Henderson Technology Trust PLC

Directors' Report and Accounts for the year ended
30 April 1999

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Contents

Directors' Report and Accounts

Henderson Technology Trust PLC is a member of the Association of Investment Trust Companies

Report of the Directors

The directors present the audited accounts of the Group for the year ended 30 April 1999.

Status
The Company operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 30 April 1998. The directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain Inland Revenue approval as such.

During the year, the Company revoked its investment company status within the meaning of section 266 of the Companies Act 1985. Such revocation does not, however, prevent the Company from re-adopting investment company status in the future.

Your Board is of the opinion that such loss of investment company status has not had and will not have any material adverse consequences for shareholders. In particular, it should be appreciated that the Company's eligibility for approval as an investment trust for taxation purposes will not be affected in any way by the loss of investment company status and, accordingly, any gains made by the Company will continue to be exempt from taxation in respect of all periods for which such approval is granted.

Activities and Business Review
A review of the business is given in the Chairman's Statement and in the Fund Manager's Report on pages 4 to 9 of the Annual Review.

Life of the Company
The Articles of Association of the Company provide that at the annual general meeting of the Company to be held in 2006, and at every fifth annual general meeting thereafter, a vote on whether the Company should be wound up will be proposed as an ordinary resolution.

Revenue and Dividends
The gross revenue for the year was £3,400,000 and the net loss after taxation amounted to £3,789,000. The directors are not able to recommend the payment of a dividend.

Assets
At 30 April 1999 the total net assets of the Group amounted to £279,946,000 compared with £201,891,000 at 30 April 1998. The net asset value per ordinary share, on a fully diluted basis, increased by 33.8% from 131.0p to 175.3p.

Investment Manager
Investment management, UK custodial, accounting, administrative and company secretarial services are provided to the Company by Henderson plc and its subsidiaries ("Henderson"). The management fee for these services is calculated at the rate of 1% per annum on the average of the gross assets (less liabilities other than borrowings made for investment purposes) of the Company as at the end of the preceding quarter and as at the end of the corresponding quarter of the preceding year. Any investments in funds managed by Henderson are wholly excluded from the management fee calculation. VAT is payable on the fees where applicable.

In addition, Henderson is entitled to a performance fee, in respect of each accounting period of the Company, at the rate of 15% of the amount, if any, by which the increase in the aggregate diluted net asset value of the ordinary shares over the relevant period exceeds the increase in the FT S&P Actuaries World Index, sterling adjusted, over such period. In the event that subsequent performance is below that of the index, no further performance fee is payable until the shortfall has been made good in full. A performance fee is payable in respect of the period ended 30 April 1999.

The fee rates are subject to review during 2001 and every third year thereafter.

The management agreement may be terminated by either party subject to one year's notice.

The Investment Manager uses certain services which are paid for, or provided by, various brokers. In return it places business, which may include transactions relating to the Company, with these brokers.

Year 2000
Henderson plc and its subsidiaries ("Henderson"), which provides investment management, UK custodial, accounting, administrative and company secretarial services to Henderson Technology Trust PLC, has instigated a corporate

Report of the Directors
continued

action programme, under Henderson board supervision, to establish the precise scope of the risks posed to Henderson Technology Trust PLC by the consequences of the Year 2000 date change and to address those risks. Henderson's strategy is to validate that its computer systems achieve Year 2000 conformity (as defined by the British Standards Institute in its paper DISC PD2000-1), and to require both its suppliers and the suppliers to Henderson Technology Trust PLC to ensure that their computer systems achieve the same or an equivalent standard. Costs relating to the Year 2000 project are to be borne by Henderson.

Substantial Share Interests

At 18 June 1999 notices have been received of the following substantial interests in the issued ordinary share capital of the Company:

Prudential Corporation plc	9.8%
Clerical Medical Investment Group Limited	5.1%

Directors

The directors of the Company at the date of this report are shown on page 2 of the Annual Review. All of the directors held office throughout the year. At the forthcoming Annual General Meeting Professor Rhodes and Mr Wakeling will retire and offer themselves for re-appointment. The interests of directors in the ordinary shares and warrants of the Company, at 30 April 1999 and at 1 May 1998, are set out below:

Directors' Interests:	Ordinary shares		Warrants	
	30.04.99	1.05.98	**30.04.99**	1.05.98
With beneficial interest:				
R K A Wakeling	**10,000**	10,000	**2,000**	2,000
B J D Ashford-Russell	**185,340**	185,340	**100,124**	33,124
C G Clarke	**60,000**	31,548	**21,309**	21,309
P F Dicks	**25,000**	25,000	**5,000**	5,000
Professor J D Rhodes	**-**	-	**-**	-
C J M Stutterheim	**-**	-	**-**	-
With non-beneficial interest:				
P F Dicks	**1,057**	1,057	**-**	-

Mr Wakeling, Mr Dicks, Professor Rhodes and Mr Stutterheim are independent of Henderson plc, the Investment Manager. Both Mr Clarke and Mr Ashford-Russell are executives of Henderson and Mr Ashford-Russell was remunerated by Henderson in respect of services provided to Henderson Technology Trust PLC under the management agreement. There were no other contracts 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.

Corporate Governance

A formal statement on Corporate Governance is set out on page 5.

Auditors

The former auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. The new firm, PricewaterhouseCoopers, were appointed as auditors at the Annual General Meeting held on 10 September 1998. PricewaterhouseCoopers have indicated their willingness to continue in office. Resolutions to reappoint them and to authorise the directors to determine their remuneration will be submitted at the forthcoming Annual General Meeting, for which notice is given on page 24.

Authority to Allot Shares and Disapply Pre-emption Rights

On 10 September 1998 the directors were granted power to allot authorised but unissued ordinary shares. This authority will expire at the Annual General Meeting in July 1999. Power was also given to the directors to issue securities for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. This power will also lapse at the Annual General Meeting in July 1999.

Appropriate resolutions to renew both authorities will be proposed at the 1999 Annual General Meeting and are set out in full in the Notice of Meeting on page 24. An ordinary resolution will be proposed to authorise the directors to allot shares up to an aggregate nominal amount of £12,268,267 (being one third of the issued share capital). A special resolution will also be proposed to give the directors power to allot securities on a non pre-emptive basis up to an aggregate nominal amount of £1,840,240 (being 5% of the Company's existing issued share capital).

