Henderson EuroTrust plc

Annual Report and Financial Statements for the year ended 31 July 2010

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, a majority of whom are independent of the management company, 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 2010 pence	31 July 2009 pence	Change %
Net Asset Value	**549.0**	487.8	12.5
Total Return	**74.0**	-30.3	†
Revenue Return	**12.1**	12.4	-2.4
Dividends	**11.0**	11.0	–

Dividends

The Company paid an interim dividend of 4.0p (2009: 3.0p) per ordinary share on 30 April 2010. Subject to shareholder approval at the AGM on 18 November 2010, a final dividend of 7.0p (2009: 6.0p) per ordinary share will be paid on 22 November 2010 to shareholders on the register on 15 October 2010. The shares will be quoted ex-dividend on 13 October 2010. †Not relevant.

Total Return Performance

	1 year %	3 years %	5 years %	10 years %
Net Asset Value Total Return(1) ordinary share	15.5	4.3	47.3	42.2
FTSE World Europe (ex UK) Index(2)	11.9	-7.0	31.5	24.4
European Investment Trusts (Peer Group)(3) size weighted average	17.0	-10.3	30.6	36.7

Sources: (1) AIC. (2) Datastream. (3) Morningstar for the AIC. 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. For further information see page 12.

Ten Year Record

	Net asset value pence per ordinary share	Share price percentage discount/(premium) to net asset value per ordinary share pence	Revenue return per ordinary share pence	Dividend per ordinary share pence
31 July 2000	434.2	-6.6	1.8	2.5
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**
Annualised Growth over ten years	**2.4%**	**–**	**–**	**16.0%†**

*Includes a special dividend of 2.0p. †Excluding special dividends paid in 2008 and 2009.
Source: Factset, Datastream, HGI

Contents

Chairman's Statement

Mark Tapley

I am pleased to report good results for the year ended July 2010 with the Company's net asset value total return up 15.5%, an outperformance over the index of 3.6% net of management fees and other expenses. Tim Stevenson, our Portfolio Manager, covers the results in more detail in his report, but the table below illustrates in summary form that the added value came principally from his and his team's stock selection skills, with additional contributions from country and currency allocations. As equity investors we are of course more interested in longer term outcomes. If we look back over the last seven years, the average annual total return has been 12.1% and relative performance against the index has been +2.7% per annum; thus this year's results are very much in line with the longer term average.

Over that longer period, the net asset value per share has risen by 105%, yet the net assets of the Company have risen by much less, namely by 67%. The discrepancy between these two growth rates arises from your Board's policy of periodically buying back shares as a discount control mechanism. In the last financial year we repurchased 2,091,138 shares in the Company, at a cost of £10,743,000. Your Board is aware that many private client investment managers prefer to invest in companies with market capitalisations above £100 million – close to where we are today. We need therefore to steer a narrow course between our two goals of maintaining good liquidity in the Company's shares while at the same time not permitting the discount to net assets to drift higher and we will continue to be proactive in buying back shares when we see fit. At the same time, while we have no current formal plans for a continuation vote or similar for the Company, the Board will continue to look to adopt the most reasonable best practice as regards discount control.

This task would probably be considerably easier if investors saw the region in which we invest – continental Europe – as one of their priorities. But many investors do not see Europe as a preferred investment region; indeed investors have often shunned it, considering the local growth prospects to be poor. This view seems overly simplistic; Europe is far from monolithic. The northern European countries, in particular Germany and Switzerland, are doing very well indeed economically, whilst the so-called 'Club Med countries' are the laggards. Also as Tim explains in his report, many of the companies in which we invest have products that dominate their particular niche throughout the world. They are based in stable democracies, whose economies have not depended on ever-increasing financial leverage to achieve their headline growth rates. We set our Manager the task of identifying companies with strong fundamentals, priced at reasonable valuation levels and this has proved to be the basis of a successful long term strategy.

	%
FTSE World Europe (ex UK) Total Return Index	11.9
Country Allocation	1.4
Stock Selection	2.4
Currency movements (relative to index)	0.4
Cash/gearing	0.1
Management fees and other costs	-1.3
Effect of share buybacks	0.6
AIC Net Asset Value Total Return	15.5
Change in Discount to NAV	-2.0
Share price total return	13.5

Revenue and Dividend

The Company's gross revenue for the year was £3,496,000, down from £4,186,000 a year earlier and net revenue on ordinary activities after taxation declined from £2,858,000 to £2,616,000. The prior year's receipts included repayments of VAT and interest thereon. Investment income held up well however, and your Board recommends a final dividend of 7.0 pence, which with the interim of 4.0 pence paid in late April, makes a total ordinary dividend of 11.0 pence per share for the year. This matches the total dividend paid in 2009, which included a 2.0 pence special dividend as a result of the non-recurring VAT

Chairman's Statement
continued

refunds. Looking again at the longer term, our dividend has more than quadrupled in the last eight years.

Gearing

As I mentioned in my half year report, we introduced some modest gearing to the portfolio earlier this year, but generally, over the last three years we have made relatively little use of gearing. Your Board is aware of the opportunity to gear and addresses the subject at each Board meeting.

Board Change

Tim Stevenson, our Portfolio Manager, has been a director of the Company since 1992 but has decided that he will not seek re-election to the Board at this year's AGM. Tim will continue in his role as our highly committed and enthusiastic Portfolio Manager, will remain a keen personal shareholder, and will attend the Company's AGMs and make presentations to shareholders. The Board looks forward to continuing to work with Tim, but I should like nevertheless to thank him for his services as a Director over the last 18 years.

Outlook

The global economies are still stumbling out of the recession induced by the credit crunch and there are fears of the so-called double dip. Within our region, large economies such as Italy and Spain have a serious overhang of private and/or government debt, while smaller countries such as Ireland, Portugal and Greece have even more serious issues of structural deficits. The large bond yield spreads are a consequence of this. However, Tim has shunned these countries largely in his investment decisions and has focussed on northern Europe and Switzerland. The Euro has weakened against the pound sterling during the financial year but there is some prospect of the Euro strengthening again.

All in all the outlook is still confused, as fiscal tightening on the one side and monetary easing on the other are more or less balancing each other out at present. Away from the macro-economic turmoil there are good results coming out of a fair number of companies. Our Manager's stock selection has worked well for the fund in the past and the Board believes that this is not going to change in the coming period, even if the economic clouds have not quite disappeared yet.

Annual General Meeting

The meeting will be held on Thursday 18 November 2010 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 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 2010

Portfolio Manager's Report

Tim Stevenson

Performance

The twelve months to the end of July 2010 has seen the Company's net asset value total return appreciate by 15.5%, ahead of the index which rose by 11.9%. In a testing year, this outperformance is encouraging since we have beaten a rising market. Once again, the careful selection of companies that combine growth with some dividend distribution has enabled us to increase our regular dividends to allow us to maintain the total for the year at 11.0p, notwithstanding that our 2.0p special dividend last year was the payout to shareholders associated with the VAT reclaims.

The last financial year has been volatile. The crisis sparked by the realisation that a number of European countries had unsustainably high debt levels has threatened the whole structure of the Euro, and this has had several repercussions. Broadly speaking, our investment focus has been concentrated on "Northern Europe". We have not held a position in Greece for a number of years and our exposure to Spain during the year (mainly our long term holding in Inditex) and to Italy was and still remains modest.

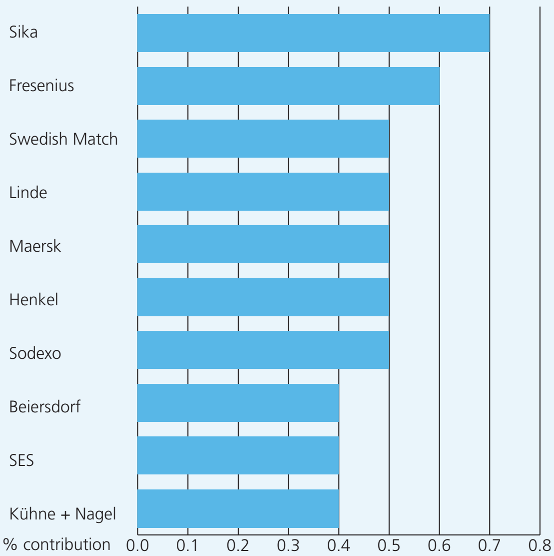
The table below shows the major positive and negative contributors to our performance. The trend has been for quality cyclical or more economically sensitive companies to recover well during the year as the news on economies worldwide has improved significantly. We had anticipated this would be the case when we wrote the report a year ago, and positioned the portfolio accordingly. Quality growth names have also performed well in most cases – Fresenius, Inditex, Essilor and SGS to name a few of the "old stalwarts" of the portfolio - have all had good performance.

