Henderson EuroTrust plc

Report and Accounts for the year ended 31 July 2006

Henderson EuroTrust plc

Invests predominantly in large and medium-sized companies which are perceived to be undervalued in view of their growth prospects or on account of significant changes 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 beaten the FTSE World Europe (excluding UK) index over one, three, five and ten 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 fund manager meets companies regularly.
Independent board of directors	The directors, a majority of whom are independent of the management company, meet regularly with the fund manager to consider investment strategy and to monitor performance.
Shares are easy to buy	The process for buying shares through itshenderson in the Henderson Investment Trust Share Plan, Henderson ISA and Henderson Transfer PEP is shown on the inside back cover.
Benchmark	FTSE World Europe (ex UK) Index.

Financial highlights

	31 July 2006 pence	(Restated†) 31 July 2005 pence	Change %
Net Asset Value			
ordinary share	**473.91**	399.58	+18.6
Earnings			
ordinary share	**5.67**	4.34	+30.6
Dividends			
ordinary dividend*	**5.50**	5.00	+10.0

*The recommended final dividend of 3.50p per ordinary share, if approved, will be paid on 10 November 2006 to holders of ordinary shares on the register of members at close of business on 6 October 2006. The Company's shares will be quoted ex-dividend on 4 October 2006.

†(See note 18).

Total Return performance

	1 year %	3 years %	5 years %	10 years %
Net Asset Value Total Return				
ordinary share	19.8	81.7	62.1	228.6
FTSE World Europe (ex UK) Index	16.4	66.5	33.5	143.9
Average Continental European Investment Trust	17.9	78.5	56.2	218.9

Sources: Datastream, AITC Services Limited.

Historical record

	Net asset value pence per ordinary share	Share price percentage discount/(premium) to net asset value per ordinary share	Earnings per ordinary share (pence)	Dividend per ordinary share (pence)
31 July 1996	160.0	22.5	2.37	2.00
31 July 1997	189.0	20.1	2.33	2.00
31 July 1998	281.3	6.5	2.31	2.50
31 July 1999	281.2	10.7	2.24	2.50
31 July 2000	434.2	(6.6)	1.76	2.50
31 July 2001	306.9	7.4	2.95	2.50
31 July 2002	232.6	12.9	2.36	2.50
31 July 2003	267.8	14.6	3.72	3.00
31 July 2004	292.0	14.5	3.84	3.00
31 July 2005(1)	399.6	8.7	4.34	5.00
31 July 2006	**473.9**	**7.1**	**5.36**	**5.50**
Annualised Growth(2)	**11.5%**			

(1) Restated (see note 1(b) on page 32).
(2) Compound rate from 31 July 1996.

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Chairman's Statement

S M Yassukovich

It has once again been a good year for both markets and Henderson EuroTrust, albeit with returns slightly less than during the previous year. Your Company has produced a total return of 19.8%, ahead of our benchmark index (the FTSE World Europe excluding the UK) which increased by 16.4%.

Revenue and dividend

Gross revenue for the year amounted to £2,436,000 (2005: £1,967,000). Net revenue on ordinary activities after tax and administrative expenses reached £1,455,000 (2005: £1,114,000), producing an increase in earnings of 30.6% to 5.67 pence per share (2005: 4.34p). Other expenses fell to £186,000 from £218,000 the previous year. These can be controlled to some extent, whereas the management fee is a direct percentage levy on the assets of the Company. Interest expenses have risen, due to the fact that at times the Company has had gearing of up to about 5% of assets, but this has been more than offset by revenue from stock lending. The Board will recommend an increase in the final dividend to 3.50p making a total dividend for the year of 5.50p (2005: 5.00p). Our Manager has earned a performance fee again this year, but at a lower level than the previous year.

The Investment Trust Sector

We remain naturally strong advocates of the corporate structure of investment trusts. The ability to gear, the role of an independent Board of Directors as monitor of the actions of the Managers, and the lower cost structure all make Henderson EuroTrust a better vehicle for investors to access the excitement and opportunities of Continental Europe even before the performance analysis which shows we have also produced better returns than many open-ended investment companies. We have an outstanding track record of performance in an investment trust sector which is both small and has declined over the last few years even as equity markets in Continental Europe have expanded dramatically in size and depth. The straightforward fact that the securities industry is set up to remunerate the sale of open-ended vehicles whilst no such incentive exists for investment trusts explains in large part why the sector as a whole has not grown as it might. However, it remains a mystery as to why the European sector in particular remains so small when the markets targeted have grown significantly.

We will honour our undertaking to shareholders to allow an exit at net asset value less costs at some stage in 2007, but we would hope to be able to expand the size of the Company at the same time, if markets permit. We have done a good job for the last few years, and are quite happy to do the same for a larger shareholder base in the future.

Prospects

The year ahead could bring lower economic growth in the US and perhaps Europe. It is possible therefore that earnings growth could be lower also than has been the case for the last few years, and while this in itself should not be incompatible with further progress in equity markets, it may mean returns will be lower. However, our Manager remains alert to the need to constantly monitor growth prospects across numerous industries, sectors and regions, and this should stand us in good stead for more uncertain markets. The opportunities and pace of change in Europe remain as interesting as ever, providing a range of growth stocks where valuations remain reasonable.

S M Yassukovich
Chairman
20 September 2006

Manager's Review

Tim Stevenson

Summary

It has been an intriguing twelve months. The fears summed up in last year's report and described as the clichéd "wall of worry" have constantly been pushed further forward, just as a tug boat may push a large ship along in front of it. The fears remain, but they are mainly macroeconomic and big picture, while on the whole, companies themselves have been performing well and earnings growth has been good. There have been exceptions – some of which we have unfortunately suffered from, while others we have managed to avoid – but the economic headwinds and potential distractions from this cosy scenario have been mounting. At this stage, I find it hard to believe that returns over the next twelve months will be as strong as last year's.

On the macroeconomic front in Europe, the picture has certainly improved from a year ago. The boost to Germany from a new Chancellor and the knock-on impact of good growth in the US and Asia have all helped European economies take on a less sluggish appearance. My long-term concerns remain, as does my relative indifference to economic influences (within reason). The last year has once again been about what companies can achieve.

The growth style of the Company remains as strong as ever, and this report will once again reiterate the essential credentials of our process.

Performance

In the twelve months to the end of July 2006, we have beaten the benchmark index by 3.4%. The Company has achieved a net asset total return to shareholders of 19.8%, which compares with a total return of the benchmark of 16.4%. Since the discount has narrowed again, the share price total return figures are higher at 22.0%. While last year I highlighted the return as incorporating an element of catch-up, this year returns have been more in line with underlying earnings growth, which is an encouraging sign as it indicates that markets have not become more expensive over the last twelve months. Once again, I have included a table showing our best and worst contributors over the year. It is interesting that some of our old favourites reappear in the winner's enclosure – Verbund, OMV, Inditex, Fresenius and Zentiva were all in the same list last year.

The inertia analysis which we have now been doing for some five years shows that we added value with the active management of the portfolio. An unchanged portfolio from the end of July 2005 would have produced a return of only 15.7%.

In terms of disposals, I would like to reiterate that in many cases I prefer to cut a position on the first disappointment, rather than linger. But in others I will take a more dogmatic "I am right and the market is wrong" approach. Sometimes this works – Fresenius being a good example where our patience has paid off enormously over the past few years – but sometimes it becomes a long struggle. A current example is Deutsche Post, where management's objective of building a global player may have been achieved, but the returns associated with such a strategy are so far proving elusive. As I have said before my patience is wearing thin but we have not capitulated yet. The alternative to this long-term buy

Manager's Review

continued

and hold approach is to run the danger of succumbing to irritating short term momentum moves – an increasingly dangerous game in a world populated by hedge funds.

It is also worth pointing out that although we have had a few disappointments, we have avoided some disasters. We held only one telecom company (Portugal Telecom) and sold that after a bid was launched for it. I remain concerned that telecom companies face an uphill battle which will last years before they can even remotely be described as growth companies. A table showing our Top Ten positive contributors would include the fact that we had not held France Telecom or Deutsche Telekom. I have not included those as while counting double negatives as positives may statistically be correct, it does not necessarily help shareholders understand positive correct decisions.

If asked why performance has been good over the last few years I would say that I remain committed to finding good quality, reliable, consistent growth companies. Ideally, they will all work together for the portfolio during the year, but it often happens that it becomes like a relay race, but where runners are rested rather than being thrown off the team when they have finished their respective legs. I would add that the fascinating thing about European markets and companies at the moment is that change seems to be the one constant.

The Portfolio and Approach

At the end of July there were 41 holdings in the portfolio (2005: 44; 2004: 49; 2003: 52). Of the positions in the portfolio a year ago, 18 have been sold out and 15 are new positions. There have been three companies where we have sold during the year and then bought back subsequently, namely

Performance Attribution Analysis – Twelve months to 31 July 2006

Market	Company Allocation (average) (%)	Benchmark Allocation (%)	Performance: Company (%)	Performance: Benchmark Index (%)
Austria	7.6	0.1	38.3	16.3
Belgium/Luxembourg	–	2.4	–	16.5
Denmark	1.6	1.7	36.3	9.3
Finland	1.6	2.7	15.5	20.4
France	16.3	23.3	16.1	15.7
Germany	16.0	16.3	8.2	15.1
Greece	4.9	1.4	13.5	13.2
Ireland	4.0	1.6	23.0	10.0
Italy	7.4	9.6	19.3	10.9
Netherlands	9.3	7.9	23.5	18.1
Norway	0.4	1.6	-10.0	26.6
Portugal	1.4	0.8	16.8	30.4
Spain	5.6	9.3	43.8	17.7
Sweden	1.4	5.5	7.2	14.6
Switzerland	17.6	15.0	24.7	21.0
Czech Republic & Hungary*	5.1	–	31.1	–
Total	**100.0**	**100.0**	**21.7**	**16.4**

Source: FactSet, Datastream, Henderson Global Investors
*Not participants in the benchmark index

Manager's Review
continued

Logitech, Puma, and Erste Bank. There have also been forays into some stocks but the position has not survived the entire period – such as Alcatel and Credit Agricole, both positions where we made a positive return. Turnover (as measured by the lower of purchases or sales proceeds as a percentage of average assets) during the year amounted to 69%, a further decline from the 77% of the previous year (2004: 85%, 2003: 61%).