The directors intend to issue new shares pursuant to these authorities to take advantage of opportunities in the market as they arise but 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.

Report of the Directors

continued

If renewed, both of these authorities will expire at the conclusion of the Annual General Meeting in 2000.

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

At an Extraordinary General Meeting held on 10 September 1998, a special resolution was passed giving the directors authority, until the conclusion of the 1999 Annual General Meeting, to make market purchases of the Company's own issued ordinary shares for cancellation up to a maximum of 14.95% (22,000,000 ordinary shares). This authority has not been exercised.

As referred to in the Chairman's Statement, your Board is proposing that the Company should be given renewed authority to purchase ordinary shares in the market for cancellation. Your board believes that to make such purchases in the market at appropriate times and prices is a suitable method of enhancing shareholder value. The Company would, within guidelines set from time to time by the Board, make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders.

Where purchases are made at prices below the prevailing net asset value per share, this will enhance the net asset value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below fully diluted net asset value, with the purchases to be funded from the realised capital profits of the Company which, at the balance sheet date, were £91.3 million. The rules of the London Stock Exchange limit the price which may be paid by the Company to 105% of the average middle-market quotation for an ordinary share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value).

Additionally, your Board believes that the Company's ability to purchase its own shares should create additional demand in the market and that this increase in liquidity should assist any shareholders that wish to sell their ordinary shares. Overall, this share buy-back proposal should help to reduce the discount to net asset value at which the Company's shares currently trade.

Your board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be favourable and therefore does not propose to set a timetable for making any such purchases.

Under the rules of the London Stock Exchange, the maximum number of shares which a listed company may purchase through the market pursuant to a general authority such as this is equivalent to 14.99% of its issued share capital. For this reason, the Company is limiting its authority to make such purchases to 22,000,000 ordinary shares, representing approximately 14.95% of the issued share capital at the date of this document. The authority will last until the Annual General Meeting of the Company to be held in 2000 or the expiry of 18 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

Warrants

The following re-purchases of warrants have been made during the year:

Date of Purchase	Number of Warrants	Price per Warrant
12 January 1999	175,000	49.95p
14 January 1999	25,000	46.95p
15 January 1999	25,000	45.00p

As at 30 April 1999, there were 29,071,615 warrants in issue (1998: 29,317,516).

Registered holders of warrants should note that the next annual subscription date is 30 September 1999.

The Payment of Creditors

It remains the Company's policy for the forthcoming financial year to obtain the best 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 30 April 1999.

Report of the Directors
continued

Nominee Code

Where shares in the Company are held by nominee companies, Henderson Technology Trust PLC undertakes to:

- provide nominee operators, who have indicated in advance a wish to receive them, with copies of shareholder communications for distribution to their customers.
- encourage nominee operators to advise investors that they will be permitted to attend general meetings and to speak when invited to do so by the Chairman.

Investors in the Henderson Investors Investment Trust Share Plan and the Henderson Investors Selection ISA receive all shareholder communications.

A letter of direction or letter of instruction, as appropriate, is provided to facilitate voting.

J H Woolley.

By order of the Board

Henderson Secretarial Services Limited,

Secretary

18 June 1999

Statement of Directors' Responsibilities
in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the net revenue of the Company and Group for that period. In preparing those accounts, the directors are required to:

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

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.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company and which enables the company to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 1998.

The Board considers that the Company has complied with the provisions contained within the Combined Code throughout the accounting period to 30 April 1999 except where disclosed below and this statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of six non-executive directors, the majority of whom are independent of the Company's investment manager. Their biographies, on page 2 of the Annual Review, demonstrate a breadth of investment, industrial, commercial and professional experience, with an international perspective.

The Board meets seven times a year and between these meetings there is regular contact with the investment manager. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The directors have access to the advice and services of the Corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

When a director is appointed he is offered an induction seminar which is held by the investment manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

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

The Board has contractually delegated to external agencies, including the investment manager, the requirements of 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 services offered including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers reports regularly from the investment manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the Chairmen of the investment trusts managed by the investment manager, which is a forum to discuss industry matters, and he reports back to the Board.

The Board has not established a nominations committee to make recommendations on the appointment of new directors. The Board as a whole considers nominations made in accordance with the AITC recommendation, a management engagement committee with defined terms of reference and duties has been established, which consists of all the independent non-executive directors, to review and discuss the terms of the management contract with the investment manager. An annual review of the management contract is carried out. There is also an audit committee consisting of all the independent non-executive directors with defined terms of reference and duties. This committee is responsible for the review of the annual accounts and the interim report, terms of appointment of the auditors together with their remuneration as well as any non-audit services provided by the auditors. It also meets with representatives of the investment manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

All non-executive directors are appointed for an initial term of three years, subject to re-election and the Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment.

Corporate Governance
continued

In the recent past the composition of the Board has, under the provisions of the Company's Articles relating to retirement by rotation, meant that directors have retired by rotation every three years. However, without changing its Articles of Association at present, the Board has agreed that directors will retire every three years to ensure compliance with Code Provision A.6.2. The names of the directors retiring by rotation at this year's Annual General Meeting are given on page 2.

Directors' Remuneration

Under the London Stock Exchange's Listing Rule 21.20 (i), where an investment trust company has no executive directors the Code principles relating to directors' remuneration do not apply.

Relations with Shareholders

The Board is conscious that the Annual General Meeting is an event which all shareholders are encouraged to attend and participate in. The Annual General Meeting is attended by the Chairman of the Board who is also the Chairman of the Audit and Management Engagement committees. Proxy votes on the resolutions proposed will be displayed at the meeting. After the formal business of the meeting the investment manager will make a presentation. The Company has adopted a nominee share code which is set out on page 4.

The Board believes that it is valuable to report to shareholders as soon as possible after the Company's year end. Accordingly, the timetable for reporting to shareholders has been accelerated. The preliminary results were released on 21 June 1999 and the Annual General Meeting, of which twenty working days' notice has been given in accordance with the requirement of Code Provision C.2.4, will be held on 28 July 1999.