Sterling has risen by approximately 2.2% against the Euro during the year, but has lost just over 9% against the Swiss Franc (in which we have had a high weighting). Currency therefore has not had a major impact on the portfolio over the year.

Gearing has had little overall influence on the portfolio during the year. We established a borrowing facility in early January 2010. The facility allows us to borrow up to £10million (about 9% of the assets) and up to £8.9 million of this has been utilised at times. The facility is still in place but was not being used to any large extent at the end of July. The inertia analysis, subject to adjustments for the performance fee and costs, shows had we left the portfolio unchanged it would have increased by 10.9%, compared to the total return of 15.5% which was achieved over the period.

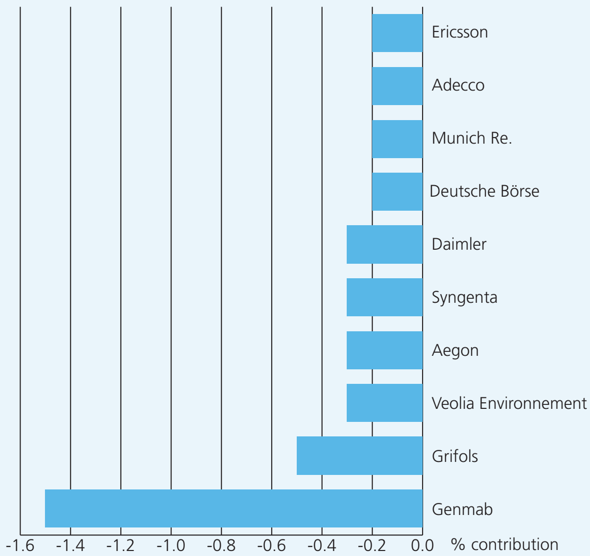
During the year we have also been more active with share buybacks. For some years the Board has felt that buying our own shares would merely serve to damage the trading liquidity in the market. However, there comes a time when buying shares on an opportunistic basis when the discount is too high is clearly to the benefit of those shareholders able to hold on for the long term. In the year, effectively over the period from October 2009 to June 2010, we bought back 2,091,138 shares, thereby reducing the

Top ten contributions to relative return



Source: Russell Mellon iMS Enterprise

Bottom ten contributions to relative return



Source: Russell Mellon iMS Enterprise

Portfolio Manager's Report

continued

company's issued share capital by 9.1% and contributing an estimated 0.6% to performance.

The Portfolio and Approach

At the end of July 2010 the portfolio comprised 46 holdings – down two on the previous year. There have been some changes during the year, although many of the names will be recognised by long term shareholders. Turnover (as measured by the lower of purchases or sales as a percentage of average assets) was 85.3% compared to 68% in the previous year.

The higher level of portfolio changes this year was a reflection of the sharp acceleration in earnings as economies recovered, together with the effect of more share buybacks. In very simple terms, the recession or crisis of 2008 and 2009 was met with decisive efforts to reduce costs in virtually every sector and as demand recovered, helped also by the weakness of the Euro against the US Dollar, companies have kept costs tightly controlled. We have returned to holdings in Deutsche Post, Adecco and Siemens, as well as Philips and Lufthansa to name a few companies that clearly stand to benefit from a better economic environment as well as now having a more efficient cost base.

In the technology sector we have our highest weight for many years, with SAP now also amongst our top ten holdings. We sold Nokia during the year, but subsequently bought it back towards the end of our financial year after it had fallen very sharply. We have also recently added the French smart card manufacturer Gemalto which is one of the few global companies behind the chips found on most credit and debit cards, as well as those in mobile phones. Gemalto is one of the leading innovators in the area of security and following consolidation of several smaller players we feel the prospects are attractive and the rating is not demanding.

We have felt for some time (and referred to this in last year's report as well) that growth will be slow in Europe after the initial recovery surge. Over the last few months economic data has generally been showing that the recovery that began a year or so ago continues; however, all European countries have begun to rein back government spending and look into ways to increase government revenues (i.e. ways to increase taxation). A debate is raging about whether stimulus is being withdrawn too early, and clearly that is a risk. Equally, events in Greece show what could happen if deficits rise uncontrollably. Our intention has been to increase the exposure to companies whose sales and profits should prove relatively immune to a period of slower growth. We are certainly not complacent about economic risks, but have been spending our efforts trying to find where growth can come from in a low growth world. For some time we have had a very low exposure to utilities and hold just one telecommunications stock (France Telecom) as in our view these sectors only offer limited growth (and may suffer "windfall" taxation).

There has been an increase in IPOs ("Initial Public Offerings") over the last twelve months, and we have looked closely at several. The pricing of some of these has been too high, but we have participated in both Brenntag (Germany – chemical logistics) and Kabel Deutschland (Germany- cable television provider). Both look very interesting – the latter as a kind of "pipe" provider through which cable television is initially provided, with additional services such as telephone and internet increasingly being offered (at a substantially cheaper rate then the incumbent Deutsche Telekom offers).

We have maintained a significant underweight exposure to financials stocks most of the year, holding just two banks and some insurance companies. We constantly review this situation, and at year end held two Swiss banks, UBS and more recently added Credit Suisse, and two quality insurance companies, Zurich Financial Services and Allianz. It has been a volatile time for banks – and just at the end of our financial year end the Basle 3 proposals that looked very threatening last November seem to have been watered down. At the end of July, banks also passed the "stress tests" (a comfortably low stress level having been agreed), and the prospects may be starting to improve for banks.

Outlook

The last twelve months have seen economies start to recover – the massive fiscal and monetary stimulus applied at the end of 2008 and 2009 has had the required effect; however, the bills will now begin to arrive, and it seems reasonable to assume that the rate of economic growth over the next few years will be anaemic. In many ways we are used to this – for years Europe has been criticised for low growth.

We have been preparing for this by gradually increasing exposure to steady growth companies – for example some of the industrial and technology companies mentioned above, as well as new holdings such as Givaudan, a manufacturer of flavours and fragrances. Many companies such as Inditex, SGS and Fresenius have been looking for growth either in new Asian and emerging markets, or by adapting to the needs of a changing population.

Portfolio Manager's Report

continued

There are numerous ways to grow in these supposedly "dull" times; in healthcare by operating hospitals in a way that allows a greater number of patients to be treated, in catering by providing meals for elderly people, in savings by helping people to find more efficient ways to save.

If we are in a world of low growth and low inflation (even if inflation does temporarily accelerate over the next few years), it could be that a steady return of say 10% will be appreciated as worthwhile. When compared with either cash or bonds, equities in Europe have recently drifted down to valuation levels not seen for over twenty years. Once investors begin to focus on lower expectations, rather than thinking that 20% plus is a normal return for equities, the prospects look good. As ever, it will not be a smooth trend, but we have a borrowing facility in place and will use this opportunistically to increase returns. As we mentioned last year, patience will have to remain a key ingredient of our stock selection for some time to come.

