)	-	(226)	(290)	-	(290)	(551)	-	(551)
Profit / (loss) before finance costs and taxation	251	(83,527)	(83,276)	(44)	60,780	60,736	2,242	69,096	71,338
Finance costs	(42)	(169)	(211)	(7)	(27)	(34)	(27)	(108)	(135)
Profit / (loss) before taxation	209	(83,696)	(83,487)	(51)	60,753	60,702	2,215	68,988	71,203
Taxation	(135)	-	(135)	(37)	-	(37)	(286)	-	(286)
Profit / (loss) for the period	74	(83,696)	(83,622)	(88)	60,753	60,665	1,929	68,988	70,917
Earnings / (loss) per ordinary share (note 2)	0.15p	(165.33p)	(165.18p)	(0.17p)	118.57p	118.40p	3.79p	135.36p	139.15p

The total column of this statement represents the Consolidated Income Statement, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of TR European Growth Trust PLC, the parent company. There are no minority interests.

The net loss of the Company for the half year was £83,622,000 (31 December 2010: profit £60,665,000; 30 June 2011: profit £70,917,000).

The Group does not have any other comprehensive income and hence the net profit for the period as disclosed above is the same as the Group's total comprehensive income.

TR EUROPEAN GROWTH TRUST PLC

Unaudited Results for the Half Year ended 31 December 2011

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2011

Half year ended 31 December 2011 (Unaudited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 30 June 2011	6,329	115,451	13,849	112,472	16,313	264,414
Total comprehensive income:						
(Loss) / profit for the period	-	-	-	(83,696)	74	(83,622)
Transactions with owners, recorded directly to equity:						
Ordinary dividends paid	-	-	-	-	(2,152)	(2,152)
Buy-backs of ordinary shares	(3)	-	3	(79)	-	(79)
Total equity at 31 December 2011	6,326	115,451	13,852	28,697	14,235	178,561
Half year ended 31 December 2010 (Unaudited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 30 June 2010	6,453	115,451	13,725	47,286	16,562	199,477
Total comprehensive income:						
Profit / (loss) for the period	-	-	-	60,753	(88)	60,665
Transactions with owners, recorded directly to equity:						
Ordinary dividends paid	-	-	-	-	(2,178)	(2,178)
Buy-backs of ordinary shares	(107)	-	107	(3,246)	-	(3,246)
Total equity at 31 December 2010	6,346	115,451	13,832	104,793	14,296	254,718
Year ended 30 June 2011 (Audited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 30 June 2010	6,453	115,451	13,725	47,286	16,562	199,477
Total comprehensive income:						
Profit for the period	-	-	-	68,988	1,929	70,917
Transactions with owners, recorded directly to equity:						
Ordinary dividends paid	-	-	-	-	(2,178)	(2,178)
Buy-backs of ordinary shares	(124)	-	124	(3,802)	-	(3,802)
Total equity at 30 June 2011	6,329	115,451	13,849	112,472	16,313	264,414

TR EUROPEAN GROWTH TRUST PLC

Unaudited Results for the Half Year ended 31 December 2011

Consolidated Balance Sheets

at 31 December 2011

	31 December 2011 (Unaudited) £'000	31 December 2010 (Unaudited) £'000	30 June 2011 (Audited) £'000
Non current assets			
Investments held at fair value through profit or loss	195,424	260,064	270,800
Current assets			
Sales for future settlement	92	-	2,005
Taxation recoverable	208	284	376
Other receivables	56	28	147
Cash and cash equivalents	150	3	403
	506	315	2,931
Total assets	195,930	260,379	273,731
Current liabilities			
Purchases for future settlement	-	-	(68)
Accruals	(369)	(431)	(489)
Amounts due on repurchase of shares	-	(132)	-
Bank overdrafts	(17,000)	(5,098)	(8,760)
	(17,369)	(5,661)	(9,317)
Net assets	178,561	254,718	264,414
Equity attributable to equity shareholders			
Called up share capital (note 3)	6,326	6,346	6,329
Share premium account	115,451	115,451	115,451
Capital redemption reserve	13,852	13,832	13,849
Retained earnings:			
Other capital reserves	28,697	104,793	112,472
Revenue reserve	14,235	14,296	16,313
Total equity	178,561	254,718	264,414
Net asset value per ordinary share (note 4)	352.82p	501.74p	522.20p