The Notice of Meeting sets out the business of the meeting and the special resolutions are explained more fully in the Directors' Report on pages 2 and 3. Separate resolutions are proposed for each substantive issue.

Investor information is included on page 23 of the Annual Review.

Accountability and Audit

The directors' statement of responsibilities in respect of the Accounts and on the ability of the Company to continue as a going concern is on page 4.

The report of auditors is set out on page 7.

As permitted by the London Stock Exchange and until guidance for directors has been published on the scope, extent, nature and review of internal controls to which Code principle D.2 and provision D.2.1 relate, the Company has complied with Code provision D.2.1 on internal control by reporting on internal financial controls in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication of information and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. As stated above, the Board has contractually delegated to external agencies the services the Company requires. The investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls operated on behalf of its clients. The effectiveness of the internal financial controls is assessed by the investment manager's compliance and internal audit departments on an ongoing basis.

These systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. By the procedures set out above the directors have kept under review the effectiveness of the internal financial controls throughout the year.

Exercise of Voting Powers

The Company has approved a corporate governance voting policy which, in summary, is based on the governance recommendations of the Codes of Best Practices from Cadbury and Greenbury with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

Auditors' Report

to the members of Henderson Technology Trust PLC

We have audited the financial statements on pages 8 to 21 and the accounting policies set out on pages 11 and 12.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Directors' Report and Accounts, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Directors' Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 5 and 6 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 April 1999 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
18 June 1999

Group Statement of Total Return (incorporating the revenue account)

for the year ended 30 April 1999

Notes		Year ended 30 April 1999 Revenue £'000	Capital £'000	Total £'000	Year ended 30 April 1998 Revenue £'000	Capital £'000	Total £'000
2	Total capital gains from investments	**–**	**81,935**	**81,935**	–	61,568	61,568
	Repurchase of warrants	**–**	**(40)**	**(40)**	–	–	–
3	Income from fixed asset investments	**1,364**	**–**	**1,364**	1,876	–	1,876
4	Other interest receivable and similar income	**2,036**	**–**	**2,036**	738	–	738
	Gross revenue and capital gains	**3,400**	**81,895**	**85,295**	2,614	61,568	64,182
5	Management fee	**(6,690)**	**–**	**(6,690)**	(3,274)	–	(3,274)
6, 7	Other administrative expenses	**(241)**	**–**	**(241)**	(202)	–	(202)
	Net (loss)/return on ordinary activities before interest payable and taxation	**(3,531)**	**81,895**	**78,364**	(862)	61,568	60,706
8	Interest payable and similar charges	**(125)**	**–**	**(125)**	(51)	–	(51)
	Net (loss)/return on ordinary activities before taxation	**(3,656)**	**81,895**	**78,239**	(913)	61,568	60,655
9	Taxation on ordinary activities	**(133)**	**–**	**(133)**	(335)	–	(335)
	Net (loss)/return on ordinary activities after taxation	**(3,789)**	**81,895**	**78,106**	(1,248)	61,568	60,320
10	**(Loss)/return per ordinary share** Basic	**(2.57p)**	**55.63p**	**53.06p**	(0.85p)	41.84p	40.99p
10	Diluted	–	**53.87p**	**51.38p**	–	–	–

The revenue columns of this statement represent the revenue accounts of the Group.

The notes on pages 11 to 21 form part of these accounts

Balance Sheets
at 30 April 1999

Notes		Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
11 to 14	**Fixed asset investments**				
	Listed at market value:				
	United Kingdom (excluding fixed interest)	**63,425**	**63,425**	58,631	58,631
	Investment in TR Technology PLC (in liquidation)	**3,126**	**3,126**	13,343	13,343
	United Kingdom fixed interest	**46,803**	**46,803**	–	–
	Overseas	**175,497**	**175,497**	135,293	135,293
		288,851	**288,851**	207,267	207,267
	Unlisted at directors' valuation:				
	Subsidiary undertaking	**–**	**309**	–	406
	Other United Kingdom	**71**	**71**	78	78
	Overseas	**353**	**353**	516	516
		289,275	**289,584**	207,861	208,267
	Current assets				
15	Investments	**–**	**–**	57	–
17	Debtors	**6,112**	**6,688**	22,292	22,467
	Cash	**7,532**	**6,647**	4,160	3,579
		13,644	**13,335**	26,509	26,046
18	**Creditors:** amounts falling due within one year	**(9,965)**	**(9,965)**	(32,479)	(32,422)
	Net current assets/(liabilities)	**3,679**	**3,370**	(5,970)	(6,376)
	Total assets less current liabilities	**292,954**	**292,954**	201,891	201,891
19	**Creditors:** amounts falling due after more than one year	**(13,008)**	**(13,008)**	–	–
	Total net assets	**279,946**	**279,946**	201,891	201,891
	Capital and reserves				
20	Called up share capital	**36,805**	**36,805**	36,800	36,800
21	Share premium	**86,630**	**86,630**	86,608	86,608
22	Warrant reserve	**9,167**	**9,167**	9,245	9,245
23	Other reserves	**152,341**	**152,650**	70,446	70,852
24	Revenue reserve	**(4,997)**	**(5,306)**	(1,208)	(1,614)
25	**Equity shareholders' funds**	**279,946**	**279,946**	201,891	201,891
26	**Net asset value per ordinary share** – undiluted	**190.16p**	**190.16p**	137.16p	137.16p
	– diluted	**175.29p**	**175.29p**	130.98p	130.98p

The accounts on pages 8 to 21 were approved by the directors on 18 June 1999 and were signed on their behalf by