Tim Stevenson
Portfolio Manager
30 September 2010

Performance Attribution Analysis – Twelve months to 31 July 2010 (average throughout year)

	Allocation		Performance	
Sector	**Company (Average) %**	**Benchmark Index %**	**Company %**	**Benchmark Index %**
Industrials	18.6	12.6	23.7	25.0
Health Care	15.3	10.1	7.8	7.1
Financials	14.6	25.5	10.7	7.6
Consumer Staples	12.9	10.4	31.6	25.7
Basic Materials	10.3	7.9	27.2	13.7
Consumer Discretionary	8.5	8.5	31.6	20.3
Energy	7.7	7.0	9.8	7.9
Information Technology	7.3	3.7	2.1	2.9
Telecommunications	3.0	6.9	7.0	8.6
Utilities	1.8	7.6	-16.6	-4.4
Total	**100.0**	**100.0**	–	–

Source: Factset

Investment Portfolio

as at 31 July 2010

Rank (2010)	Rank (2009)	Company	Country	Sub-Sector	Valuation 2010 £'000
1	2	**Fresenius**	Germany	Healthcare	**4,769**

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.

2	–	**Deutsche Post**	Germany	Air Freight & Logistics	**4,382**

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.

3	–	**Adecco**	Switzerland	Professional Services	**4,019**

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 to both meet demand and to increase the level of flexibility within their cost base.

4	11	**Essilor**	France	Opthalmology	**3,832**

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.

5	22	**Sodexo**	France	Catering Services	**3,612**

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.

6	–	**Swedish Match**	Sweden	Tobacco Products	**3,420**

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.

7	44	**ABB**	Switzerland	Electronic Equipment	**3,382**

ABB provides power transmission, distribution and power-plant automation to electric, gas and water utilities, as well as industrial and commercial customers. With their automation business recovering and improvements in the power division due next year we should see group profitability increase.

8	14	**Deutsche Börse**	Germany	Financial Services	**3,342**

The German broker provides an attractive revenue mix across equities, fixed income and derivatives. This offers diversification and protection from competition. Its long-term growth prospects are driven by an expected increase in trading-related revenues due to product and client expansion as well as additional self-help options regarding cost and capital management.

9	26	**SAP**	Germany	Computer Software	**2,974**

SAP is the world's largest enterprise application software business, roughly twice the size of its nearest competitor in terms of annual sales from new application licences. SAP is capable of achieving double digit organic revenue growth as existing customers continue to upgrade from older products to new 'Web Services' applications as well as growth from the addition of new customers. The recent acquisition of Sybase will bolster its current product offering.

10	29	**Nestlé**	Switzerland	Food Producer & Processor	**2,966**

Nestlé is the largest food company globally, with 480 factories and 276,000 employees. 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 to improve capital efficiency.

Top Ten Investments	**36,698**

The Top Ten Investments by value account for 32.5% of the total value of investments (2009: 29.5%).

Investment Portfolio

continued

<table>
<tr><th>Rank (2010)</th><th>Rank (2009)</th><th>Company</th><th>Country</th><th>Sub-Sector</th><th>Valuation 2010 £'000</th></tr>
<tr><td>11</td><td>5</td><td>Roche</td><td>Switzerland</td><td>Pharmaceuticals & Biotechnology</td><td>2,939</td></tr>
<tr><td colspan="6">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.</td></tr>
<tr><td>12</td><td>46</td><td>SES Global</td><td>France</td><td>Media</td><td>2,601</td></tr>
<tr><td colspan="6">SES provides satellite communications and broadcast services. SES is well placed to benefit from a widespread rollout of HD TV thanks to its bandwidth monopoly. Long term contracts also offer transparent cash flows over the coming years.</td></tr>
<tr><td>13</td><td>–</td><td>Siemens</td><td>Germany</td><td>Electrical Products</td><td>2,597</td></tr>
<tr><td colspan="6">After major structural changes, Siemens is now focused on three sectors: Industry, Energy and Healthcare. Siemens is amongst the global leaders across most of its markets and has ambitious plans to become more profitable through better cost management.</td></tr>
<tr><td>14</td><td>34</td><td>Total</td><td>France</td><td>Oil & Gas Producers</td><td>2,576</td></tr>
<tr><td colspan="6">We view Total as one of the best quality European Oil Majors. The company continues to make operational progress and has an appealing exploration and production schedule in Africa over the coming years.</td></tr>
<tr><td>15</td><td>13</td><td>Inditex</td><td>Spain</td><td>General Retailers</td><td>2,544</td></tr>
<tr><td colspan="6">Spanish fashion retailer operating a number of different brands (Zara, Bershka, Stradivarius, Oysho, Massimo Dutti, Zara Home and Uterque) in 73 countries worldwide. It has significant opportunities to gain market share thanks to its focus on affordable fashion and a flexible business model.</td></tr>
<tr><td>16</td><td>–</td><td>France Telecom</td><td>France</td><td>Telecommunications</td><td>2,481</td></tr>
<tr><td colspan="6">Concerns over the firm's content costs and regulation have troubled the stock. This situation now seems to be stabilising and with the dividend guaranteed until the end of 2011, the yield of 8% makes this an attractive investment.</td></tr>
<tr><td>17</td><td>23</td><td>Carrefour</td><td>France</td><td>Supermarkets</td><td>2,475</td></tr>
<tr><td colspan="6">The French supermarket operator is executing an exciting turnaround strategy to revitalise its mature market businesses. The turnaround will take time but, one year into the plan, cost savings are starting to accrue and this, plus a more cyclically-geared French division than many realise, means earnings are rebounding strongly.</td></tr>
<tr><td>18</td><td>4</td><td>Syngenta</td><td>Switzerland</td><td>Agricultural Chemicals</td><td>2,362</td></tr>
<tr><td colspan="6">Syngenta offers crop protection products as well as the more niche area of commercial agriculture seeds. The stock offers good exposure to strong long-term growth fundamentals driven by global population growth and rising standards of nutrition.</td></tr>
<tr><td>19</td><td>32</td><td>Kühne + Nagel</td><td>Switzerland</td><td>Logistics</td><td>2,359</td></tr>
<tr><td colspan="6">Kühne + Nagel is one of the world's leading logistics groups. It is mainly active in the international forwarding business (sea, air and overland) and also offers high-value integrated logistics services. It is one of the best positioned players in the logistics sector, mainly due to their relatively high potential to grow through gaining share in its highly fragmented markets.</td></tr>
<tr><td>20</td><td>16</td><td>Zurich Financial Services</td><td>Switzerland</td><td>Financial Services</td><td>2,285</td></tr>
<tr><td colspan="6">Zurich has three principal divisions, Non-Life Insurance, Life Insurance and Farmers Management Services. It is one of the strongest players in the insurance sector. The quality of the stock is clear in its strong and conservatively-invested balance sheet.</td></tr>
<tr><td colspan="5">Top Twenty Investments</td><td>61,917</td></tr>
</table>

The Top Twenty Investments by value account for 54.9% of the total value of investments (2009: 53.4%).

Investment Portfolio

continued

Rank (2010)	Rank (2009)	Company	Country	Sub-Sector	Valuation 2010 £'000
21	–	**Givaudan**	Switzerland	Chemicals	**2,264**
22	36	**Schneider Electric**	France	Industrial Engineering	**2,264**
23	8	**Linde**	Germany	Chemicals	**2,243**
24	–	**Philips Electronics**	Netherlands	Electronics	**2,195**
25	–	**Kabel Deutschland**	Germany	Diversified Telecoms	**2,177**
26	–	**Allianz**	Germany	Insurance	**2,155**
27	–	**Deutsche Lufthansa**	Germany	Airlines	**2,148**
28	12	**UBS**	Switzerland	Banking	**2,132**
29	1	**Fresenius Medical Care**	Germany	Healthcare	**2,122**
30	19	**Beiersdorf**	Germany	Personal Goods	**2,056**
Top Thirty Investments					**83,673**