Top Ten Contribution to return

Oester Elektrizitäts Verbund	1.86
Inditex	1.82
Kühne + Nagel	1.52
OMV	1.28
Fresenius	1.07
Zentiva	1.02
TNT	0.96
Sika	0.96
UBS	0.91
Saipem	0.87

Bottom Ten Contribution to return

Statoil	-0.14
OTP	-0.18
Deutsche Post	-0.18
EFG International	-0.24
Karstadt	-0.27
Merck	-0.29
Adecco	-0.36
Soitec	-0.42
Gemalto	-1.07
AWD	-1.11

Market Capitalisation

	Company		Index
	31 July 2006 %	31 July 2005 %	31 July 2006 %
Greater than £15bn	22.9	16.1	62.4
Between £7.5bn and £15bn	18.5	9.0	16.9
Between £2.5bn and £7.5bn	38.5	37.5	18.0
Between £1.0bn and £2.5bn	18.1	21.6	2.7
Less than £1.0bn	2.0	15.8	–
Total	100.0	100.0	100.0

The list of sales is revealing. I sold Ericsson on concerns that the pain in telecom stocks would eventually be passed down through to the equipment suppliers. This is now happening, as the race for innovation and market share accelerates. We did well to exit early, and the shares have fallen sharply since then. I remain fascinated but scared by much of technology. Incidentally, on the subject of Ericsson, we featured the Ericsson entry to the Volvo Ocean Race on last year's front cover. She came last in the race (excluding two boats – one of which only sailed a small part of the course and the other which sank)!

We sold our holding in Maersk – which had been in the portfolio since 1994. I continue to have great respect for the company and its management, but 2006 and perhaps even 2007 are turning out to be very difficult years for the shipping and oil group. I expect we will return to the holding at some stage. Finally, I would point out Adecco and Serono, both cases where our patience finally ran out. They are both former growth companies which now look set to have entered an extended period of unpredictable (if any) growth. The former is in an environment which could be increasingly challenged by the internet. In the case of the latter the pipeline of new products is empty.

Sector Analysis of Equity Investments

	Company		Index
	31 July 2006 %	31 July 2005 %	31 July 2006 %
Resources	7.7	7.6	11.8
Industrials	23.9	22.9	10.5
Consumer Goods	14.6	10.5	12.8
Health Care	18.5	14.9	8.3
Consumer Services	9.0	11.0	5.3
Telecommunications	–	2.0	6.1
Utilities	3.3	3.3	7.1
Financials	17.3	22.9	33.8
Technology	5.7	3.9	4.3
Total	100.0	100.0	100.0

for more details see page 10

Manager's Review

continued

New arrivals in the portfolio include Fresenius Medical Care, the kidney dialysis subsidiary of Fresenius. They have become a more significant player in their industry with the acquisition of a major US competitor, and continue to grow organically as well. We have also added the specialist fund management company in Italy, Azimut. We returned to Sodexho, the catering company which featured in the portfolio a number of years ago. Meetings with the company confirm its return to a steady, consistent growth path. Just to prove the point about the diversity of sources of growth, we have a position in Alstom, which has become one of the leading manufacturers of gas turbines and other products vital for the electricity generating sector.

In last year's report I emphasised our reluctance to invest in companies which were unable or unwilling to adapt to modern pressures. Telecom companies clearly come into this category this year. While we have maintained two out of three central European holdings (the two generic drug producers, Zentiva and Gedeon Richter), we sold OTP quite early in our financial year, due to concerns about the Hungarian economy. To demonstrate that "old" Europe can adapt and change, we bought back Philips during the year. This company is clearly changing as fast as it reasonably can, as demonstrated by the recent sale of 80% of its semiconductor division.

Of our top ten last year, all are still in the portfolio. Indeed, seven of them are still in the list of the top ten. The other three have been reduced in size but are still held.

Outlook

Markets have begun to change course during the last twelve months, from a preference for cyclical companies benefiting from global economic buoyancy, to what are sometimes considered to be more reliable growth companies. This reflects the increasing uncertainty over the prospects for economic growth in 2007. Expectations of a slowdown in the US economy in 2006 have simply been pushed forward to 2007. The difference this time is that I think it is unlikely to be pushed out to 2008, and now the question is "how much and how hard a slowdown?"

As mentioned earlier, I have become quite cautious about markets in the short term (the next six months). Economies may be slowing, even if the numbers in Europe are likely to look more encouraging for the next three months. Earnings growth may also slow, and meanwhile interest rates are rising in most European countries as central banks try to prevent inflation from becoming too established. Global geopolitics are far from settled, and it looks unlikely that the oil price will fall back substantially from current levels. We moved our very modest (up to 5% at the height) gearing to a small cash position, and have also purchased a package of put options giving us the right to sell the indices around current levels. We invested about 0.5% of the Company's assets at the beginning of May 2006 into this protection.

On a longer view I remain encouraged by the progress and rate of change of European companies. There is also now a huge amount of Private Equity money sitting on the sidelines, and it is becoming more active. One danger of this is to sometimes make a woefully performing company an attractive investment, as sum-of-the-parts debates rage amongst bankers and analysts.

During the last few years we have built up positions in some great long term growth companies. The result has been a consistent out-performance of our benchmark, and a very respectable position in the

Manager's Review

continued

rankings among our peers. Far from becoming tired from the effort involved, I am becoming more enthusiastic to try to fathom out what really makes a good company excellent and its shares worth buying. I fear that means lots more work ahead!

T P Stevenson
Investment Manager
20 September 2006

Company	Net Asset Value Total Return (%) **1 Year**	**3 Years**	**5 Years**	**10 Years**
SR Europe	31.3	117.1	108.7	N/A
Gartmore European	20.3	72.6	45.2	211.6
Henderson EuroTrust	**19.8**	**81.7**	**62.1**	**228.6**
JPMorgan Fleming Continental European	19.3	73.7	41.9	178.1
Jupiter European Opportunities	18.1	92.1	92.9	N/A
Foreign & Colonial EuroTrust	17.0	58.7	27.7	156.3
Fidelity European Values	14.9	102.7	115.2	435.0
Charter Pan-European	13.2	64.7	N/A	N/A
INVESCO Perpetual European	8.1	62.2	29.9	152.9

Classification of Investments

at 31 July 2006

Equities	Austria %	Czech Republic %	Denmark %	France %	Germany %	Greece %	Hungary %	Ireland %	Italy %	Netherlands %	Spain %	Sweden %	Switzerland %	**2006 Total %**	2005 Total %
Resources															
Oil & Gas	2.9								2.1					**5.0**	6.0
Oil Equipment & Services									2.7					**2.7**	1.6
Industrials															
Construction & Building Materials				2.5							2.1	1.3	3.7	**9.6**	5.5
Electronic & Electrical Equipment														**–**	2.5
Industrial Engineering				1.9										**1.9**	–
Industrial Transportation					3.3					3.3			3.9	**10.5**	10.6
Support Services													1.9	**1.9**	5.3
Consumer Goods															
Food Producers								2.2		2.2			2.9	**7.3**	5.0
Leisure Goods										1.8				**1.8**	–
Personal Goods				2.7	2.8									**5.5**	5.5
Health Care															
Health Care, Equipment & Services				2.1	6.1								2.8	**11.0**	7.2
Pharmaceuticals & Biotechnology		3.0		1.7			1.7						1.1	**7.5**	7.7
Consumer Services															
Beverages														**–**	1.9
General Retailers											4.3			**4.3**	5.0
Travel & Leisure				2.7				2.0						**4.7**	4.1
Telecommunications															
Fixed Line Telecommunications														**–**	2.0
Utilities															
Electricity	3.3													**3.3**	3.3
Financials															
Banks	2.1				2.5	1.5							2.1	**8.2**	15.0
General Financial					0.5				2.0					**2.5**	–
Insurance			1.7							4.9				**6.6**	7.9
Technology															
Technology Hardware & Equipment				4.0									1.7	**5.7**	3.9
Total Equities	**8.3**	**3.0**	**1.7**	**17.6**	**15.2**	**1.5**	**1.7**	**4.2**	**6.8**	**12.2**	**6.4**	**1.3**	**20.1**	**100.0**	**100.0**

Investments by Sector

at 31 July 2006

	£'000	%
Oil & Gas		**7.7**
Oil & Gas Producers		
ENI	2,495	
OMV	3,417	
Oil Equipment & Services		
Saipem	3,158	
Industrials		**23.9**
Construction & Building Materials		
ACS Actividades	2,529	
Assa Abloy*	1,532	
SIKA*	4,403	
Vinci	2,954	
Industrial Engineering		
Alstom*	2,253	
Industrial Transportation		
Deutsche Post	3,932	
Kühne + Nagel	4,545	
TNT	3,850	
Support Services		
SGS	2,246	
Consumer Goods		**14.6**
Food Producers		
IAWS	2,624	
Koninklijke Numico*	2,641	
Nestlé	3,453	
Leisure Goods		
Philips Electronics*	2,120	
Personal Goods		
L'Oréal	3,164	
Puma	3,299	
Health Care		**18.5**
Health Care Equipment & Services		
Essilor	2,437	
Fresenius	5,377	
Fresenius Medical Care*	1,923	
Nobel Biocare*	3,167	
Pharmaceuticals & Biotechnology		
Gedeon Richter	1,977	
Roche*	1,270	
Sanofi-Aventis*	2,036	
Zentiva	3,570	

	£'000	%
Consumer Services		**9.0**
General Retailers		
Inditex	5,127	
Travel & Leisure		
Ryanair	2,383	
Sodexho-Alliance*	3,159	
Utilities		**3.3**
Electricity		
Oester Elektrizitäts Verbund	3,883	
Financials		**16.8**
Banks		
Alpha Bank*	1,728	
Deutsche Postbank	2,915	
Erste Bank	2,469	
UBS	2,592	
General Financial		
Azimut*	2,329	
Insurance		
Fortis	2,475	
ING	3,386	
TrygVesta*	1,972	
Technology		**5.7**
Technology Hardware & Equipment		
Logitech	2,058	
Neopost*	2,937	
Soitec*	1,753	
Other		**0.5**
Bespoke FTSE Europeex*	592	
TOTAL	**118,130**	**100.0**

*New holdings since 1 August 2005
Source: HGI/FTSE World Europe (ex UK) Index

Valuation of Equity Investments

at 31 July 2006

Investment portfolio by country

	%	£'000
Austria		
Erste Bank		2,469
Oester Elektrizitäts Verbund		3,883
OMV		3,417
	8.3	**9,769**
Czech Republic		
Zentiva		3,570
	3.0	**3,570**
Denmark		
TrygVesta*		1,972
	1.7	**1,972**
France		
Alstom*		2,253
Essilor		2,437
L'Oréal		3,164
Neopost*		2,937
Sanofi-Aventis*		2,036
Sodexho-Alliance*		3,159
Soitec*		1,753
Vinci		2,954
	17.6	**20,693**
Germany		
Deutsche Post		3,932
Deutsche Postbank		2,915
Fresenius		5,377
Fresenius Medical Care*		1,923
Puma		3,299
	14.7	**17,446**
Greece		
Alpha Bank*		1,728
	1.5	**1,728**
Hungary		
Gedeon Richter		1,977
	1.7	**1,977**

*New holdings since 1 August 2005

There are no convertibles or fixed interest securities in the portfolio.