R K A Wakeling
B J D Ashford-Russell

The notes on pages 11 to 21 form part of these accounts

Group Cash Flow Statement

for the year ended 30 April 1999

Notes		1999 £'000	1999 £'000	1998 £'000	1998 £'000
27	**Net cash (outflow)/inflow from operating activities**		**(1,520)**		1,376
	Servicing of finance				
	Bank and loan interest paid	**(104)**		(44)	
	Net cash outflow from servicing of finance		**(104)**		(44)
	Taxation				
	UK tax recovered	**41**		14	
	Net tax recovered		**41**		14
	Financial investment				
	Purchase of investments	**(260,664)**		(54,670)	
	Sale of investments	**281,593**		28,410	
	Net cash inflow/(outflow) from financial investment		**20,929**		(26,260)
	Net cash inflow/(outflow) before financing		**19,346**		(24,914)
	Financing				
	Proceeds from issue of ordinary shares	**21**		102	
	Repurchase of warrants	**(112)**		-	
	Expenses paid in respect of ordinary shares issued	**-**		(5)	
	(Repayment)/drawdown of loans	**(16,809)**		28,500	
	Net cash (outflow)/inflow from financing		**(16,900)**		28,597
28	**Increase in cash**		**2,446**		3,683
	Reconciliation of net cash flow to movements in net debt				
	Increase in cash as above		**2,446**		3,683
	Cash outflow from repayment/(drawdown) of loans		**16,809**		(28,500)
	Change in net debt resulting from cash flows		**19,255**		(24,817)
	Exchange movements		**(1,979)**		(106)
	Net movement in the year		**17,276**		(24,923)
	Net (debt)/funds at 1 May		**(24,340)**		583
28	**Net debt at 30 April**		**(7,064)**		(24,340)

The notes on pages 11 to 21 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 fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice *Financial Statements of Investment Trust Companies* (the "SORP"). All of the Group's operations are of a continuing nature.

b Basis of consolidation
The Group accounts consolidate the accounts of the Company and its wholly owned subsidiary undertaking, HTT Finance Limited.

c Valuation of fixed asset investments
Listed investments are valued at middle market prices or where applicable the last traded price. Unlisted investments are valued at directors' valuation, having regard to the price at which recent arm's length transactions have occurred, the company's net asset value or earnings and other operational circumstances of which the directors are aware. Investments in subsidiary undertakings are stated in the Company's accounts at net asset value.

d Valuation of current asset investments
Current asset investments held by the Company's subsidiary undertaking are included in the Group accounts at the lower of cost and net realisable value.

e Foreign currency
Transactions denominated in overseas currencies during the period are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Bank currency loans covered by related forward currency transactions are translated at the rates specified in the forward contracts. In the case of forward exchange contracts entered into to hedge fluctuating exchange rates on foreign currency assets or liabilities, the difference between the value at the contracted forward rate and the forward rate ruling at the year end is taken credit for, or provided for, in other reserves.

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

g Income
Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis and, if material, so as to reflect the effective yield on each such investment. Bank interest and other income receivable are accounted for on an accruals basis. The dealing profits of the subsidiary undertaking, representing realised gains and losses on the sale of current asset investments, are dealt with in the Group accounts as a revenue item.

h Expenses and interest payable
All expenses, including the management fee, and interest payable are accounted for on an accruals basis and are charged wholly to revenue. Expenses which are incidental to the purchase or sale of a fixed asset investment are included in the cost or deducted from the proceeds of sale of the investment.

i Taxation
Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. A deferred tax asset or provision is established to the extent that it is probable that an asset or liability will crystallise in the future.

Notes to the Accounts
continued

j Financial instruments
Derivative instruments utilised by the Group comprise index options. A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the Group.

The Group has taken advantage of the exemption allowed under FRS13 and excluded short-term debtors and creditors from disclosures under financial instruments.

k Loss of Investment Company Status
The Company ceased to be an investment company within the meaning of section 266, Companies Act 1985. However, it continued to conduct its affairs as an investment trust for taxation purposes under section 842 of the Income and Corporation Taxes Act 1988, and the Articles of the Company prohibit capital profits from being distributed by way of dividend. As such, the directors consider it necessary to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes net profits on disposals of investments, calculated by reference to their previous carrying amount of £24,941,000 (1998: £51,705,000) and realised exchange losses of £662,000 (1998: £106,000) as well as the loss on the repurchase of shares of £40,000 (1998:nil). Since the Company is no longer an investment company, the Companies Act and/or FRS3 would ordinarily require this amount to be included in the profit and loss account. In the opinion of the directors the inclusion of this item in the profit and loss account would be misleading because it would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

2	**Total capital gains from investments**	**Year ended 30 April 1999 £'000**	Year ended 30 April 1998 £'000
	Net realised gains based on historical cost	**32,440**	59,678
	Less: amounts recognised as unrealised in the previous year	**(7,499)**	(7,973)
	Realised gains based on carrying value at previous balance sheet date	**24,941**	51,705
	Net movement in unrealised appreciation	**58,973**	9,969
	Net loss on foreign exchange movements	**(1,979)**	(106)
		81,935	61,568

3	**Income from fixed asset investments**	**Year ended 30 April 1999 £'000**	Year ended 30 April 1998 £'000
	Franked:		
	Listed investments	**557**	1,826
	Unlisted investments	**44**	–
		601	1,826
	Unfranked:		
	Listed investments		
	Dividend income	**278**	37
	Interest income	**485**	13
		763	50
	Total income from fixed asset investments	**1,364**	1,876

Notes to the Accounts
continued

4	Other interest receivable and similar income	Year ended 30 April 1999 £'000	Year ended 30 April 1998 £'000
	Bank interest	**778**	163
	Underwriting commission	**2**	3
	Dealing profits	**1,256**	572
		2,036	738

5	**Management fee** (charged wholly to revenue)	Year ended 30 April 1999 £'000	Year ended 30 April 1998 £'000
	Management fee	**1,894**	786
	Performance fee	**4,502**	2,307
	Irrecoverable VAT thereon	**294**	181
		6,690	3,274

A summary of the terms of the management agreement is given in the Report of the Directors on page 1.

6	Other administrative expenses	Year ended 30 April 1999 £'000	Year ended 30 April 1998 £'000
	Directors' fees (note 7)	**51**	35
	Auditors' remuneration:		
	For audit services	**17**	10
	For non-audit services	**2**	3
	Other expenses	**166**	134
	Irrecoverable VAT	**5**	20
		241	202

Included in other expenses are share plan administration fees payable to Henderson of £5,000 (1998: £20,0000).