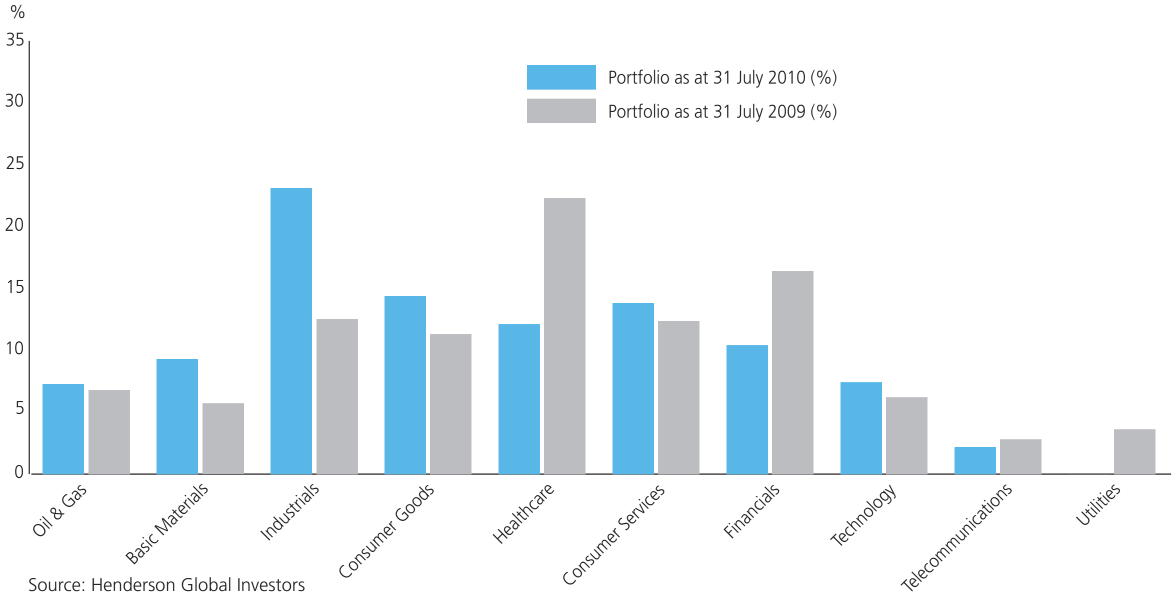
Rank (2010)	Rank (2009)	Company	Country	Sub-Sector	Valuation 2010 £'000
31	24	**ENI**	Italy	Oil & Gas Producers	**2,045**
32	–	**ASML**	Netherlands	Semiconductors	**2,036**
33	–	**Gemalto**	France	Computer Data Security	**1,992**
34	41	**Henkel**	Germany	Personal Goods	**1,941**
35	31	**Saipem**	Italy	Oil Equipment	**1,917**
36	15	**Heineken**	Netherlands	Beverages	**1,906**
37	40	**SGS**	Switzerland	Support Services	**1,846**
38	–	**K+S**	Germany	Chemicals	**1,844**
39	–	**Ericsson**	Sweden	Telecommunications	**1,829**
40	–	**Brenntag**	Germany	Chemicals	**1,820**
Top Forty Investments					**102,849**

Rank (2010)	Rank (2009)	Company	Country	Sub-Sector	Valuation 2010 £'000
41	–	**Credit Suisse**	Switzerland	Banking	**1,791**
42	–	**L'Oréal**	France	Personal Goods	**1,771**
43	42	**Statoilhydro**	Norway	Oil & Gas Producers	**1,701**
44	–	**Atlantia**	Italy	Transportation Infrastructure	**1,694**
45	25	**Sika**	Switzerland	Construction & Materials	**1,577**
46	18	**Nokia**	Finland	Technological Hardware & Equipment	**1,476**
Total Investments					**112,859**

Investment Portfolio

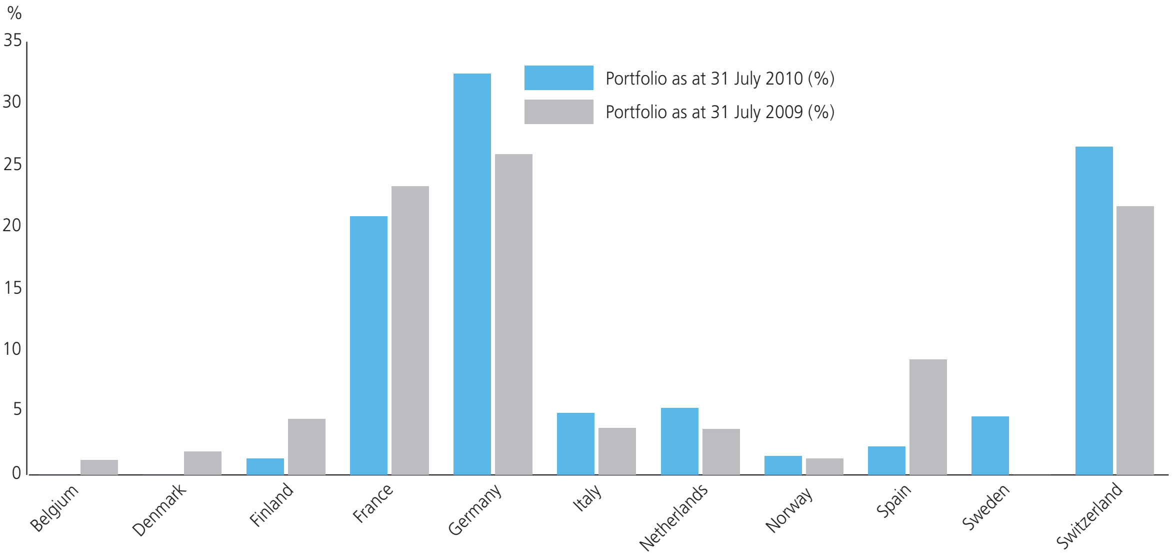
continued

Sector Analysis



Source: Henderson Global Investors

Geographical Analysis



Source: Henderson Global Investors

Investment Portfolio

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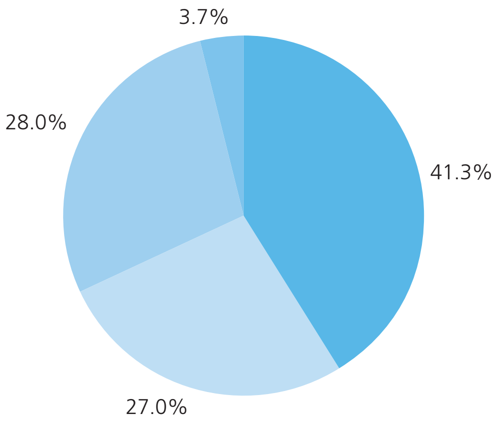
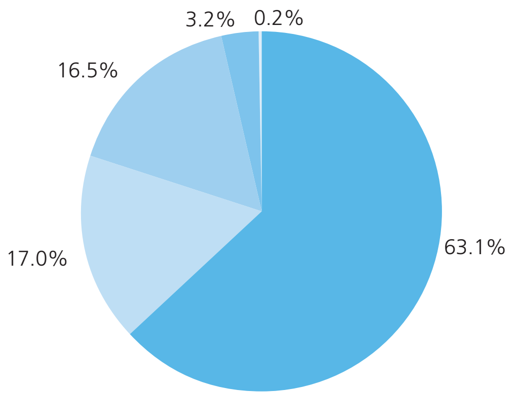
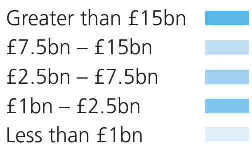
Market capitalisation of the holdings in the portfolio at 31 July 2010



Market capitalisation of the benchmark at 31 July 2010





Source: Factset

Peer Group Performance (ranked by performance over one year) as at 31 July 2010

	Net Asset Value Total Return (%)			
Company	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Jupiter European Opportunities	45.9	10.4	73.7	–
BlackRock Greater Europe	25.3	2.2	48.8	–
JPMorgan European Income	17.2	-7.5	–	–
European Investment Trust	17.3	-28.0	8.1	-7.9
Charter European	15.8	2.7	42.3	–
Henderson EuroTrust	**15.5**	**4.3**	**47.3**	**42.2**
JPMorgan European Growth	15.1	-17.6	21.4	18.7
Gartmore European	11.4	0.1	45.0	33.7
Fidelity European Values	11.3	-11.2	22.6	123.2
SR Europe	6.1	-12.1	41.1	–
Size weighted average	*17.0*	*-10.3*	*30.6*	*36.7*

Directors

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 14 and 25.