Investment portfolio by country

	%	£'000
Ireland		
IAWS		2,624
Ryanair		2,383
	4.2	**5,007**
Italy		
Azimut*		2,329
ENI		2,495
Saipem		3,158
	6.8	**7,982**
Netherlands		
Fortis		2,475
ING		3,386
Koninklijke Numico*		2,641
Philips Electronics*		2,120
TNT		3,850
	12.2	**14,472**
Spain		
ACS Actividades		2,529
Inditex		5,127
	6.4	**7,656**
Sweden		
Assa Abloy*		1,532
	1.3	**1,532**
Switzerland		
Kühne + Nagel		4,545
Logitech		2,058
Nestlé		3,453
Nobel Biocare*		3,167
Roche*		1,270
SGS		2,246
SIKA*		4,403
UBS		2,592
	20.1	**23,734**
Other		
Bespoke FTSE Europeex*		592
	0.5	**592**
Total Portfolio	**100.0**	**118,130**

Ten Largest Investments

These ten investments total £41,557,000 representing 35.2% of total investments (2005: £35,286,000 representing 34.4% of total investments (as restated))

This Year	Last Year	Company Description	Country	Market Value 2006 £'000	Market Value 2005 £'000	% of Total Investments 2006
1	4	**Fresenius** (Performance over the last year: +26.0%) Fresenius has continued from strength to strength. The Kidney Dialysis and Kabi clinical divisions are both doing well, and the hospital management side, Proserve, has been strengthened with the acquisition of Helios. www.fresenius.de	Germany	5,377	3,655	4.5
2	10	**Inditex** (Performance over the last year: +52.9%) Earnings growth at Inditex has continued to be very good. All formats are working well, and geographical expansion is progressing. www.inditex.com	Spain	5,127	3,060	4.3
3	8	**Kühne + Nagel** (Performance over the last year: +40.4%) Kühne + Nagel is one of the three logistic related holdings in the top ten again this year. Kühne + Nagel differs from others in that it is "asset light" – it basically organises logistics for other companies. www.kuehne-nagel.com	Switzerland	4,545	3,154	3.8
4	–	**SIKA** (Performance over the last year: +66.0%) Sika is a leading building material related company, active in making additives for cement as well as sealants for many different industries. www.sika.com	Switzerland	4,403	–	3.7
5	2	**Deutsche Post** (Performance over the last year: -6.1%) Deutsche Post has struggled again in terms of performance – either in equity market terms or actual returns from businesses. I remain convinced that they will succeed, and that there will be good returns for shareholders at the end of this long wait. www.deutschepost.de	Germany	3,932	3,825	3.3

Ten Largest Investments
continued

This Year	Last Year	Company Description	Country	Market Value 2006 £'000	Market Value 2005 £'000	% of Total Investments 2006
6	7	**Oester Elektrizitäts Verbund** (Performance over the last year: +52.7%) The Austrian utility which derives most of its power from hydroelectricity. Returns are excellent, and it was briefly bid for during the year by OMV. www.verbund.at	Austria	3,883	3,391	3.3
7	–	**TNT** (Performance over the last year: +32.5%) Interestingly, TNT has decided to exit part of the logistics business and to concentrate on post and express. The proceeds from the logistics sale will be paid back to shareholders. www.tnt.com	Netherlands	3,850	2,382	3.3
8	–	**Zentiva** (Performance over the last year: +33.0%) Generic pharmaceuticals. Well positioned to capitalise on rapid growth in spending on pharmaceuticals in countries such as Russia. www.zentiva.cz	Czech Republic	3,570	2,683	3.0
9	9	**Nestlé** (Performance over the last year: +12.3%) Nestlé is the well known worldwide food and drink group. It remains a long standing and reasonably successful holding in the portfolio. Returns have been better over the last twelve months. www.nestle.com	Switzerland	3,453	3,079	2.9
10	1	**OMV** (Performance over the last year: +23.9%) OMV is the Austrian listed oil company with major interests in Central Europe (primarily Romania). It both explores for and refines crude oil and natural gas, as well as operating service stations. We took some profits in OMV during the year, partly after a sharp rise and partly on concerns over the attempted acquisition of Verbund, the utility. It was felt that such a move increased the risk of OMV becoming too large and diverse a conglomerate. www.omv.com	Austria	3,417	4,239	2.9

Directors

The directors meet regularly with the fund manager to determine strategy, monitor investment policy and review performance. The Directors' Report, the Directors' Remuneration Report, Corporate Governance Statement and Statement of Directors' Responsibilities in respect of the accounts are printed on pages 15 to 26.

From left to right (standing): Robert Bischof, Tim Stevenson, Patrick Stevenson; (sitting) Mark Tapley, Stanislas Yassukovich.

†**Stanislas M Yassukovich, CBE (age 71)** (Chairman) Appointed to the Board and as Chairman in 1992. Mr Yassukovich is deputy chairman of ABC International Bank PLC, chairman of Manek Investment Management Limited, Park Place Capital Limited and Folio Corporate Finance Ltd. He is also a director of Atlas Capital Group Limited and Fortis Investment Management Limited. He was formerly the chairman of the Securities Association and deputy chairman of the London Stock Exchange.

*__Patrick V K Stevenson (age 61)__ Appointed to the Board in 2001. Mr Stevenson is currently Chairman of Atlas Capital Group Limited and Chief Executive Officer of Atlas Capital Group Holdings S.A.

◆*__D Mark Tapley (age 60)__ Appointed to the Board in 2000. Mr Tapley has over 30 years' experience in the investment management industry. He is currently Executive Director of the BNP Paribas Hedge Fund Centre at the London Business School. He is also a visiting Fellow at Cranfield School of Management, a member of the board of the UK Society of Investment Professionals and an adviser to Lloyds Register Investment Committee. He was previously managing director and group chief investment officer of WestLB Asset Management.

Tim P Stevenson (age 47) Appointed to the Board in 1992. Mr Stevenson is responsible for running the portfolio and joined Henderson in 1986. He has specialised in European investment since 1982.

*__Robert A T Bischof (age 65)__ Appointed to the Board in 1996. Mr Bischof is former chairman of McIntyre & King Limited and of Boss Group Limited, a subsidiary of Jungheinrich AG. He is on the board of the German British Forum, German British Chamber of Industry and Commerce and the UK Learning and Skills Council Youth Committee. He is also chairman of Vitalize Health Products Limited and a member of the advisory council of T-Systems Limited, a subsidiary of Deutsche Telekom.

†Chairman of the management engagement committee.
◆Chairman of the audit committee.
*Member of the audit committee and of the management engagement committee.
Other than Mr T P Stevenson, all the directors are independent of the management company.

Directors' Report

The directors present the audited accounts of the Company and their report for the year ended 31 July 2006.

Status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. It is required to seek Inland Revenue approval of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 July 2005 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 intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an Individual Savings Account and also fully qualify for a Personal Equity Plan.

Investment in Investment Companies

It is the stated investment policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 31 July 2006 and covers:

- Company Objective
- Performance for the year and dividend
- Performance measurement and key performance indicators
- Management Arrangements
- Continued appointment of the Manager
- Internal controls and management of risk
- Gearing
- Share capital
- Future developments

A review of the investment activities for the year ended 31 July 2006 and the outlook for the coming financial year are given in the Manager's Report on pages 4 to 8.

Company Objective

The Company's objective is to achieve a superior return from a portfolio of high quality European investments.

Performance for the year and dividend

Total net assets at 31 July 2006 amounted to £121,638,000 compared with £102,559,000 at 31 July 2005, and the net asset value per ordinary share increased from 399.58p to 473.91p.

At 31 July 2006 there were 41 (2005: 44) separate investments, as detailed in the Manager's Report on pages 4 to 8.

Net revenue after taxation for the year was £1,455,000, an increase of 30.6% from the previous year.

	2006	2005	% Change
Net assets (as at 31 July)	**£121.6m**	£102.6m	+18.6
Revenue return (for the year)	**£1.5m**	£1.1m	+30.6
Dividend (paid per share for the year)	**5.50p**	5.00p	+10.0

The Board aims to make progressive increases in annual dividend payments. For the financial year under review, an interim dividend of 2.00p and a final dividend of 3.50p provides a total dividend of 5.50p per ordinary share, an increase of 10.0% over the previous year.

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:

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, 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.

At each Board meeting, the Board monitors the level of the Company's discount/premium to net asset value and reviews the average discount/premium for the Company's relevant sector.

Directors' Report

continued

The Board considers the use of share buy-backs to enhance shareholder value. To date no shares have been purchased. The Company publishes a 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 AITC formula and excludes current financial year revenue items. This means that it is on a different basis to the NAV per ordinary share calculated within the year end financial statements, which does include current financial year revenue items.

In addition to comparison against the stated Benchmark, the Board also considers the performance of its peer group at each Board meeting.

The Total Expense Ratio (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 Administration Expenses (both excluding VAT) and dividing by the Net Asset Value as at 31 July 2006. The TER before performance fees and borrowing costs, amounted to 0.84% (2005: 0.83%) of the assets of the Company. The Board regularly monitors all Company expenses.