7 Directors' emoluments

Mr B J D Ashford-Russell, a director of the Company, is employed by Henderson plc and its subsidiaries ("Henderson") in the provision of services to Henderson Technology Trust PLC. Under the Companies Act 1985, it is necessary to state the proportion of the emoluments he receives from Henderson which relate to the management of the Company, even though the Company does not pay these emoluments. The Company has been informed that the applicable proportion of the emoluments, paid by Henderson, (including any performance related bonus) was £780,000 (1998: £294,000). This amount, together with the amounts paid by the Company to the other directors, is included in the analysis below:

	Year ended 30 April 1999 £'000	Year ended 30 April 1998 £'000
Fees (paid by the Company)	**33**	27
Salary and other benefits (paid by Henderson)	**71**	53
Performance related bonus (paid by Henderson)	**709**	241
Total emoluments, excluding amounts paid to third parties	**813**	321
Fees paid to third parties (including Henderson)	**18**	8
Pension contribution (paid by Henderson)	**6**	4

The pension contribution represents the amount paid by Henderson on behalf of Mr B J D Ashford-Russell to a non-contributory defined benefit pension scheme.

The highest paid director's emoluments totalled £780,000 and his accrued pension amounted to £23,000 per annum as at 30 April 1999 (1998: £17,000 per annum). This figure represents the pension that would be payable from normal pension age had the director left pensionable service as at 30 April 1999. It excludes allowance for increases between leaving service and retirement and any amounts attributable to voluntary contributions.

8 Interest payable and similar charges	**Year ended 30 April 1999 £'000**	Year ended 30 April 1998 £'000
Interest on loans and overdrafts repayable within one year	**46**	51
Interest on loans repayable after more than two years	**79**	–
	125	51

9 Taxation	**Year ended 30 April 1999 £'000**	Year ended 30 April 1998 £'000
Tax credits attributable to franked investment income	**108**	365
Relief for surplus management expenses	**–**	(33)
Overseas withholding tax	**25**	3
	133	335

10 (Loss)/return per ordinary share

Revenue loss per ordinary share is based on the net loss after taxation attributable to the ordinary shares of £3,789,000 (1998: £1,248,000) and on 147,209,643 (1998: 147,152,013) ordinary shares, being the weighted average number of shares in issue during the year.

Basic capital return per ordinary share is based on net capital gains of £81,895,000 (1998: £61,568,000) and on the weighted average number of shares in issue during the year as shown above.

The calculation of the fully diluted revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard No. 14, Earnings per Share (FRS14). FRS 14 came into force in the year under review and the prior year returns have been recalculated. For the purposes of calculating diluted revenue and capital returns per share, the number of shares is the weighted average used in the basic calculation plus the number of shares deemed to be issued for no consideration on exercise of all warrants, by reference to the average price of the ordinary shares during the year. The calculations indicate that the exercise of warrants would result in a weighted average number of shares of 152,022,886 (1998: no dilution occurs).

11 Changes in fixed assets	**Group £'000**	**Company £'000**
Valuation at 1 May 1998	**207,861**	**208,267**
Unrealised appreciation	**10,898**	**11,304**
Cost at 1 May 1998	**196,963**	**196,963**
Additions at cost	**262,714**	**262,714**
Disposals at cost	**(232,774)**	**(232,774)**
Cost at 30 April 1999	**226,903**	**226,903**
Unrealised appreciation	**62,372**	**62,681**
Valuation at 30 April 1999	**289,275**	**289,584**

Notes to the Accounts
continued

12 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital, fully paid, of £2 in its wholly owned subsidiary undertaking, HTT Finance Limited, which is registered in England and Wales and operates in the United Kingdom as a dealing company. The subsidiary is stated in the Company's accounts at net asset value. Included in the unrealised appreciation of the fixed assets of the Company is £309,000 relating to the subsidiary (1998: £406,000). The cost of investment in the subsidiary was £2 (1998: £2).

13 Investment in TR Technology PLC

Included in fixed asset investments is the remaining value of the Company's interest in the 'A' ordinary shares of TR Technology PLC. TR Technology is an investment trust company which is incorporated and registered in England and Wales and which operated in the UK. TR Technology went into members' voluntary liquidation on 30 April 1998. The value included in fixed asset investments is £3,126,000 and represents the value of the remaining assets attributable to the 'A' ordinary shares (all of which are held by the Company) and not distributed by the liquidators of TR Technology at 30 April 1999.

The Company acquired its interests in TR Technology on 16 December 1996, following its offers to acquire the entire issued share capital of TR Technology to effect its reconstruction.

The issued share capital of TR Technology, and the Company's interest in each class of share, is as follows:

	Issued	Shares held by the Company	The Company's interest (%)
'A' ordinary shares of 25p	24,555,287	24,555,287	100.0
'B' ordinary shares of 25p	11,801,034	–	–

14 Substantial equity interests

The investments of the Company include a holding of 43.6% of the preference shares of Central Europe Trust Limited, a company which is registered in England and Wales and which operates in the United Kingdom.

The Company also has a 33⅓% interest as a limited partner in TR Ecotec Environmental Fund ("the Fund"), an English Limited Partnership registered under the Limited Partnership Act 1907, the principal place of business of which is 3 Finsbury Avenue, London EC2M 2PA. The directors do not consider the Fund to be an associated undertaking of the Company because in their view, having regard to the write off of two of the Fund's three investments and the decision by the General Partners to commence the winding up of the Fund on 30 June 1997, the investment is not held on a long term basis.

In addition to the above, the Company has interests of 3% or more of any class of capital in 5 (1998: 5) investee companies. At 30 April 1999 none of these investments represented more than 3% of the fixed asset investments and therefore are not considered significant in the context of these accounts.

15 Trading investments	**Group 30 April 1999 £'000**	**Company 30 April 1999 £'000**	Group 30 April 1998 £'000	Company 30 April 1998 £'000
Listed overseas	–	–	57	–

Notes to the Accounts
continued

16 Derivatives and other financial instruments

(a) Management of Risk

The Group's financial instruments comprise:

- Equity and non-equity shares and fixed interest securities which are held in accordance with the Group's investment objectives which are set out on page 1 of the Annual Review;
- Term loans and bank overdrafts, the main purpose of which is to raise finance for the Group's operations;
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Group's operations

Derivative transactions which the Group enters into comprise index options, the purpose of which is to manage the market price risks arising from the Group's investment activities.