Pictured, left to right, standing: Tim Stevenson, Mark Tapley, Robert Bischof, and seated; Joop Feilzer, John Cornish.

†# **Mark Tapley, Chairman** was appointed to the Board in 2000, and as Chairman in November 2007. Mark 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** joined the Board in 1996. He trained as a merchant banker and achieved an honours degree in Economics. He is the former chairman of McIntyre & King Ltd and of Boss Group Ltd, a subsidiary of Jungheinrich AG. He is on the board of the German British Chamber of Industry and Commerce, the German British Forum Ltd and SCCO International. He is also chairman of Vitalize Health Products Ltd. 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.

* **Joop Feilzer** was appointed to the Board in November 2007. He held various executive positions at the Fortis and Fortis Bank group of companies and is now Chairman of BNP Paribas Fortis Investments SA/NV and a director of BNP Paribas OBAM NV, an open-ended company listed on the Amsterdam Stock Exchange. He is a former Vice Chairman of CTP Property NV and a supervisory board member of several Dutch foundations.

*◆ **John Cornish** was appointed to the Board in November 2007, and is the Chairman of the Audit Committee. Formerly a senior partner with Deloitte LLP, John specialised during his career in the investment management, investment banking and other financial services sectors. He is also a non-executive director of RIT Capital Partners plc, RCM Technology Trust PLC, Strategic Equity Capital plc and treasurer of the Royal Alexandra and Albert Foundation.

Tim Stevenson was appointed to the Board in 1992. Tim is responsible for running the portfolio and joined Henderson in 1986. He has specialised in European investment since 1982. Tim will resign from the Board at the conclusion of the Annual General Meeting in November 2010 but will continue as Portfolio Manager.

#Chairman of Nominations Committee.
†Chairman of Management Engagement Committee.
◆Chairman of Audit Committee.

*Member of Audit, Nominations and Management Engagement Committees. Other than Tim Stevenson, all the Directors are independent of the management company.

Directors' Report

The Directors present the audited financial statements of the Company and their report for the year ended 31 July 2010.

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 2010. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Report on pages 5 to 7, which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

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 (formerly section 842 of the Income & Corporation Taxes Act 1988). 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 2009 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 2010 is shown on pages 8 to 10. The largest holding at year end was in Fresenius (4.2%). The top 10 holdings amounted to 32.5% 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 2010 amounted to £114,610,000 compared with £112,047,000 at 31 July 2009, and the net asset value ('NAV') per ordinary share increased to 549.0p from 487.8p. At 1 August 2009 there were 22,968,063 shares in issue and by 31 July 2010 this had reduced to 20,876,925 shares following share buybacks.

Total return for the year was £15,980,000 compared to a loss of £9,833,000 a year earlier. Dividends totalling 11.0p per share are recommended in respect of 2010, compared to 11.0p (which included a 2.0p Special) in 2009.

At 31 July 2010 there were 46 (2009: 48) separate investments, as detailed on pages 8 to 10.

Directors' Report
continued

In the year under review finance costs totalled £43,000, the management fee totalled £846,000 and other expenses £288,000. These figures include VAT where applicable. A performance fee of £584,000 is payable.

Net revenue after taxation for the year was £2,616,000, a decrease of 8.5% on the previous year, primarily due to the smaller size of the Company.

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 7.0p provides a total dividend of 11.0p per ordinary share. Subject to approval at the AGM, the final dividend will be paid on 22 November 2010 to shareholders on the register of members on 15 October 2010. The Company's shares will be quoted ex-dividend on 13 October 2010.

Payment of Suppliers
It is the payment policy for the financial year to 31 July 2011 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 2010.

Bank Facilities and Gearing
Since December 2009 the Company has had in place a £10 million Revolving Loan Facility which allows it to borrow as and when appropriate. The maximum amount drawn down in the period under review was £8.9 million, with borrowing costs for the year totalling £93,000.

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 guidance issued 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.

  As mentioned in the half year report, the discount of the share price to its underlying net asset value has been volatile. Your Board has been more active in the market, and bought back a total of 2,091,138 shares in the year under review. Shareholders are advised that the average discount test approved at the EGM in March 2007 was met for the required period and accordingly no further proposals are being put forward by the Board. 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 10,000 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

Directors' Report

continued

each Board meeting. Details of the peer group are shown on page 12 of this report.

- *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 (excluding VAT write-back) and dividing by the average NAV. The TER before performance fees and finance costs as at 31 July 2010, amounted to 0.94% (2009: 0.88%) of the assets of the Company. With the inclusion of the performance fee this amounted to 1.43% (2009: 1.72%). The Board monitors all Company expenses on a regular basis.

e) Management and custody arrangements

Investment management, accounting, company secretarial and administration services are provided to the Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ('Henderson').

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) will be 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.

For the year ended 31 July 2010 the Manager has outperformed the Index and the adjusted NAV is in excess of the NAV at 31 July 2010. A performance fee of £584,000 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.

Custody services are supplied directly to the Company by JPMorgan Chase.

f) Related Party transactions

The contract with Henderson 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.

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 this 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 provides investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal controls reports produced by the Manager on a quarterly basis.

- *Financial*

  By its nature as an investment trust, the Company's business activities are exposed to market risk (including market price risk, currency risk and interest rate risk), liquidity risk, and credit and counterparty risk. Details of these risks and how they are managed are contained in note 15 to the financial statements on pages 38 to 44.

- *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.

Corporate Governance Statement

a) Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined 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 2008 Combined Code are directly applicable to the Company.

The Financial Reporting Council (the 'FRC') confirmed in February 2007 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') in 2009, boards of investment companies should fully meet their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules. The 2009 AIC Code of Corporate Governance (the 'AIC Code'), as explained by the AIC Guide, addresses all the principles set out in section 1 of the 2008 Combined 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

In May 2010 the FRC published the new UK Corporate Governance Code, which will be effective for accounting periods commencing on or after 29 June 2010.

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 Combined Code except as noted below.

- *Senior independent director*

  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 where issues arise and to whom concerns can be conveyed.

- *The role of chief executive*

  Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a chief executive.

- *Executive Directors' remuneration*

  As the Board has no executive directors, it is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on pages 24 and 25.

- *Internal audit function*

  The Company delegates to third parties its day-to-day operations and has no employees. These third parties have their own internal audit function and the Board has therefore determined that there is no requirement for the Company to have its own internal audit function. The

Directors' Report

continued

Directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

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, the majority of whom are independent of the Company's Manager. The Chairman is Mark Tapley. Tim Stevenson is employed by the Manager and has therefore not been considered an independent director throughout the period of his appointment. Mr Stevenson is not seeking re-election at the forthcoming AGM but will remain the Portfolio Manager and a shareholder and will continue to be committed to achieving best returns for shareholders. The Directors' biographies, set out on page 13, demonstrate the breadth of investment, industrial, commercial and professional experience relevant to the 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.

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 John Cornish, who was elected in 2008. Under the Articles of Association shareholders may remove a director before the year of his term by passing an ordinary resolution.

Two members of the current board, Mark Tapley and Robert Bischof, have served on the Board for over nine years and are therefore obliged to offer themselves 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 that Mark Tapley and Robert Bischof continue to provide a valuable and beneficial contribution to the Company and that their experience complements the abilities of the other directors. The Board has therefore concluded that they remain independent.

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 page 24 to 25.

- *Directors' interests in shares*

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

Ordinary shares of 5p	**31 July 2010**	1 August 2009
Beneficial:		
Mark Tapley	**20,000**	10,000
Robert Bischof	**5,000**	2,000
John Cornish	**–**	–
Joop Feilzer	**5,000**	5,000
Tim Stevenson	**94,225**	88,351

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

Directors' Report

continued

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 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 six 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 and Joop Feilzer, 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 except Tim Stevenson, 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 16.

- *Nominations Committee*
  All Directors, with the exception of Tim Stevenson, 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 below. All the Directors

Directors' Report

continued

also attended the Annual General Meeting in November 2009 and a Strategy Meeting in March 2010.