Management Arrangements

Investment management, accounting, company secretarial and administrative services are provided to the Group by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Fund Services UK Limited.

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 will be charged provided the adjusted net asset value of the ordinary shares at the end of any calculation period exceeds the high water mark represented by the formula asset value of 269p per share calculated as at 2 July 2002 (being the date following the repayment of the zero dividend preference shares). The fee will be paid to the Manager in respect of the calculation period (which is the accounting reference period) at the rate of 15% of any outperformance of the net asset value 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 net asset value 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 will be subject to the following caps: (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; and (b) no performance fee will be payable if and to the extent that the adjusted net asset value per ordinary share on the last business day of the calculation period in question is less than 90% of the net asset value per ordinary share on the last day of the previous calculation period. If the cap under (a) takes effect, the high water mark will be adjusted downwards accordingly.

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. With effect from 1 January 2006 revised commission sharing arrangements have been put in place by the Manager in line with new regulations.

Continued Appointment of the Manager

The Board reviews the performance of the investment manager (Manager) at each Board meeting. In the opinion of the directors the continued appointment of the current Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive investment management resources and wide experience in managing and administering investment trust companies.

Directors' Report

continued

Internal controls and management of risk

There are in place extensive internal controls to evaluate and manage the major financial, operational and compliance risks facing the Company. Details of the internal controls system and how the Board undertakes the analysis of the Company's business risks are contained in the Corporate Governance Report on pages 20 to 24.

The risk of the portfolio is monitored regularly by the Board and mitigated by stock diversification. By its nature as an investment trust, the Company's business activities are exposed to market price risk, interest rate risk, liquidity risk, foreign currency risk and counterparty risk. The Company's policies for managing these risks are set out in note 14 to the accounts.

Gearing

The Board has in place facilities which allow it to borrow as and when appropriate. At 31 July 2006 the Company had a committed short term facility of €7m. The facility is subject to regular review. These was no gearing at 31 July 2006.

Share capital

The number of ordinary shares in issue on 31 July 2006 was 25,667,005. During the year there were no changes to the issued ordinary share capital and there have been no changes up to the date of this document.

Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined above. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement (on page 3) and the Manager's Report (on pages 4 to 8).

Directors

The names and biographies of the directors holding office at the date of this report are listed on page 14. All directors served throughout the year.

The Combined Code requires that every director retires by rotation at least every three years; the Company's Articles of Association provide that one third of directors retire by rotation each year; Directors are also required to retire annually if they have served more than nine years on the Board. Directors may then offer themselves for re-election. The directors retiring at the forthcoming AGM are Mr S M Yassukovich, Mr R A T Bischof and Mr T P Stevenson who, being eligible, offer themselves for re-election.

Directors' Remuneration

A report on directors' remuneration can be found on pages 25 and 26.

Directors' Interests in Shares

	Ordinary shares of 5p	
	31 July 2006	1 August 2005
Beneficial:		
S M Yassukovich	–	–
R A T Bischof	–	–
P V K Stevenson	–	–
T P Stevenson	71,626	53,701
D M Tapley	8,660	8,660
Non-Beneficial:		
T P Stevenson	8,093	23,578

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 above. There have been no changes in the directors' share interests since the end of the financial year.

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. No director has a service contract with the Company.

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 judgement is given in their favour by the Court.

Directors' Report
continued

Substantial Share Interests

Shareholder	% of issued shares
Rensburg Sheppards plc	12.1%
Scottish Widows Investment Partnership	8.6%
HBOS plc & its subsidiaries	7.1%

Declarations of interests in the issued share capital of the Company, at 5 September 2006, are set out above.

In addition, the Board is aware that, at 31 July 2006, 3.2% of the issued share capital was held on behalf of participants in the Henderson Investment Trust Share Plan and 9.6% on behalf of participants in the Henderson PEPs and ISAs schemes. These participants are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company, but if the participants choose not to do so the voting rights are not exercised.

Annual General Meeting ("AGM")

The AGM will be held on Wednesday 8 November 2006 at 12 noon. The Notice of Meeting is set out on pages 41 and 42.

Authority to Allot Shares and Disapply Pre-emption Rights

On 8 November 2005 the directors were granted authority to allot a limited number of authorised but unissued ordinary shares. This authority will expire at the forthcoming AGM in November 2006. Authority was also given to the directors to allot securities of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. This too will expire at the AGM in November 2006.

Appropriate resolutions to renew both authorities will be proposed at the 2006 AGM and are set out in full in the Notice of Annual General Meeting on pages 41 and 42. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £64,167 (being 5% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £64,167 (being 5% of the Company's issued share capital as at the date of the Notice of the AGM).

Pre-emption rights under the Company's Act would apply to the resale of treasury shares for cash, just as they do for the allotment of new shares. The Board's intention is that resolution 10 would relate to either new issues or to the resale of treasury shares.

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of net asset value per share, that is at a premium to net asset value.

If renewed, both of these authorities will expire at the conclusion of the AGM in 2007.

Authority to Make Market Purchases of the Company's Own Shares

On 8 November 2005 the directors were granted authority to repurchase 3,847,484 ordinary shares (with a nominal value of £192,374) for cancellation or to be held in treasury; no shares were repurchased under this authority which will expire at the forthcoming AGM in November 2006.

The Board is seeking shareholder approval to renew the authority to purchase on the London Stock Exchange up to a maximum of 14.99% of the Company's ordinary shares in issue at the date of the AGM (equivalent to 3,847,484 ordinary shares of 25p each at 20 September 2006, the date of the Notice of the AGM).

The directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of shareholders generally. The authority being sought provides an additional source of potential demand for the Company's shares. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. The Board considers the use of treasury shares could be beneficial to the Company's shareholders and would expect, if shareholder approval is renewed, to hold any ordinary shares repurchased in treasury up to the maximum permitted, 10% of the issued share capital.

Directors' Report

continued

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 14. 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.

Corporate Governance

A statement on Corporate Governance is on pages 20 to 24.

Environmental Policy

The Company has no employees and outsources its investment management and company secretarial services to subsidiaries of Henderson Group plc ("Henderson"). Henderson has implemented environmental management practices, which include systems to limit the use of non-renewable resources and minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and to minimise waste, where possible.

Nominee Code

Henderson EuroTrust plc undertakes to provide nominee investors who have so requested with copies of shareholder communications to distribute to their customers. Nominee investors are able to attend and, at the invitation of the Chairman, to speak at meetings.

Investors in the Henderson Investment Trust Share Plan, the Henderson ISA and the Henderson Transfer PEP receive all shareholder communications and a voting instruction form, as appropriate, to facilitate voting.

Payment of Suppliers

It is the payment policy for the financial year to 31 July 2007 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 2006.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts 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.

By order of the Board
W J King FCIS
For and on behalf of Henderson Secretarial Services Limited
Secretary
20 September 2006

Corporate Governance

Introduction

The directors are accountable to shareholders for the governance of the Company's affairs.

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in July 2003 have been applied to the affairs of the Company. In applying the principles of the Code, the directors have also taken account of the Code of Corporate Governance published by the Association of Investment Trust Companies ("the AITC Code") which established a framework of best practice specifically for the boards of investment trust companies.

The directors believe that during the period under review they have complied with the provisions of the Code, insofar as they apply to the Company's business.

Application of the Code's principles

The Board attaches importance to the matters set out in the Code and the AITC Code and observes the relevant main and supporting principles. It should be noted that, as an investment trust, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Internal Controls

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management is embedded in the controls of the Company by a series of regular investment performance, financial and risk analyses and Manager's reports, and a quarterly control report. Key risks have been identified and controls have been put in place to mitigate such risks, including those risks that are not directly the responsibility of the Manager. The effectiveness of the internal controls is assessed by the Manager's compliance and risk department on a continuing basis.

The Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Manager. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to achieve objectives.

The Board has established a process of 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").

The Manager is responsible for the day to day investment management decisions on behalf of the Company and for the provision of company secretarial and accounting services.

The Board assisted by the Manager, has undertaken an annual review of the Company's system of internal control and the business risks 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 reporting accountants on the control policies and procedures in operation.

The Company does not have an internal audit function; it delegates to third parties its day to day operations and does not employ any staff. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors review annually whether a function equivalent to an internal audit is needed.

Board Independence and Composition

The Board currently consists of five non-executive directors, the majority of whom are independent of the Company's manager. Their biographies, set out on page 14, demonstrate a breadth of investment, industrial,

Corporate Governance

continued

commercial and professional experience relevant to their positions as directors on the Board of the Company. Directors visit the region periodically to ensure they are up to date with developments in Europe. No director has a service contract with the Company.

Following the introduction of the Code and the AITC Code the directors have reviewed their independence. Mr T P Stevenson is employed by the Manager and is therefore not considered an independent director. However the Board values the fact that he is also a director and is committed to achieving best returns for shareholders.

The Board considered the continued appointment of Mr S M Yassukovich and Mr R A T Bischof who have served on the Board for over nine years. They have no other links to the Manager; they also have a wide range of other interests and are not dependent in any way on the Company itself.

In addition, Mr S M Yassukovich, having attained the age of 71 and special notice having been received, will offer himself for re-election at the forthcoming AGM.

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.

Meetings

The Board is scheduled to meet six times per annum and is responsible for the effective stewardship of the Company's affairs. Certain strategic issues have been considered at various meetings of the Board and additional meetings of the Board may be arranged as required. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount, contracts, policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information. At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act, thus it supervises the management of the investment portfolio, which is contractually delegated to the Manager. The Board has adopted a procedure for directors in the furtherance of their duties, to take independent professional advice at the expense of the Company.

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 number of formal meetings of the Board and its committees held during the financial year and the attendance of individual directors are shown below.

	Board	Audit Committee	Management Engagement Committee
No of meetings in 2005/2006	7	2	1
Mr S M Yassukovich	5	n/a	1
Mr R A T Bischof	6	2	1
Mr T P Stevenson	7	n/a	n/a
Mr P V K Stevenson	6	2	1
Mr D M Tapley	7	2	1

The membership of each Committee is shown on page 14.