The main risks arising from the Group's financial instruments are market price risk, interest rate risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the inception of the Group. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements and movements in exchange rates.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a particular technology 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 fund manager actively monitors market prices throughout the year and reports to the Board which meets regularly in order to consider investment strategy.

Interest rate risk

The Group finances its operations through its term loans as well as bank overdrafts and any retained gains arising from operations. The Group borrows in the desired currencies at both fixed and floating rates of interest. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Liquidity risk

The Group's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The maturity of the Group's existing borrowings are set out in note 19 to the accounts. Short-term flexibility is achieved through the use of overdraft facilities.

Foreign currency risk

The Group's total return and net assets can be significantly affected by currency translation movements as the majority of the Group's assets and revenue are denominated in currencies other than sterling. The portfolio manager mitigates the individual currency risks through the international spread of investments. Borrowings in foreign currencies will be limited to levels appropriate to the asset exposure to those currencies.

(b) Risk profile of financial assets and financial liabilities

Financial assets

The majority of the Group's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date.

Included in fixed asset investments at 30 April 1999 were UK Treasury bills with a market value of £46,803,000. These are effectively subject to a fixed rate of interest by reference to their redemption value compared to their original cost. All outstanding Treasury bills were redeemable within three months of the balance sheet date. The weighted average interest rate on these was 4.95%.

Notes to the Accounts
continued

16 Derivatives and other financial instruments (continued)

Financial liabilities

The interest rate profile of the Group's financial liabilities at 30 April 1999 was:

Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
US dollar	1,588	1,588	–
Yen	13,008	–	13,008
Total	**14,596**	**1,588**	**13,008**

Currency	Fixed rate financial liabilities Weighted average interest rate	Weighted average period for which interest rate is fixed
Yen	1.214%	2.6 years

The floating rate financial liabilities comprise US dollar denominated bank borrowings and overdrafts that bear interest rates based on the banks floating interest rate.

(c) Maturity profile of the Group's financial liabilities

The maturity profile of the Group's financial liabilities at 30 April 1999 was as follows:

	£'000
In one year or less, or on demand	1,588
In more than two years but not more than five years	13,008
	14,596

The Group has various undrawn committed borrowing facilities. The facilities available at 30 April 1999 in respect of which all conditions precedent had been met were as follows:

	£'000
Expiring in one year or less	67,285
In more than two years but not more than five	5,724
	73,009

Notes to the Accounts

continued

16 Derivatives and other financial instruments (continued)

(d) Currency exposure

	Foreign currency monetary assets £'000	Foreign currency monetary liabilities £'000	Net foreign currency monetary assets £'000
US dollar	105,150	1,588	103,562
Euro	23,386	–	23,386
Yen	29,548	13,008	16,540
Other non-sterling	21,916	–	21,916
Sub Total	180,000	14,596	165,404
Sterling	116,807	–	116,807
Total net assets excluding short-term debtors and creditors	296,807	14,596	282,211

(e) Fair values of financial assets and financial liabilities

All of the financial assets of the Group are held at fair value.

Set out below is a comparison by category of book values and fair values of the Group's financial liabilities at 30 April 1999:

	Book value £'000	Fair value £'000
Long-term borrowings	13,008	13,345
Bank overdraft	1,588	1,588

The fair value of the foreign currency long-term fixed rate debt with a carrying amount of £13,008,000 has been determined by reference to discounted cashflow calculations.

17 **Debtors**	**Group 30 April 1999 £'000**	**Company 30 April 1999 £'000**	Group 30 April 1998 £'000	Company 30 April 1998 £'000
Sales for future settlement	**5,835**	**5,835**	22,214	22,214
Tax relief and income tax recoverable	**27**	**27**	41	41
Prepayments and accrued income	**221**	**217**	37	35
Amounts due from subsidiary undertaking	**–**	**580**	–	177
Other debtors	**29**	**29**	–	–
	6,112	**6,688**	22,292	22,467

18 **Creditors:** amounts falling due within one year	**Group 30 April 1999 £'000**	**Company 30 April 1999 £'000**	Group 30 April 1998 £'000	Company 30 April 1998 £'000
Purchases for future settlement	**3,326**	**3,326**	1,333	1,276
Accruals	**5,051**	**5,051**	2,646	2,646
Bank overdrafts	**1,588**	**1,588**	28,500	28,500
	9,965	**9,965**	32,479	34,422

Notes to the Accounts
continued

19 Creditors: amounts falling due after more than one year

The Group has the following unsecured Japanese Yen loans:
¥1,400m at a fixed rate of 1.375% repayable 23 July 2001
¥1,100m at a fixed rate of 1.01% repayable 15 April 2002

The sterling equivalent of these loans, as at 30 April 1999, was £13,008,000 (1998: nil).

20 Called up share capital	**Group and Company 30 April 1999 £'000**	Group and Company 30 April 1998 £'000
Authorised:		
860,000,000 ordinary shares of 25p	**215,000**	215,000
Allotted, called up and fully paid:		
147,219,206 (1998: 147,198,305) ordinary shares of 25p	**36,805**	36,800

During the year 20,901 ordinary shares of 25p (with a nominal value of £5,225) were issued on the exercise of warrants, for a total consideration of £20,901.

21 Share premium	**Group and Company £'000**
At 1 May 1998	**86,608**
Exercise of warrants	**16**
Transfer from warrant reserve on exercise of warrants	**6**
At 30 April 1999	**86,630**

22 Warrant reserve	**Group and Company £'000**
At 1 May 1998	**9,245**
Transfer to share premium on exercise of warrants	**(6)**
On repurchase of warrants	**(72)**
At 30 April 1999	**9,167**

Warrantholders are entitled to subscribe for ordinary shares of 25p in the Company on the basis of one ordinary share for one warrant. Warrants may be exercised on 30 September in each of the years from 1999 to 2005 inclusive at a price of 100p per share. During the year 225,000 warrants for a total consideration of £112,000 were repurchased for cancellation. At 30 April 1999 there were 29,071,615 warrants outstanding (1998: 29,317,516).