No. of meetings	Board 6	Audit Committee 2	Management Engagement Committee 1	Nominations Committee 1
Mark Tapley	6	n/a	1	1
Robert Bischof	6	2	1	1
John Cornish	6	2	1	1
Joop Feilzer	6	2	1	1
Tim Stevenson	6	n/a	n/a	n/a

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 July 2010 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 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 2010, 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 23, the Independent Auditor's Report on page 26 and the statement of Going Concern on page 15.

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 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.

Directors' Report

continued

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 16.

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 2009, there were 22,968,063 shares in issue. During the year, 2,091,138 shares (representing 9.10% of the issued share capital) were bought back at an average price of 514 pence per share, then held in Treasury, and subsequently cancelled. As at 31 July 2010, no shares were held in Treasury. The number of ordinary shares in issue on 31 July 2010 was 20,876,925. Since the year end a further 10,000 shares have been brought back.

- *Substantial share interests*

  Declarations of interests in the voting rights of the Company, at 21 September 2010, are set out below:

Shareholder	% of voting rights
Lloyds TSB Group plc (including Scottish Widows Investment Partnership)	15.79%
Rensburg Sheppards plc	10.99%
Insight Investment	7.10%
1607 Capital Partners	5.08%
Legal & General	3.98%

  At 21 September 2010, 5.25% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products, run by Halifax Share Dealing Limited ('HSDL'), and 6.00% 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.

  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.

- *Board authorities to issue and buy back share capital*

  The Directors seek annual authority from the shareholders to allot new ordinary shares, to disapply the pre-emption rights of existing shareholders, and to buy back for cancellation or to be held in Treasury, the Company's shares. Further details of the authorities sought at the AGM are set out in the separate Notice of the AGM.

Directors' Report

continued

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*

  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 will receive 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

- *Employee and 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 Thursday 18 November 2010 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 2009 the Directors were granted authority to buyback 3,442,912 shares. At 31 July 2010 1,011,138 shares had been bought back from this authority. A further 10,000 shares have been bought back since and therefore the Directors have the authority to purchase a further 2,421,774 shares. This authority will expire at the conclusion of the 2010 Annual General Meeting.

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 2010

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 13 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 2010

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 are £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 2009, were as follows:

	2010	2009
Mark Tapley	**£25,000**	£25,000
Robert Bischof	**£18,000**	£16,000
John Cornish	**£20,000**	£20,000
Joop Feilzer	**£18,000**	£16,000
Tim Stevenson[1]	**–**	–
TOTAL	**£81,000**	£77,000

Notes:

(1) Fee waived.

Joop Feilzer received £2,348 (2009: £1,992) 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 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 in the year (including performance related bonus) were £220,050 (2009: £131,000) as analysed:

	2010	2009
Salary and other benefits	**£20,050**	£19,000
Performance related bonus	**£200,000**	£112,000
TOTAL	**£220,050**	£131,000

The highest paid Director's emoluments thus totalled £220,050 (2009: £131,000).

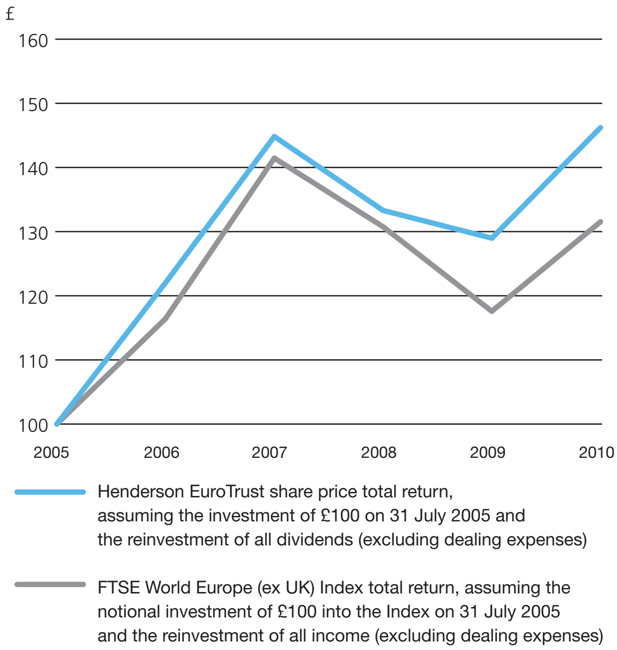
A contribution was paid by Henderson on behalf of Tim Stevenson to a non-contributory defined benefit pension scheme. The increase in the benefit was £7,600 (2009: £3,900).

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 2010

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 2010 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 23, 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 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.

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 2010 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 15, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Brian Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2010

Income Statement

for the year ended 31 July 2010

Notes		**Year ended 31 July 2010** Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 July 2009 Revenue return £'000	Capital return £'000	Total £'000
2	Gains/(losses) from investments held at fair value through profit or loss	**–**	**14,645**	**14,645**	–	(8,789)	(8,789)
3	Investment income	**3,496**	**–**	**3,496**	3,783	–	3,783
4	Other interest receivable and similar income (including interest on VAT refund)	**–**	**–**	**–**	403	–	403
	Gross revenue and capital gains/(losses)	**3,496**	**14,645**	**18,141**	4,186	(8,789)	(4,603)
5	Management and performance fees	**(169)**	**(1,247)**	**(1,416)**	(151)	(1,530)	(1,681)
5	Write-back of prior years' VAT	**–**	**–**	**–**	129	110	239
6	Other administrative expenses	**(288)**	**–**	**(288)**	(201)	–	(201)
	Net return/(loss) on ordinary activities before finance charges and taxation	**3,039**	**13,398**	**16,437**	3,963	(10,209)	(6,246)
7	Finance charges	**(9)**	**(34)**	**(43)**	–	–	–
	Net return/(loss) on ordinary activities before taxation	**3,030**	**13,364**	**16,394**	3,963	(10,209)	(6,246)
8	Taxation on net return on ordinary activities	**(414)**	**–**	**(414)**	(1,105)	376	(729)
	Net return/(loss) on ordinary activities after taxation	**2,616**	**13,364**	**15,980**	2,858	(9,833)	(6,975)
9	**Return/(loss) per ordinary share**	**12.1p**	**61.9p**	**74.0p**	12.4p	(42.7)p	(30.3)p

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.

The notes on pages 31 to 46 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the years ended 31 July 2010 and 31 July 2009

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**

Notes	Year ended 31 July 2009	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 July 2008	1,153	33,814	130	84,176	2,464	121,737
	Net (loss)/return from ordinary activities after taxation	–	–	–	(9,833)	2,858	(6,975)
16	Repurchase of ordinary shares	(5)	–	5	(409)	–	(409)
10	Final dividend paid in respect of the year ended 31 July 2008 (paid 18 November 2008)	–	–	–	–	(1,153)	(1,153)
10	Special dividend paid in respect of the year ended 31 July 2008 (paid 18 November 2008)	–	–	–	–	(462)	(462)
10	Interim dividend paid in respect of the year ended 31 July 2009 (paid 1 May 2009)	–	–	–	–	(691)	(691)
	At 31 July 2009	1,148	33,814	135	73,934	3,016	112,047

The notes on pages 31 to 46 form part of these financial statements

Balance Sheet

at 31 July 2010

Notes		2010 £'000	2009 £'000
	Fixed asset investments held at fair value through profit or loss		
11	Listed at market value – overseas	**112,859**	110,571
	Current assets		
12	Debtors	**492**	556
	Cash at bank	**3,808**	2,570
		4,300	3,126
13	**Creditors: amounts falling due within one year**	**(2,549)**	(1,650)
	Net current assets	**1,751**	1,476
	Total net assets	**114,610**	112,047
	Capital and reserves		
16	Called up share capital	**1,044**	1,148
17	Share premium account	**33,814**	33,814
18	Capital redemption reserve	**239**	135
18	Capital reserves	**76,555**	73,934
18	Revenue reserve	**2,958**	3,016
	Shareholders' funds	**114,610**	112,047
14	**Net asset value per ordinary share**	**549.0p**	487.8p

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2010.