Board Committees

The Board has appointed a number of committees as set out overleaf. Copies of the terms of reference which clearly define responsibilities for each Committee are available on the website or on request and will be available for inspection at the AGM.

Corporate Governance
continued

Audit Committee
The Audit Committee comprises Mr D M Tapley, Mr R A T Bischof and Mr P V K Stevenson, all of whom are considered independent. The Chairman of the Audit Committee is Mr D M Tapley. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience. The Committee has written terms of reference, which clearly define its responsibilities and duties.

The Committee meets at least twice each year to review the internal financial and non-financial controls, to consider and recommend to the Board for approval the contents of the draft Interim and Annual Reports to shareholders and to review the accounting policies and significant financial reporting judgements. In addition, the Committee reviews the auditors' independence, objectivity and effectiveness, appointment and remuneration, the quality of the services of the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of the Manager's internal audit and compliance department attend these meetings at the Chairman's request.

Representatives of PricewaterhouseCooper LLP, the Company's auditors, attend the Committee meeting at which the draft Annual Report and Accounts are reviewed and are given the opportunity to speak to the Committee members without the presence of the representatives of the Manager.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Accounts.

Management Engagement Committee
The Management Engagement Committee's membership comprises of all of the directors with the exception of Mr T P Stevenson. The Chairman of the Committee is Mr S M Yassukovich. The Committee meets at least annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager. Details of Henderson Global Investors' responsibilities as Managers and administrators of the Company can be found in the Directors' Report on pages 15 to 19.

Nomination Committee
The Board has not formally appointed a Nomination Committee but the Board, at least annually, reviews the Board's size and structure and is responsible for Board succession planning and the review of the performance of the Company, the Manager's representatives, the Board as a whole and each individual director.

Directors' Remuneration
As the Board has no executive directors and no employees and is comprised solely of non-executives, it does not have a Remuneration Committee. The Company therefore is not required to comply with the principles of the Code in respect of the executive directors' remuneration. It is the responsibility of the Board as a whole to determine and approve directors' fees following proper consideration having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

The Chairman's remuneration is decided and approved by the Board under the leadership of the Audit Committee Chairman. The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £60,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report on pages 25 and 26.

Tenure Policy
No director has a contract of employment with the Company. Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company and will be available at the AGM.

The Articles of Association provide that one third of the directors must retire by rotation and may offer

Corporate Governance

continued

themselves for re-election at each AGM. The terms of the directors' appointment also provide that a director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter.

The Board believes that each of the directors exercises independent judgement and that length of service does not diminish the contribution from a director; indeed a director's experience and extensive knowledge of the Company is a positive benefit to the Board. Moreover, long-serving directors are less likely to take a short-term view. This view is supported by the AITC Code. However, as two of the directors have served on the Board for more than nine years their independence is assessed according to the criteria set out in the Combined Code (Code provision A.3.1). In light of Code provision A.7.2, the directors who have served for nine years or more will be seeking annual re-election from shareholders. The directors are named on page 14. As an employee of the management company, Mr T P Stevenson is not regarded as being independent and is also seeking annual re-election.

Directors' Training

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 activities including 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.

Performance Evaluation

The performance of the Company is considered in detail at each Board meeting.

The Board has direct access to company secretarial advice and services provided by the Manager which, through its nominated representative, is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with. During the year the Company has maintained insurance cover in respect of legal action against the directors.

Appointment of the Manager

The Board reviews the performance of the Manager at each Board meeting. The Management Engagement Committee regularly reviews the terms of the contract with the Manager.

In the opinion of the directors the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive investment management resources and wide experience in managing and administering investment trust companies.

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, administration 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.

Financial Reporting

The Statement of Directors' Responsibilities in respect of the Accounts is set out on page 24, the Independent Auditors' Report on page 27 and the Statement of Going Concern on page 19.

Voting Policy

The Manager has developed and published a policy on Corporate Governance, Voting Policy and Socially Responsible Investment in respect of UK investments. The policy reflects the statement of principles on the responsibilities of institutional shareholders and agents drawn up in 2002 by the Institutional Shareholders Committee. The Manager believes the interests of its

Corporate Governance
continued

clients are served by investing in companies that adopt best practice and corporate governance.

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 Interim and Annual Report and Accounts which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily calculation and by the 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 Accounts 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 address given on page 44. 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.

Statement of Directors' Responsibilities
in respect of the Accounts

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 July 2006. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on a going concern basis.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

The accounts are published on the www.itshenderson.com website, which is a website maintained by the Company's investment 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 accounts 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 accounts may differ from legislation in their jurisdiction.

Directors' Remuneration Report

Introduction

The Directors' Remuneration Report ("the Report") is prepared in accordance with Schedule 7A of the Companies Act 1985 ("the Act") in respect of the year ended 31 July 2006. An ordinary resolution to approve the Report will be put to the Annual General Meeting on 8 November 2006. The Act requires the auditors to report to the Company's members on certain parts of the Report and to state whether in their opinion those parts of the Report have been properly prepared in accordance with the Act. Therefore the Report has been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers the directors' remuneration. The Board has not appointed a committee to consider matters relating to the directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration (although the directors regularly review the fees paid to the boards of directors of other investment trust companies).

Statement of the Company's Policy of Directors' Remuneration

The Board consists entirely of five non-executive directors who meet at least six times a year to deal with the important aspects of the Company's affairs. New directors are appointed with the expectation that they will serve for a period of three years and receive a letter of appointment. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the directors has a contract of service or a contract for services and a director may resign by notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by him. There are no long-term incentive schemes provided by the Company and the fees are not specifically related to the directors' performance, either individually or collectively.

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 should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid a higher fee than the other directors in recognition of their more onerous role.

The Company's Articles of Association limit the fees payable to the directors in aggregate to £60,000 per annum. In the year under review the directors' fees were paid at the following annual rates:

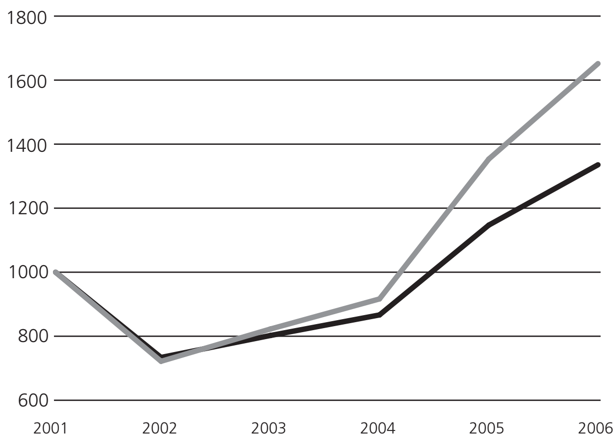
The Chairman £15,000; the Chairman of the Audit Committee £12,000; the other directors £10,000.

The policy is to review these rates annually, although such review will not necessarily result in any change to the rates.

Directors' and officers' liability insurance cover is held by the Company in respect of the directors.

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.



Henderson EuroTrust share price total return, assuming the investment of £1,000 on 31 July 2001 and the reinvestment of all dividends (excluding dealing expenses)

FTSE World Europe (ex UK) Index total return, assuming the notional investment of £1,000 into the Index on 31 July 2001 and the reinvestment of all income (excluding dealing expenses)

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

Directors' Remuneration Report

continued

AUDITED INFORMATION

Amount of Each Director's Emoluments

The fees payable by the Company in respect of each of the directors who served during the year, and during 2005, were as follows:

	2006	2005
S M Yassukovich	**£15,000**	£14,000
R A T Bischof	**£10,000**	£9,166
P V K Stevenson	**£10,000**	£9,166
T P Stevenson[(1)]	–	£2,500
D M Tapley	**£12,000**	£10,500
TOTAL	**£47,000**	£48,095

Notes:

(1) Paid to a third party, until 1 December 2004, from when fee was waived.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors.

Mr D M Tapley received expenses of £203 (2005: £101) which relate to costs incurred in respect of Board meeting attendance during the year. No reimbursement was made to any other director in this respect.

Mr T P Stevenson, a director of the Company and fund manager, is employed and paid by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") for the provision of services to the Company. Under the Companies Act 1985 and the regulations referred to above, 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 the management company, Henderson, to Mr T P Stevenson in respect of his services to the Company in the year (including performance related bonus) were £184,000 (2005: £75,000) as analysed:

	2006	2005
Salary and other benefits	**£28,000**	£28,000
Performance related bonus	**£156,000**	£47,000
TOTAL	**£184,000**	£75,000

The highest paid director's emoluments thus totalled £184,000 (2005: £75,000).

A contribution was paid by Henderson on behalf of Mr T P Stevenson to a non-contributory defined benefit pension scheme. The increase in the benefit was £4,828 (2005: £3,300).

By order of the Board

W J King, FCIS
For and on behalf of
Henderson Secretarial Services Limited,
Secretary

20 September 2006

Report of the Independent Auditors

to the members of Henderson EuroTrust plc

We have audited the accounts of Henderson EuroTrust plc for the year ended 31 July 2006 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, Investment Review, the Directors' Report, the unaudited part of the Directors' Remuneration Report, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2006 and of its net return and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 September 2006

Income Statement

for the year ended 31 July 2006

Notes		Year ended 31 July 2006 Revenue Return £'000	Year ended 31 July 2006 Capital Return £'000	Year ended 31 July 2006 Total £'000	(Restated†) Year ended 31 July 2005 Revenue Return £'000	(Restated†) Year ended 31 July 2005 Capital Return £'000	(Restated†) Year ended 31 July 2005 Total £'000
2	Gains from investments held at fair value through profit or loss	**–**	**20,119**	**20,119**	–	28,271	28,271
3	Income from investments held at fair value through profit or loss	**2,339**	**–**	**2,339**	1,914	–	1,914
4	Other interest receivable and similar income	**97**	**–**	**97**	53	–	53
	Gross revenue and capital gains	**2,436**	**20,119**	**22,555**	1,967	28,271	30,238
5	Management and performance fees	**(197)**	**(1,523)**	**(1,720)**	(148)	(1,393)	(1,541)
6	Other administrative expenses	**(186)**	**–**	**(186)**	(218)	–	(218)
	Net return on ordinary activities before finance charges and taxation	**2,053**	**18,596**	**20,649**	1,601	26,878	28,479
7	Finance charges	**(4)**	**(17)**	**(21)**	(1)	(4)	(5)
	Net return on ordinary activities before taxation	**2,049**	**18,579**	**20,628**	1,600	26,874	28,474
8	Taxation on net return on ordinary activities	**(594)**	**328**	**(266)**	(486)	250	(236)
	Net return on ordinary activities after taxation	**1,455**	**18,907**	**20,362**	1,114	27,124	28,238
9	**Return per ordinary share**	**5.67p**	**73.66p**	**79.33p**	4.34p	105.67p	110.01p

The total column of this statement represents the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.