Notes to the Accounts
continued

23 Other reserves

a Group	Unrealised appreciation £'000	Realised gains £'000	Total £'000
At 1 May 1998	**10,898**	**59,548**	**70,446**
Transfer on disposal of assets	**(7,499)**	**7,499**	**-**
Net gains on fixed asset investments	**58,973**	**24,941**	**83,914**
Net loss on foreign exchange	**(1,317)**	**(662)**	**(1,979)**
Repurchase of warrants	**-**	**(40)**	**(40)**
At 30 April 1999	**61,055**	**91,286**	**152,341**

b Company	Unrealised appreciation £'000	Realised gains £'000	Total £'000
At 1 May 1998	**11,304**	**59,548**	**70,852**
Transfer on disposal of assets	**(7,499)**	**7,499**	**-**
Net gains on fixed asset investments	**58,876**	**24,941**	**83,817**
Net loss on foreign exchange	**(1,317)**	**(662)**	**(1,979)**
Repurchase of warrants	**-**	**(40)**	**(40)**
At 30 April 1999	**61,364**	**91,286**	**152,650**

24 Revenue reserve

	Group £'000	Company £'000
At 1 May 1998	**(1,208)**	**(1,614)**
Deficit for the period	**(3,789)**	**(3,692)**
At 30 April 1999	**(4,997)**	**(5,306)**

As permitted by section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net loss on ordinary activities after taxation of the Company amounted to £3,692,000 (1998: net loss of £1,654,000).

25 Group reconciliation of movement in shareholders' funds

	Year ended 30 April 1999 £'000	Year ended 30 April 1998 £'000
Net loss after taxation	**(3,789)**	(1,248)
Increase in capital reserves	**81,895**	61,568
	78,106	60,320
Exercise of warrants for ordinary shares	**21**	102
Repurchase of warrants	**(72)**	-
Issue expenses written off to share premium account	**-**	(5)
Net increase in shareholders' funds	**78,055**	60,417
Shareholders' funds at 1 May	**201,891**	141,474
Shareholders' funds at 30 April	**279,946**	201,891

Notes to the Accounts
continued

26 Net asset value per ordinary share

Undiluted net asset value per ordinary share is based on net assets attributable to the ordinary shares of £279,946,000 (1998: £201,891,000) and on the 147,219,206 ordinary shares in issue at 30 April 1999 (1998: 147,198,305).

The fully diluted net asset value per ordinary share, as disclosed on the balance sheet, is calculated in accordance with the SORP, based on the assumption that the 29,071,615 warrants in issue at 30 April 1999 (1998: 29,317,516) were converted into ordinary shares. Dilution is assumed to occur only if the diluted net asset value is greater than the subscription price of 100p.

Under FRS14 an alternative diluted net asset per share is calculated by dividing the net assets of £279,946,000 by the 152,022,886 weighted average number of shares, derived as described in note 10. Under this method the diluted net asset per share is 184.15p. There is no dilution under this method for 1998.

The movement during the year of the assets attributable to the ordinary shares was as follows:

	£'000
Total net assets at 1 May 1998	**201,891**
Repurchase of warrants	**(72)**
Exercise of warrants for ordinary shares	**21**
Net return on ordinary activities after taxation	**78,106**
Total net assets at 30 April 1999	**279,946**

27 Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities	Year ended 30 April 1999 £'000	Year ended 30 April 1998 £'000
Net loss before interest payable and taxation	**(3,531)**	(862)
Net sale/(purchase) of trading stock	**57**	(57)
(Increase)/decrease in accrued income	**(220)**	97
Decrease in other debtors	**6**	24
Increase in other creditors	**2,327**	2,547
Tax on franked investment income included within income from UK companies	**(108)**	(365)
UK income tax deducted at source	**(26)**	(5)
Overseas withholding tax suffered	**(25)**	(3)
Net cash (outflow)/inflow from operating activities	**(1,520)**	1,376

28 Analysis of changes in net debt	At 1 May 1998 £'000	Cash Flow £'000	Exchange Movements £'000	At 30 April 1999 £'000
Cash at bank and overdrafts	4,160	2,446	(662)	**5,944**
Debts falling due within one year	(28,500)	28,500	–	**–**
Debts falling due after more than one year	–	(11,691)	(1,317)	**(13,008)**
Net debt	(24,340)	19,255	(1,979)	**(7,064)**

29 Related party transactions

Under the terms of an agreement dated 1 November 1996, the Company has appointed wholly owned subsidiary companies of Henderson plc ("Henderson") to provide investment management, accounting, secretarial, administrative and UK custody services. Details of the fee arrangements for these services are given in the Report of the Directors, on page 1. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 30 April 1999 was £6,396,000, excluding VAT, (1998: £3,093,000) of which £4,701,000 is included in creditors at 30 April 1999 (1998: £2,379,000). In addition to the above services Henderson has provided the Company with share plan administration services. The total fees paid or payable for these services for the year ended 30 April 1999 amounted to £5,000 (excluding VAT) (1998: £20,000) of which £5,000 (1998: £10,000) was outstanding at 30 April 1999.

Capital Gains Tax Information

The Finance Act 1998 included provisions which made considerable changes to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares acquired in the following order:

- same date acquisitions;
- acquisitions within the following 30 days;
- previous acquisitions on or after 5 April 1998 (using the 'last in first out' basis);
- any shares held in the pool as at 5 April 1998;
- any shares held in the pool as at 5 April 1982;
- any shares acquired before 6 April 1965; and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. The Finance Act changes apply a taper relief to the amount of the chargeable gain on these disposals. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the tapering relief, assets held before 17 March 1998 qualify for an extra year.

The way that chargeable gains are calculated for companies is currently under review by the Inland Revenue and for the time being pooling remains.

The special rules that previously applied to shareholders disposing of shares who had purchased their shares through Henderson Investors Investment Trust Share Plan on a monthly basis, were withdrawn by the Inland Revenue for savings commenced on or after 6 April 1998.