Mark Tapley
Director

The notes on pages 31 to 46 form part of these financial statements

Cash Flow Statement

for the year ended 31 July 2010

Notes		2010 £'000	2010 £'000	2009 £'000	2009 £'000
19	**Net cash inflow from operating activities**		**1,124**		3,079
	Servicing of finance				
	Interest paid	**(41)**		–	
	Net cash outflow from servicing of finance		**(41)**		–
	Taxation				
	UK Corporation Tax paid	**(278)**		(75)	
	Overseas tax recovered	**176**		39	
	Net tax paid		**(102)**		(36)
	Financial investment				
	Purchases of investments	**(96,729)**		(83,046)	
	Sales of investments	**108,903**		79,462	
	Net cash inflow/(outflow) from financial investment		**12,174**		(3,584)
	Equity dividends paid		**(2,674)**		(2,306)
	Net cash inflow/(outflow) before financing		**10,481**		(2,847)
	Financing				
	Repurchase of own shares	**(10,743)**		(409)	
	Drawdown of loans	**1,346**		–	
	Net cash outflow from financing		**(9,397)**		(409)
	Increase/(decrease) in cash		**1,084**		(3,256)
	Reconciliation of net cash flow to movement in net funds				
20	Increase/(decrease) in cash as above		**1,084**		(3,256)
20	Exchange movements		**169**		466
	Cash inflow from increase in loans		**(1,346)**		–
	Change in net funds resulting from cash flows		**(93)**		(2,790)
	Net funds at 1 August		**2,570**		5,360
20	**Net funds at 31 July**		**2,477**		2,570

The notes on pages 31 to 46 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.

(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/(losses) from investments held at fair value through profit or loss

	2010 £'000	2009 £'000
Gains/(losses) on the sale of investments based on historical cost	**8,903**	(5,055)
Less: revaluation gains recognised in previous years	**(4,587)**	(6,210)
Gains/(losses) on investments sold in the year based on carrying value at the previous balance sheet date	**4,316**	(11,265)
Revaluation of investments held at 31 July	**10,160**	2,010
Exchange gains	**169**	466
	14,645	(8,789)

3 Investment income

	2010 £'000	2009 £'000
Overseas dividend income	**3,496**	3,783

Notes to the Financial Statements

continued

4	Other interest receivable and similar income	2010 £'000	2009 £'000
	Deposit interest	–	92
	Interest on VAT refund (see note 22)	–	271
	Stock lending fees	–	8
	Underwriting commissions	–	32
		–	403

5	Management and performance fees	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
	Management fee	169	677	846	151	604	755
	Performance fee	–	584	584	–	926	926
	Less prior year adjustment	–	(14)	(14)	–	–	–
		169	1,247	1,416	151	1,530	1,681
	Write-back of VAT (see note 22)	–	–	–	(129)	(110)	(239)
		169	1,247	1,416	22	1,420	1,442

A summary of the terms of the management agreement is given in the Directors' Report on page 16.

6	Other administrative expenses (including irrecoverable VAT)	2010 £'000	2009 £'000
	Directors' fees (see the Directors' Remuneration Report on pages 24 and 25)	81	77
	Auditors' remuneration – for audit services	23	23
	Other administrative expenses	184	101
		288	201

7	Finance charges	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
	Loan interest	9	34	43	–	–	–

Notes to the Financial Statements

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8 Taxation

(a) Analysis of charge in the year

	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
Corporation tax at 28%	**29**	**–**	**29**	709	15	724
Double taxation relief	**(29)**	**–**	**(29)**	(438)	(8)	(446)
	–	**–**	**–**	271	7	278
Foreign withholding taxes	**650**	**–**	**650**	681	19	700
Overseas tax reclaimable	**(236)**	**–**	**(236)**	(238)	(11)	(249)
Current tax charge for the year	**414**	**–**	**414**	714	15	729
Tax relief attributable to management fee and interest charged to capital	**–**	**–**	**–**	391	(391)	–
Total current tax for the year (see note 8(b))	**414**	**–**	**414**	1,105	(376)	729

(b) Factors affecting the tax charge for the year

	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
Net profit/(loss) on ordinary activities before taxation	**3,030**	**13,364**	**16,394**	3,963	(10,209)	(6,246)
Corporation tax at 28%	**848**	**3,742**	**4,590**	1,110	(2,859)	(1,749)
Effects of:						
Non-taxable gains/(losses) on investments held at fair value through profit or loss	**–**	**(4,101)**	**(4,101)**	–	2,476	2,476
Non-taxable overseas dividends	**(819)**	**–**	**(819)**	(21)	–	(21)
Tax charged/(credited) for use of capital expenses	**–**	**–**	**–**	–	7	7
Income taxable in different periods	**–**	**–**	**–**	11	–	11
Overseas tax	**414**	**–**	**414**	443	8	451
Relief for double taxation	**(29)**	**–**	**(29)**	(438)	(8)	(446)
Excess management expenses	**–**	**359**	**359**	–	–	–
Current tax charge	**414**	**–**	**414**	1,105	(376)	729

(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 £328,000 at 31 July 2010 (2009: £nil) 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

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9 Return per ordinary share

The total return per ordinary share is based on the net return attributable to the ordinary shares of £15,980,000 (2009: loss of £6,975,000) and on 21,606,893 ordinary shares (2009: 23,048,948) being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2010 £'000	2009 £'000
Revenue return	**2,616**	2,858
Capital return/(loss)	**13,364**	(9,833)
Total return/(loss)	**15,980**	(6,975)
Weighted average number of ordinary shares	**21,606,893**	23,048,948
Revenue return per ordinary share	**12.1p**	12.4p
Capital return/(loss) per ordinary share	**61.9p**	(42.7)p
Total return/(loss) per ordinary share	**74.0p**	(30.3)p

The Company does not have any dilutive securities.

10 Dividends on ordinary shares

	Register date	Payment date	**2010 £'000**	2009 £'000
Final dividend (5.0p) for the year ended 31 July 2008	24 October 2008	18 November 2008	**–**	1,153
Special dividend (2.0p) for the year ended 31 July 2008	24 October 2008	18 November 2008	**–**	462
Interim dividend (3.0p) for the year ended 31 July 2009	14 April 2009	1 May 2009	**–**	691
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**	–
			2,674	2,306

The proposed final dividend for the year ended 31 July 2010 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:

	2010 £'000
Revenue available for distribution by way of dividend for the year	**2,616**
Interim dividend of 4.0p paid 30 April 2010	**(840)**
Proposed final dividend for the year ended 31 July 2010 of 7.0p (based on 20,866,925 ordinary shares in issue at 30 September 2010)	**(1,461)**
Undistributed revenue for section 1158 purposes*	**315**

*Undistributed revenue comprises 9.0% of the income from investments of £3,496,000 (see note 3).

11 Fixed asset investments

	£'000
Valuation at 1 August 2009	110,571
Investment holding gains at 1 August 2009	(8,918)
Cost of investments at 1 August 2009	101,653
Purchases at cost	96,715
Sales at cost	(100,000)
Cost of investments at 31 July 2010	98,368
Investment holding gains at 31 July 2010	14,491
Valuation at 31 July 2010	**112,859**

Purchase transaction costs for the year ended 31 July 2010 were £155,000 (2009: £146,000). These comprise mainly brokers' commissions. Sale transaction costs for the year ended 31 July 2010 were £153,000 (2009: £122,000).

12 Debtors

	2010 £'000	2009 £'000
Withholding tax recoverable	**477**	424
Prepayments and accrued income	**15**	132
	492	556

Notes to the Financial Statements

continued

13 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loans	**1,331**	–
Purchases for future settlement	**267**	281
Management fee	**255**	65
Performance fee	**584**	926
Other accruals	**110**	100
Tax payable	**–**	278
Loan interest payable	**2**	–
	2,549	1,650

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 £114,610,000 (2009: £112,047,000) and on 20,876,925 (2009: 22,968,063) ordinary shares in issue at the year end. There were no shares held in Treasury at the year end (2009: 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 2009	112,047
Total net return on ordinary activities after taxation	15,980
Dividends paid on ordinary shares in the year	(2,674)
Buy-backs of ordinary shares	(10,743)
Total net assets attributable to the ordinary shares at 31 July 2010	114,610

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 2010 on its investments held at fair value through profit or loss was £112,859,000 (2009: £110,571,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 8 to 10. 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% (2009: 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.