† (See note 18).

Reconciliation of Movements in Shareholders' Funds

for the years ended 31 July 2006 and 31 July 2005

Year ended 31 July 2006

Notes		Share capital £'000	Share premium account £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
18	At 31 July 2005 (as restated)	**1,283**	**33,814**	**66,037**	**1,425**	**102,559**
	Net return from ordinary activities	**–**	**–**	**18,907**	**1,455**	**20,362**
	Final dividend paid in respect of year ended 31 July 2005 (paid 10 November 2005)	**–**	**–**	**–**	**(770)**	**(770)**
	Interim dividend paid in respect of year ended 31 July 2006 (paid 12 April 2006)	**–**	**–**	**–**	**(513)**	**(513)**
	At 31 July 2006	**1,283**	**33,814**	**84,944**	**1,597**	**121,638**

Year ended 31 July 2005

Notes		Share capital £'000	Share premium account £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
18	At 31 July 2004 (as restated)	1,283	33,814	38,913	1,209	75,219
	Net return from ordinary activities	–	–	27,124	1,114	28,238
	Final dividend paid in respect of year ended 31 July 2004 (paid 12 November 2004)	–	–	–	(385)	(385)
	Interim dividend paid in respect of year ended 31 July 2005 (paid 12 April 2005)	–	–	–	(513)	(513)
	At 31 July 2005	1,283	33,814	66,037	1,425	102,559

The notes on pages 32 to 40 form part of these accounts

Balance Sheet

at 31 July 2006

Notes		2006 £'000	(Restated†) 2005 £'000
	Fixed asset investments held at fair value through profit or loss		
10	Listed at market value – overseas	**118,130**	102,591
	Current assets		
11	Debtors	**1,264**	180
	Cash at bank and short term deposits	**3,125**	3,826
		4,389	4,006
12	**Creditors: amounts falling due within one year**	**(881)**	(4,038)
	Net current assets/(liabilities)	**3,508**	(32)
	Total net assets	**121,638**	102,559
	Capital and reserves		
15	Called up share capital	**1,283**	1,283
16	Share premium account	**33,814**	33,814
17	Capital reserve – realised	**56,261**	42,612
17	Capital reserve – unrealised	**28,683**	23,425
17	Revenue reserve	**1,597**	1,425
	Equity shareholders' funds	**121,638**	102,559
13	**Net asset value per ordinary share**	**473.91p**	399.58p

The accounts were approved by the directors on 20 September 2006.

D M Tapley
Director

† (See note 18).

The notes on pages 32 to 40 form part of these accounts

Cash Flow Statement

for the year ended 31 July 2006

Notes		2006 £'000	2006 £'000	2005 £'000	2005 £'000
19	**Net cash inflow from operating activities**		**67**		269
	Servicing of finance				
	Interest paid	**(21)**		(5)	
	Net cash outflow from servicing of finance		**(21)**		(5)
	Taxation				
	Overseas tax recovered	**155**		92	
	Net tax recovered		**155**		92
	Financial investment				
	Purchases of investments	**(80,150)**		(67,306)	
	Sales of investments	**80,486**		66,628	
	Net cash inflow/(outflow) from financial investment		**336**		(678)
	Equity dividends paid		**(1,283)**		(898)
	Decrease in cash		**(746)**		(1,220)
	Reconciliation of net cash flow to movement in net funds				
20	Decrease in cash as above		**(746)**		(1,220)
	Exchange movements		**45**		197
	Change in net funds resulting from cash flows		**(701)**		(1,023)
	Net funds at 1 August		**3,826**		4,849
20	**Net funds at 31 July**		**3,125**		3,826

The notes on pages 32 to 40 form part of these accounts

Notes to the Accounts

1 Accounting policies

(a) Basis of accounting

The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") dated 31 December 2005. All of the Company's operations are of a continuing nature.

(b) Changes in presentation

The Company has adopted the provisions of the revised SORP, which has resulted in some changes to the presentation of the Company's accounts. The Statement of Total Return is now called the Income Statement. Dividends payable to equity shareholders are no longer reflected in the Income Statement, although they continue to be shown in the Reconciliation of Movements in Shareholders' Funds, which is now presented as a primary statement.

The same accounting policies used for the year ended 31 July 2005 have been applied with the following exceptions:

(i) Investments – Prior to 1 August 2005, listed investments were valued at mid-market prices. Following the introduction of FRS 26 – Financial Instruments: Recognition and Measurement, listed investments are now valued at fair value deemed to be bid-market prices. Unlisted investments are fair valued by the Board on the basis of the latest accounting and other relevant information. The effect of this change is to decrease the value of listed investments at 31 July 2006 by £95,000 and to reduce the net return on ordinary activities after taxation for the period by £42,000. The comparative figures have been restated and the impact of this change in policy on valuation is taken through the Income Statement. The accounts for the year ended 31 July 2005 have been restated as per note 18.

(ii) In accordance with FRS 21 – Events after the balance sheet date, dividends payable are not accrued in the accounts unless they have been approved before the balance sheet date. Dividends are therefore recognised in the period in which they are declared and paid. As a result of this change, the accounts for the year ended 31 July 2005 have been restated as per note 18.

(c) Valuation of fixed asset investments

Listed investments are valued at bid prices.

(d) Capital gains and losses

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

(e) Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. Bank deposit interest is accounted for on an accruals basis.

(f) 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 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 other capital reserves. All other expenses are charged to revenue. All of these amounts are stated net of any tax relief and inclusive of related irrecoverable value added tax. Expenses which are incidental to the purchase or sale of an investment are included within the cost or deducted from the proceeds of sale of the investment.

Notes to the Accounts

continued

Any fee for outperformance is allocated to the capital account for that part that is directly related to the capital performance of the investments of the Company and the revenue account for any portion directly attributable to revenue performance.

(g) Taxation

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money. Deferred tax on expenses charged to capital is calculated using the marginal method.

(h) 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 predominately operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, have 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. Assets and liabilities 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.

(i) Derivatives

Derivative instruments are valued at fair value in the Balance Sheet. Derivative instruments may be capital or revenue in nature and, accordingly, changes in their fair value are recognised in the revenue return or capital return in the Income Statement as appropriate.

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

	2006 £'000	(Restated†) 2005 £'000
Realised gains based on historical cost	**14,816**	11,222
Amounts recognised as unrealised in previous years	**(11,450)**	(3,908)
Realised gains based on carrying value at previous balance sheet date	**3,366**	7,314
Net movement in unrealised appreciation	**16,708**	20,760
Net gains on foreign exchange	**45**	197
†(See note 18)	**20,119**	28,271

3 Income from investments held at fair value through profit or loss

	2006 £'000	2005 £'000
Unfranked – listed investments		
Dividend income	**2,339**	1,914

Notes to the Accounts
continued

4 Other interest receivable and similar income

	2006 £'000	2005 £'000
Deposit interest	**61**	53
Other income – stock lending	**36**	–
	97	53

5 Management and performance fees

	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000
Management fee	**168**	**669**	**837**	127	510	637
Manager's performance fee	**–**	**626**	**626**	–	684	684
Irrecoverable VAT thereon	**29**	**228**	**257**	21	199	220
	197	**1,523**	**1,720**	148	1,393	1,541

A summary of the terms of the management agreement is given in the Directors' Report on pages 15 to 19.

6 Other administrative expenses (including irrecoverable VAT)

	2006 £'000	2005 £'000
Directors' fees (see the Directors' Remuneration Report on pages 25 and 26)	**47**	48
Auditors' remuneration – for audit services	**24**	18
Corporate finance advice	**6**	15
Other administrative expenses	**109**	137
	186	218

7 Finance charges

	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000
Bank overdraft interest	**4**	**17**	**21**	1	4	5

8 Taxation

(a) Analysis of charge in the year

	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000
UK Corporation tax at 30% (2005: 19%)	**458**	**(328)**	**130**	294	(250)	44
Foreign withholding tax	**393**	**–**	**393**	364	–	364
Précompte tax	**–**	**–**	**–**	(4)	–	(4)
Overseas taxation reclaimable	**(127)**	**–**	**(127)**	(124)	–	(124)
Double tax relief	**(130)**	**–**	**(130)**	(44)	–	(44)
Tax charge for the year	**594**	**(328)**	**266**	486	(250)	236

Notes to the Accounts

continued

(b) Factors affecting the current tax charge for the year.

The tax assessed for the year is lower (2005: higher) than the standard rate of corporate tax applicable to the Company of 30% (2005: small companies rate of 19%). The difference is explained below:

	2006 £'000	2005 £'000
Net return on ordinary activities before taxation	**20,628**	28,475
Corporation tax at 30% (2005: 19%)	**6,188**	5,410
Effects of:		
Non-taxable capital gains	**(6,036)**	(5,371)
Overseas withholding taxes	**267**	236
Relief for double taxation	**(130)**	(44)
Small companies marginal relief	**(27)**	–
Disallowable expenses	**4**	5
Current tax charge for the year	**266**	236

The Company has unprovided deferred tax assets of £474,000 arising as a result of eligible unrelieved foreign taxation (2005: unprovided deferred tax assets of £314,000).

(c) Proposed dividends.

In respect of the year ended 31 July 2006, a final dividend of 3.50p per share is proposed.

The cost of this dividend based on the number of shares eligible at the balance sheet date is estimated to be £898,000 and when combined with the cost of the interim dividend paid of £513,000 implies a revenue retention of £44,000. In accordance with the revised accounting policies, this proposed final dividend will be reflected in the 2007 accounts.

9 Return per ordinary share

Revenue return per ordinary share is based on earnings attributable to the ordinary shares of £1,455,000 (2005: £1,114,000) and on the number of ordinary shares in issue throughout the year being 25,667,005 (2005: 25,667,005).