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Unaudited Results for the Half Year ended 31 December 2011

Consolidated Cash Flow Statement for the half year ended 31 December 2011

	Half year ended 31 December 2011 (Unaudited) £'000	Half year ended 31 December 2010 (Unaudited) £'000	Year ended 30 June 2011 (Audited) £'000
Net cash (outflow) / inflow from operating activities (note 5)	(7,946)	3,538	765
Net cash (outflow) / inflow before use of financing	(7,946)	3,538	765
Net cash outflow from financing activities	(2,231)	(5,784)	(6,472)
Net decrease in cash and cash equivalents	(10,177)	(2,246)	(5,707)
Cash and cash equivalents at the start of the period	(8,357)	(2,752)	(2,752)
Exchange movements	1,684	(97)	102
Cash and cash equivalents at the period end	(16,850)	(5,095)	(8,357)

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Unaudited Results for the Half Year ended 31 December 2011

Notes

1. Accounting policies

a) Basis of preparation

The condensed set of financial statements has been prepared using the same accounting policies as are set out in the Company's annual report and financial statements for the year ended 30 June 2011 and in accordance with IAS 34.

The condensed set of financial statements has not been either audited or reviewed by the Company's auditors.

b) Basis of consolidation

The Group's financial statements consolidate the accounts of the Company and of its wholly owned subsidiary undertaking, TREG Finance Limited.

2. (Loss)/Earnings per ordinary share

The (loss)/earnings per ordinary share figure is based on the loss for the half year of £83,622,000 (half year ended 31 December 2010: profit £60,665,000; year ended 30 June 2011: profit £70,917,000) and on 50,624,039 (half year ended 31 December 2010: 51,236,535; year ended 30 June 2011: 50,965,518) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The (loss)/earnings per ordinary share detailed above can be further analysed between revenue and capital, as below.

	Half year ended 31 December 2011 (Unaudited) £'000	Half year ended 31 December 2010 (Unaudited) £'000	Year ended 30 June 2011 (Audited) £'000
Net revenue profit / (loss)	74	(88)	1,929
Net capital (loss) / profit	(83,696)	60,753	68,988
	-----	-----	-----
Net total (loss) / profit	(83,622)	60,665	70,917
	=====	=====	=====
Weighted average number of ordinary shares in issue during the period	50,624,039	51,236,535	50,965,518
	Half year ended 31 December 2011 (Unaudited) Pence	Half year ended 31 December 2010 (Unaudited) Pence	Year ended 30 June 2011 (Audited) Pence
Revenue earnings / (loss) per ordinary share	0.15	(0.17)	3.79
Capital (loss) / earnings per ordinary share	(165.33)	118.57	135.36
	-----	-----	-----
Total (loss) / earnings per ordinary share	(165.18)	118.40	139.15
	=====	=====	=====

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Notes (continued)

3. Ordinary share capital

At 31 December 2011 there were 50,609,229 ordinary shares in issue (31 December 2010: 50,767,229; 30 June 2011: 50,634,229). During the half year ended 31 December 2011 the Company bought 25,000 of its own issued ordinary shares for cancellation (31 December 2010: 860,060; 30 June 2011: 993,060). The cost of the share buy-backs, including stamp duty, amounted to £79,000 (31 December 2010: £3,246,000; 30 June 2011: £3,802,000).

4. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £178,561,000 (31 December 2010: £254,718,000; 30 June 2011: £264,414,000) and on 50,609,229 (31 December 2010: 50,767,229; 30 June 2011: 50,634,229) ordinary shares, being the number of ordinary shares in issue at the period end.