	2010		2009	
	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	**(32)**	**32**	(22)	22
Capital return	**22,446**	**(22,446)**	22,025	(22,025)
Total return after tax for the year	**22,414**	**(22,414)**	22,003	(22,003)
Impact on net assets	**22,414**	**(22,414)**	22,003	(22,003)

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 2010 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.

2010	**Euro £'000**	**Swiss Franc £'000**	**Swedish Krone £'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**

Exposure to other currencies in the table above includes Danish Krone and Norwegian Krone.

2009	Euro £'000	Swiss Franc £'000	Danish Krone £'000	Other £'000
Debtors (amounts due from brokers, dividends and other income receivable)	151	273	–	–
Cash at bank and on deposit	1,178	59	2	1
Total foreign currency exposure on net monetary items	1,329	332	2	1
Investments at fair value through profit or loss that are equities	83,028	24,044	2,062	1,437
Total net foreign currency exposures	84,357	24,376	2,064	1,438

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/Danish Krone, sterling/other.

It assumes the following changes in exchange rates:

Sterling/Euro +/- 10% (2009: 10%).
Sterling/Swiss Franc +/- 10% (2009: 10%).
Sterling/Danish Krone +/- 10% (2009: 10%).
Sterling/Other +/- 10% (2009: 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:

	2010				2009			
	Euro £'000	**Swiss Franc £'000**	**Danish Krone £'000**	**Other £'000**	Euro £'000	Swiss Franc £'000	Danish Krone £'000	Other £'000
Income Statement – net return after taxation								
Revenue return	**219**	**49**	**7**	**8**	167	36	1	9
Capital return	**8,629**	**3,102**	**–**	**196**	9,319	2,667	229	160
Change in total return after taxation for the year and shareholders' funds	**8,848**	**3,151**	**7**	**204**	9,486	2,703	230	169

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:

	2010 Euro £'000	**2010 Swiss Franc £'000**	**2010 Danish Krone £'000**	**2010 Other £'000**	2009 Euro £'000	2009 Swiss Franc £'000	2009 Danish Krone £'000	2009 Other £'000
Income Statement – net return after taxation								
Revenue return	**(179)**	**(40)**	**(6)**	**(12)**	(137)	(29)	(1)	(8)
Capital return	**(7,050)**	**(2,499)**	**–**	**(154)**	(7,625)	(2,180)	(187)	(130)
Change in total return after taxation for the year and shareholders' funds	**(7,229)**	**(2,539)**	**(6)**	**(166)**	(7,762)	(2,209)	(188)	(138)

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:

	2010 Total (within one year) £'000	2009 Total (within one year) £'000
Exposure to floating interest rates:		
Cash at bank	**3,808**	2,570
Creditors:		
Borrowings under multi-currency loan facility	**(1,331)**	–
	2,477	2,570

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 £1,331,000 (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 £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 bank loan of £1.3 million (2009: £nil) 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:

	2010 Due within one month £'000	2009 Due within one month £'000
Bank loans and overdrafts (including accrued interest)	**1,333**	–
Other creditors and accruals	**1,218**	1,650
	2,551	1,650

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.

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 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

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 2010 comprised its equity share capital, reserves and bank loans that are shown in the balance sheet at a total of £115,941,000 (2009: £112,047,000).

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

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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			
	Authorised	–	75,000,000	3,750
	Issued – balance brought forward	22,968,063	22,968,063	1,148
	Repurchase and cancellation of ordinary shares	(2,091,138)	(2,091,138)	(104)
	Balance carried forward	**20,876,925**	**20,876,925**	**1,044**

During the year 2,091,138 (2009: 98,000) ordinary shares were repurchased at a total cost of £10,743,000 (2009: £409,000) and subsequently cancelled. Since the year end a further 10,000 shares have been repurchased.

17	**Share premium account**	£'000
	At 1 August 2009 and 31 July 2010	**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 2009	135	65,016	8,918	73,934	3,016
	Transfer on disposal of assets	–	4,587	(4,587)	–	–
	Net movement on investments held at fair value through profit or loss	–	4,316	10,160	14,476	–
	Net movement on foreign exchange	–	169	–	169	–
	Expenses charged to capital	–	(1,281)	–	(1,281)	–
	Repurchase of ordinary shares	104	(10,743)	–	(10,743)	–
	Final and special dividends for the year ended 31 July 2009 (paid 17 November 2009)	–	–	–	–	(1,834)
	Net revenue return after taxation for the year	–	–	–	–	2,616
	Interim dividend for the year ended 31 July 2010 (paid 30 April 2010)	–	–	–	–	(840)
	At 31 July 2010	**239**	**62,064**	**14,491**	**76,555**	**2,958**

19	**Reconciliation of operating revenue to net cash inflow from operating activities**	**2010 £'000**	2009 £'000
	Net return/(loss) before finance charges and taxation	**16,437**	(6,246)
	Capital (return)/loss before finance charges and taxation	**(13,398)**	10,209
	Revenue return before finance charges and taxation	**3,039**	3,963
	Decrease in prepayments, accrued income and other debtors	**117**	827
	(Decrease)/increase in accruals	**(142)**	409
	Tax on unfranked investment income deducted at source	**(643)**	(700)
	Expenses allocated to capital	**(1,247)**	(1,420)
	Net cash inflow from operating activities	**1,124**	3,079

Notes to the Financial Statements

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20	Analysis of changes in net funds	At 1 August 2009 £'000	Cashflow £'000	Exchange movements £'000	**At 31 July 2010 £'000**
	Cash at bank	2,570	1,084	154	**3,808**
	Debt falling due within one year	–	(1,346)	15	**(1,331)**
		2,570	(262)	169	**2,477**

21 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments at 31 July 2010 (2009: £nil).

Contingent liabilities

There were no contingent liabilities at 31 July 2010 (2009: £nil).

22 VAT on management fees

Following the 2007 decision by the European Court of Justice that Value Added Tax ('VAT') should not be charged on fees paid for management services provided to investment trust companies, over the two previous financial years the Company received in total £1,133,000 in VAT reclaims relating to management fees paid during the periods 1 January 1990 to 4 December 1996 and 1 October 2000 to 30 June 2007, £239,000 of which was recognised in the financial statements to 31 July 2009. The reclaim was allocated between revenue return and capital return according to the allocation of the amounts paid originally. In addition the Company received £271,000 of simple interest on those VAT reclaims, which was included in the financial statements to 31 July 2009. No further reclaims of VAT or interest thereon were received in the year under review and no further recoveries are expected.

VAT has not been applied to management or performance fees invoiced since June 2007.

23 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 16. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 July 2010 was £846,000, (2009: £755,000) of which £255,000 was outstanding at 31 July 2010 (2009: £65,000).

A performance fee is also payable to Henderson amounting to £584,000 (2009: £926,000). 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 2010 amounted to £15,000 (2009: £10,000) of which £1,000 was outstanding at 31 July 2010 (2009: £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 (excluding VAT write-back) 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 the inside back cover.

Investor Information

Release of Results
Half year results are announced in late March. Full year results are announced in September/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 the inside back cover) 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
Tim Stevenson

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
www.hendersoneurotrust.com

Independent Auditors
PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London SE1 2RD

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

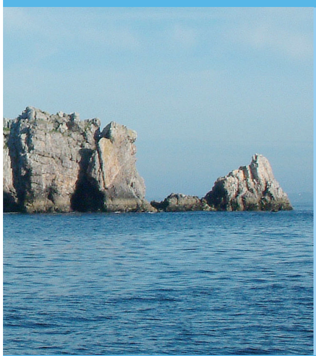
Stockbrokers
JPMorgan Cazenove
20 Moorgate
London EC2R 6DA

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

The Association of Investment Companies

London Stock Exchange
LISTED
PREMIUM



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