Capital return per ordinary share is based on the net capital gains of £18,907,000 (2005: £27,124,000 as adjusted (see note 18)), and on the same number of ordinary shares in issue as above.

10 Fixed asset investments

	£'000
Valuation at 1 August 2005 (Restated – see note 18)	102,591
Unrealised appreciation	(23,425)
Cost of investments at 1 August 2005	79,166
Purchases at cost	77,054
Sales at cost	(66,773)
Cost of investments at 31 July 2006	89,447
Unrealised appreciation	28,683
Valuation at 31 July 2006	**118,130**

Notes to the Accounts

continued

Purchase transaction costs for the year ended 31 July 2006 were £164,000 (year ended 31 July 2005: £194,000). These comprise mainly brokers commissions. Sale transaction costs for the year ended 31 July 2006 were £195,000 (year ended 31 July 2005: £162,000).

11 Debtors	**2006 £'000**	2005 £'000
Sales for future settlement	**1,103**	–
Withholding tax recoverable	**135**	162
Prepayments and accrued income	**26**	18
	1,264	180

12 Creditors: amounts falling due within one year	**2006 £'000**	(Restated†) 2005 £'000
Purchases for future settlement	**–**	3,096
Management fee	**83**	69
Performance fee	**736**	804
Other accruals	**62**	69
	881	4,038

†(See note 18)

13 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to ordinary shares of £121,638,000 (2005: £102,559,000 as adjusted (see note 18)) and on 25,667,005 (2005: 25,667,005) ordinary shares in issue at the year end.

14 Financial instruments

(a) Management of risk

The Company's financial instruments comprise:

– Equity shares held within the portfolio,

– Cash and short term debtors and creditors which arise from its investing activities.

The risks arising from these instruments are due to fluctuations in market prices, exchange rates and interest rates. The Board's policy for managing these risks is summarised below:

Market price risk

An investment trust is exposed to market risk due to fluctuations in the market prices of the investments held in its portfolio. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets together with stock selection covering small, medium and large companies are other factors which act to reduce market price risk. The investment manager actively monitors market prices throughout the year and reports to the Board which meets regularly in order to consider investment strategy.

Index options may be used, when it is deemed appropriate, to manage the risk of fluctuations in the markets in which the Company invests.

Notes to the Accounts
continued

14 Financial instruments (continued)

Foreign currency risk
The Company's total return and balance sheet can be significantly affected by fluctuations in foreign currency exchange rates as the majority of the Company's assets are denominated in currencies other than Sterling. The international spread of investments acts to reduce this risk. From time to time the Company will hold foreign currency cash balances as well as foreign currency balances due to and receivable from brokers. These assets and liabilities arise from the Company's investing activities. This exposure is short term and not material.

Interest rates
The Company's exposure to risk arising from interest rate fluctuations is minimal. The Company has cash balances at floating rates, but these are short term and therefore carry no material risk. There were no financial liabilities at 31 July 2006 or 31 July 2005.

Liquidity risk
The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

(b) Risk profile of financial assets and financial liabilities
Currency exposure
The majority of the Company's financial assets are denominated in currencies other than Sterling with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	2006 Monetary assets £'000	2006 Monetary liabilities £'000	2006 Net monetary assets £'000	(Restated†) 2005 Monetary assets £'000	(Restated†) 2005 Monetary liabilities £'000	(Restated†) 2005 Net monetary assets £'000
Euro	**86,568**	**–**	**86,568**	78,276	(2,689)	75,587
Czech Koruna	**3,570**	**–**	**3,570**	2,684	–	2,684
Danish Krone	**1,972**	**–**	**1,972**	1,554	–	1,554
Hungarian Forint	**1,976**	**–**	**1,976**	–	–	–
Swiss Franc	**23,735**	**–**	**23,735**	19,506	(235)	19,271
Swedish Krona	**1,532**	**–**	**1,532**	1,714	–	1,714
US Dollar	**–**	**–**	**–**	2,796	(172)	2,624
	119,353	**–**	**119,353**	106,530	(3,096)	103,434
Sterling	**3,166**	**(881)**	**2,285**	67	(942)	(875)
Total net assets	**122,519**	**(881)**	**121,638**	106,597	(4,038)	102,559

†(See note 18)

(c) Fair values of financial assets and financial liabilities
All of the Company's financial assets and liabilities are held at fair value.

Notes to the Accounts

continued

15	Called-up share capital	2006 £'000	2005 £'000
	Authorised		
	75,000,000 ordinary shares of 5p each (2005: 75,000,000)	**3,750**	3,750
		3,750	3,750
	Allotted, issued and fully paid		
	25,667,005 ordinary shares of 5p each (2005: 25,667,005)	**1,283**	1,283
		1,283	1,283

Ordinary shares

The ordinary shares carry the right to receive the net revenue of the Company available for distribution, including accumulated revenue reserves, determined by way of interim or final dividends at such times as the directors may recommend and, in a winding-up, to the surplus assets of the Company available for distribution.

16	Share premium account	£'000
	At 1 August 2005 & 31 July 2006	**33,814**

17	Reserves	Capital reserve realised £'000	Capital reserve unrealised £'000	Total £'000	Revenue reserve £'000
	At 1 August 2005 (as restated - see note 18b)	42,612	23,425	66,037	1,425
	Transfer on disposal of assets	11,450	(11,450)	–	–
	Net movement on investments held at fair value through profit or loss	3,366	16,708	20,074	–
	Net movement on foreign exchange	45	–	45	–
	Expenses and interest payable charged to capital	(1,540)	–	(1,540)	–
	Tax relief on expenses and interest payable charged to capital	328	–	328	–
	Final dividend for year ended 2005 (paid 10 November 2005)	–	–	–	(770)
	Net revenue return after taxation for the year	–	–	–	1,455
	Interim dividend for the year ended 2006 (paid 12 April 2006)	–	–	–	(513)
	At 31 July 2006	**56,261**	**28,683**	**84,944**	**1,597**

18 Restatement in respect of changes to accounting policies for valuing investments and accounting for dividends payable

(a)	Income Statement		
	Year ended 31 July 2005	£'000	Per share pence
	Total transfer to reserve per Statement of Total Return	26,885	104.74
	Add back dividends paid and proposed	1,283	5.00
	Net return on ordinary activities after taxation	28,168	109.74
	Change from mid to bid basis at 31 July 2004	123	0.48
	Change from mid to bid basis at 31 July 2005	(53)	(0.21)
	Net return on ordinary activities after taxation as restated	28,238	110.01

Notes to the Accounts

continued

(b) Balance Sheet

(i) Balance sheet as at 31 July 2005	Notes (see overleaf)	Previously reported 31 July 2005 £'000	Adjustments £'000	(Restated) 31 July 2005 £'000
Fixed asset investments	1	102,644	(53)	102,591
Current assets		4,006	–	4,006
Creditors: amounts falling due within one year	2	(4,808)	770	(4,038)
Net current liabilities		(802)	770	(32)
Total net assets		101,842	717	102,559
Capital and reserves				
Called-up share capital		1,283	–	1,283
Share premium		33,814	–	33,814
Realised reserves		42,612	–	42,612
Unrealised reserves	1	23,478	(53)	23,425
Revenue reserve	2	655	770	1,425
Equity shareholders' funds		101,842	717	102,559

(ii) Balance sheet as at 31 July 2004		Previously reported 31 July 2004 £'000	Adjustments £'000	(Restated) 31 July 2004 £'000
Fixed asset investments	1	72,898	(123)	72,775
Current assets		5,347	–	5,347
Creditors: amounts falling due within one year	2	(3,288)	385	(2,903)
Net current liabilities		2,059	385	2,444
Total net assets		74,957	262	75,219
Capital and reserves				
Called-up share capital		1,283	–	1,283
Share premium		33,814	–	33,814
Realised reserves		32,340	–	32,340
Unrealised reserves	1	6,696	(123)	6,573
Revenue reserve	2	824	385	1,209
Equity shareholders' funds		74,957	262	75,219

Notes to the Accounts
continued

Notes to the reconciliation

1. Prior to 1 August 2005, listed investments were valued at middle market prices. Following the adoption of FRS 26, listed investments have been designated as held at fair value through profit or loss and are valued at fair value deemed to be bid market prices. The adoption of bid market prices at 31 July 2005 decreased the value of listed investments by £53,000 (31 July 2004: £123,000).

2. Under FRS 21 dividends should not be accrued in the accounts unless they have been approved by shareholders before the Balance Sheet date. Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders and become a liability of the Company. The effect of this change is to increase net assets at 31 July 2005 by £770,000 (31 July 2004: £385,000).

19 Reconciliation of operating revenue to net cash inflow from operating activities

	2006 £'000	2005 £'000
Net revenue before finance charges and taxation	**20,649**	28,479
Capital return before finance charges and taxation	**(18,596)**	(26,878)
Increase in prepayments and accrued income	**(9)**	(4)
Decrease in accruals	**(61)**	424
Tax on unfranked investment income deducted at source	**(393)**	(359)
Expenses allocated to capital	**(1,523)**	(1,393)
Net cash inflow from operating activities	**67**	269

20 Analysis of changes in net funds

	At 1 August 2005 £'000	Cashflow £'000	Exchange Movements £'000	**At 31 July 2006 £'000**
Cash at bank and overdrafts	3,826	(746)	45	**3,125**
Net funds	3,826	(746)	45	**3,125**

21 Capital commitments and contingent liabilities

At 31 July 2006 there were no contingent liabilities relating to underwriting commitments (2005: £nil).

22 Transactions with the management company

Under the terms of an agreement dated 14 December 2005, the Company appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, company secretarial, administrative and custody services. Henderson has contracted with BNP Paribas Fund Services UK Limited to provide accounting and administrative services. Since 1 August 2005, the Company has contracted directly with JP Morgan for the provision of custodian services.

Details of the management fee arrangements for these services are given in the Directors' Report on pages 15 to 19. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 July 2006 was £1,463,000, excluding VAT (2005: £1,321,000) of which £697,000 was outstanding at 31 July 2006 (2005: £744,000).