5. Reconciliation of profit before taxation to net cash inflow from operating activities

	Half year ended 31 December 2011 (Unaudited) £'000	Half year ended 31 December 2010 (Unaudited) £'000	Year ended 30 June 2011 (Audited) £'000
(Loss) / profit before taxation	(83,487)	60,702	71,203
Add / (less) losses /(gains) on investments held at fair value through profit or loss	83,165	(61,266)	(70,112)
Decrease in prepayments and accrued income	91	162	43
(Decrease) / increase in accruals and deferred income	(120)	48	106
Taxation on overseas investment income	33	23	(318)
Decrease in amounts due from brokers	1,913	9,947	7,942
Decrease in amounts due to brokers	(68)	(96)	(28)
Net purchases of investments	(9,473)	(5,982)	(8,071)
	----- (7,946) =====	----- 3,538 =====	----- 765 =====

6. Interim dividend

The Company has not declared an interim dividend (2010: nil).

7. Transaction costs

Purchase transaction costs for the half year ended 31 December 2011 were £118,000 (half year ended 31 December 2010: £46,000; year ended 30 June 2011: £121,000). These comprise mainly stamp duty and commission. Sales transaction costs for the half year ended 31 December 2011 were £79,000 (half year ended 31 December 2010: £77,000; year ended 30 June 2011: £186,000).

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Unaudited Results for the Half Year ended 31 December 2011

Notes (continued)

8. Going concern

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

9. Related party transactions

Details of related parties are contained in the annual report. Other than fees payable by the Company in the ordinary course of business, there have been no material transactions with our related parties affecting the financial position or performance of the Group during the six months to 31 December 2011.

10. Comparative information

The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ended 30 June 2011 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 30 June 2011 have been filed with the Registrar of Companies. The report of the auditors on those financial statements contained no qualification or statement under section 498(2) or 498(3) of the Companies Act 2006.

11. Half year report

An update extracted from the Company's report for the half year ended 31 December 2011 will be posted to shareholders on 2 March 2012 and will be available on our website (www.treuropeangrowth.com) thereafter. Copies can also be requested from the Secretary at the Registered Office, 201 Bishopsgate, London EC2M 3AE.

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List of Investments as at 31 December 2011 (continued)

	Valuation £'000	% of total portfolio		Valuation £'000	% of total portfolio
Luxembourg			Switzerland		
Aperam	1,110		Acino	1,077	
	-----	-----	Clariant	2,402	
	1,110	0.6	Compagnie Financière Tradition	1,667	
	=====	=====	Daetwyler	1,767	
Netherlands			Dufry	2,972	
Aalberts Industries	1,904		EFG International	1,982	
ASM International	3,453		gategroup	2,028	
Fugro	2,239		Inficon	2,911	
TKH	2,282		Kuoni	2,198	
Wavin	1,734		Myriad	1,534	
	-----	-----	Partners Group	2,820	
	11,612	5.9	Schmolz + Bickenbach	3,135	
	=====	=====	Sulzer	1,440	
Norway				-----	-----
Discovery Offshore	1,789			27,933	14.3
Morpol	750			=====	=====
Northland Resources	1,650		Ukraine		
Prospector Offshore	2,007		Avangardco	837	
Storebrand	2,768			-----	-----
Tomra	2,848			837	0.4
	-----	-----		=====	=====
	11,812	6.0	Other		
	=====	=====	* Doughty Hanson & Co Fund III	904	
Russia			* IFR Capital	0	
* Amtel-Vredestein	0			-----	-----
* Premier Telesports	0			904	0.5
	-----	-----		=====	=====
	0	0	Total Portfolio		
	=====	=====		195,424	100.0
Spain				=====	=====
OHL	3,092		* Unquoted investments		
Pescanova	1,261				
Vueling	1,500				
	-----	-----			
	5,853	3.0			
	=====	=====			
Sweden					
Byggmax	1,252				
Lindab	2,275				
Unibet	2,093				
	-----	-----			
	5,620	2.9			
	=====	=====			

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Directors' Responsibility Statement

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

- a) the condensed set of financial statements has been prepared in accordance with IAS34;
- b) this report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) this report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

Audley Twiston-Davies
Chairman