In addition to the above services, Henderson has provided the Company with share plan administration and marketing services during the year. The total fees, excluding VAT paid or payable for these services for the year ended 31 July 2006 amounted to £13,000 (2005: £12,000) of which £8,000 was outstanding at 31 July 2006 (2005: £nil).

Notice of Annual General Meeting

Notice is hereby given that the fourteenth Annual General Meeting of Henderson EuroTrust plc will be held at 4 Broadgate, London, EC2M 2DA on Wednesday, 8 November 2006 at 12 noon for the following purposes:

Ordinary Business

1 To receive the Directors' Report and audited accounts for the year ended 31 July 2006.

2 To approve the Directors' Remuneration Report for the year ended 31 July 2006.

3 To declare a final dividend.

4 To re-elect Mr S M Yassukovich as a director.

5 To re-elect Mr R A T Bischof as a director.

6 To re-elect Mr T P Stevenson as a director.

7 To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.

8 To authorise the directors to determine the auditors' remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions: as an Ordinary Resolution:

9 that, the Board be and it is hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £64,167 (being 5% of the nominal value of the issued ordinary share capital of the Company at the date of this report) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, fifteen months from the date hereof save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The directors may use this authority when the directors consider it to be advantageous to the Company's existing shareholders.

as a Special Resolution:

10 that, subject to the passing of resolution number 9, the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash (pursuant to the authority conferred by resolution number 9) as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to the:

a) allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever; and

b) allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £64,167 (being 5% of the nominal value of the issued ordinary share capital of the Company at the date of this report); and

c) allotment of equity securities at a price not less than the net asset value per share

and shall expire at the earlier of fifteen months from the date of the passing of this resolution or at the conclusion of the next Annual General Meeting save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

continued

as a Special Resolution:

11 that, the Company be and is hereby authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares"), provided that:

a) the maximum number of ordinary shares hereby authorised to be purchased shall not be more than 14.99% of the ordinary shares in issue at the date of the Annual General Meeting, (equivalent to 3,847,484 ordinary shares at the date of this report);

b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 5p;

c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be 5% above the average of the market values of the ordinary shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days before the purchase is made;

d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry; and

e) any ordinary shares so purchased shall be cancelled or, if the directors so determine and subject to the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2004 and any applicable regulations of the United Kingdom Listing Authority, held as treasury shares.

By order of the Board
W J King, FCIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
20 September 2006

Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the Register of Members of Henderson EuroTrust plc at the close of business on 6 November 2006 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the relevant Register of Members after the close of business on 6 November 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. An ordinary shareholder entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time fixed for the meeting.

3. The completion of the form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting. The number of votes cast by proxy for each resolution will be communicated to shareholders at the AGM and will be available on request.

4. By attending the meeting, members and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the meeting.

5. The Register of Directors' Interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.

Registered Office
4 Broadgate
London EC2M 2DA

Investor Information

Investment Trusts

Many people today recognise the benefits of investing in the stock market or in overseas stock markets, but are concerned about risks and complexity. They recognise that stock markets offer the prospect not only of protection from inflation but also real capital growth over the long term.

Investment trusts provide the ideal, low cost solution.

When you buy shares in an investment trust, you are buying shares in a public limited company which owns a portfolio of shares in a wide range of other companies. This wide spread of investments allows you to benefit from the growth potential of a particular stockmarket whilst reducing the risk inherent in holding shares in any one company. This makes investment trusts an ideal vehicle for people with relatively modest amounts to invest, as well as for those wishing to diversify their share portfolios.

Furthermore, investment trusts not only benefit from the investment experience of the Manager, but they also benefit from an experienced Board of directors, each with knowledge of different industries. As general long-term savings vehicles, investment trusts have a track record of performance and stability to be proud of.

Net Asset Value and Share Price

The Company's Net Asset Value (NAV) is released daily, on the working day following the calculation date, to the London Stock Exchange.

The London Stock Exchange Daily Official List (SEDOL) code for the ordinary shares is 0419929.

The mid-market prices of Henderson EuroTrust plc ordinary shares is shown in the investment companies section of the stock market pages in the Financial Times under "HenEuro".

Performance Information

Information on the Company's performance is provided in the interim and annual reports which are sent to shareholders in October and April respectively.

More up-to-date performance information is available on the Internet at: **www.hendersoneurotrust.com** **www.itshenderson.co.uk** and **www.trustnet.co.uk**

These websites provide a monthly update on the Company's largest holdings, along with comments from the fund manager.

Henderson EuroTrust plc

Henderson EuroTrust invests in medium to large companies. The objective is to identify companies in the European markets which are undervalued in view of their growth prospects, or on account of significant changes in management or structure. These investments are made with only secondary regard to the country of origin, the principal objective being to identify the fifty most interesting investments in the European area at any time.

Investing in Henderson EuroTrust

Ordinary shares of Henderson EuroTrust may be bought or sold directly through a stockbroker or other independent financial advisor or through a number of banks and building societies which also provide share dealing services. Alternatively, shares may be bought directly through itshenderson, details of which are provided on the inside back cover of this report.

Itshenderson ISA/PEP and Share Plan Holders

Itshenderson Administrator (Lloyds TSB)
PO Box 4605
Worthing BN99 6QY
Telephone: 0845 712 5432

Henderson ISAs and PEPs

Henderson Global Investors Limited
Block C – Western House
Lynchwood Business Park
Peterborough PE2 6SP
Telephone: 0800 832 832

Investor Information
continued

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

Secretary
Henderson Secretarial Services Limited
represented by Wendy King, FCIS

Registered Office
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Telephone: 020 7818 1818
Fax: 020 7818 1819

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England and Wales No. 2718241

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Bankers & Custodian
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London EC2V 7RF

Stockbrokers
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20 Moorgate
London
EC2R 6DA

Shareholder Details
Main register shareholders may check their shareholding online with our Registrar, Computershare Investor Services PLC. This link may be found via **www.computershare.com** Please note that to gain access to your details on the Computershare site you will need the holder reference number on the top left hand corner of your share certificate.

Disability Act
Copies of this report and accounts or other documents issued by Henderson EuroTrust plc are available from the Company Secretary.

If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

You can contact our Registrar, Computershare Investor Services PLC, who have 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. Specially trained operators are available during normal business hours to answer queries via this service. The telephone number is 0870 702 0005.

For holders who hold their shares via itshenderson the text phone telephone number is 0870 240 1847.

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

For investors through the its Henderson Investment Trust Share Plan, Transfer PEP or ISA, a minicom telephone service is available on 020 7850 5406. This service is available during normal business hours.

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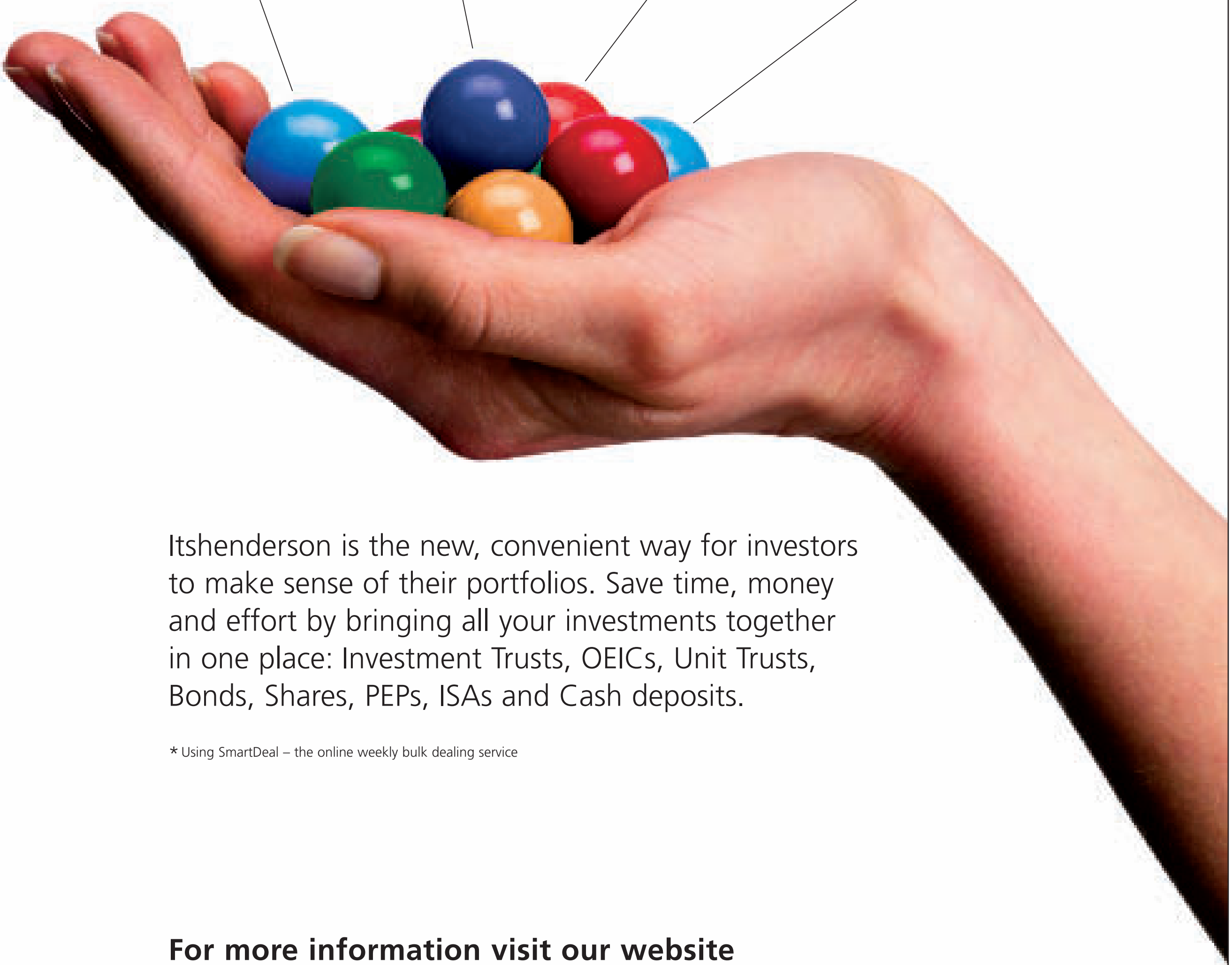

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