When savings commenced before 6 April 1998, the simplified basis will still apply for acquisitions during the investment trust's accounting period ended before 6 April 1999, which in the case of the Company is 30 April 1998.

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Market prices of the Company's shares and warrants

The market prices, for capital gains tax purposes, of the Company's shares and warrants at the close of business on 16 December 1996, the first day of dealings in the Company's shares and warrants, and 17 March 1997, the first day of dealings after the conversion of the C shares, were as follows:

	16 December 1996	17 March 1997
ordinary shares of 25p each	96.0p	88.5p
warrants to subscribe for ordinary shares	36.0p	31.0p

Source: Dun & Bradstreet

Capital Gains Tax Information
continued

Former shareholders of TR Technology PLC

Former shareholders of TR Technology PLC who accepted the offers made by Henderson Technology Trust PLC for their shares in TR Technology PLC may find the following table helpful:

TR Technology PLC	Henderson Technology Trust PLC
For each ordinary share of 25p each:	On 16 December 1996, one C share of 200p each. On 14 March 1997, on conversion of the C shares, 3.94342 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five ordinary shares arising on conversion of the C shares.
For each stepped preference share of 25p each:	On 16 December 1996, 1.5561743 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares.
For each zero dividend preference share of 25p each:	On 16 December 1996, 2.7392426 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares.

Analysis of Shareholders and Warrant Holders
at 30 April 1999

	Number of Holders	%	Number of Shares held	%
*Individual Holders	7,409	75.74	34,182,411	23.22
Institutional Holders	2,373	24.26	113,036,795	76.78
	9,782	100.0	147,219,206	100.0

*Individual Holders include participants in the Henderson Investors Investment Trust Share Plan (3,108 holders).

	Number of Holders	%	Number of Warrants held	%
*Individual Holders	4,594	86.78	7,698,812	26.49
Institutional Holders	700	13.22	21,372,803	73.51
	5,294	100.0	29,071,615	100.0

*Individual Holders include participants in the Henderson Investors Investment Trust Share Plan (1,002 holders).

Source: Lloyds TSB

Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting of Henderson Technology Trust PLC will be held at 3 Finsbury Avenue, London EC2M 2PA on Wednesday 28 July 1999 at 12 noon for the transaction of the following business:

Ordinary Business

1 To receive the report of the directors and the audited accounts for the year ended 30 April 1999.

2 To re-appoint Mr R K A Wakeling as a director of the Company.

3 To re-appoint Professor Rhodes as a director of the Company.

4 To re-appoint PricewaterhouseCoopers as auditors to the Company.

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

Special Business

To consider and, if thought fit, pass the following resolutions:-

Ordinary Resolution

6 THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80) up to an aggregate nominal amount of £12,268,267 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this resolution, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement

Special Resolutions

7 THAT in substitution for all existing authorities and subject to the passing of resolution 6 the directors be empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 6 as if section 89(1) of the Act did not apply to the allotment. This power:
(a) expires at the end of the next annual general meeting of the Company or 15 months after the date of the passing of this resolution, whichever is the earlier, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equity securities in pursuance of that offer or agreement; and (b) shall be limited to allotments of equity securities for cash up to an aggregate nominal amount equal to £1,840,240.

8 The Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares"), provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 22,000,000;

(ii) the minimum price which may be paid for an Ordinary Share is 25p;

(iii) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased or such other amount as may be specified by the London Stock Exchange from time to time;

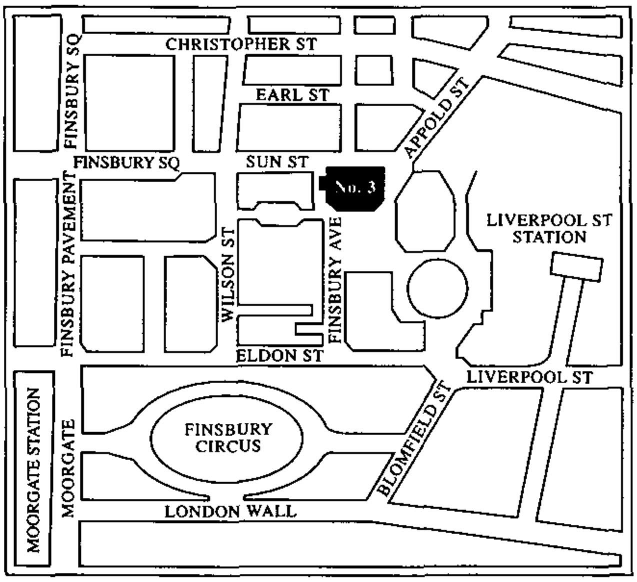
(iv) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company in ~~1999~~ 2000 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time; and

Notice of Annual General Meeting
continued

(v) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board
Henderson Secretarial Services Limited,
Secretary

18 June 1999



Notes

1 Pursuant to Section 34 of the Uncertificated Securities Regulations 1995, only those shareholders registered in the Register of Members of Henderson Technology Trust PLC at 12 noon on 26 July 1999 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of securities after 12 noon on 26 July 1999 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2 A member 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 forty eight hours before the time fixed for the meeting.

3 The completion of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

4 This notice is sent for information only to warrant holders who are not entitled to attend or vote 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:
3 Finsbury Avenue
London
EC2M 2PA

Henderson Technology Trust PLC is managed by

Henderson
Investors

An AMP Company

[illegible]

Henderson Technology Trust PLC

Annual Review for the year ended
30 April 1999

Contents

The Directors' Report and Accounts for the year ended 30 April 1999 are contained within a separate document.

AI TC

Henderson Technology Trust PLC is a member of the Association of Investment Trust Companies

Henderson Technology Trust PLC's objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

Rationale	The technology industry is the most vibrant, dynamic and rapidly growing segment of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the accelerating rate of adoption of new technology. Technology is transforming the competitive position of companies and entire economies, thereby fuelling a major secular increase in technology spending.
Investment Approach	Stocks are selected for their potential for shareholder returns, not on the basis of technology for its own sake. We believe in rigorous fundamental analysis and focus on:- • management quality • the identification of new growth markets • the globalisation of major technology trends and • exploiting international valuation anomalies and sector volatility
Management	Henderson Investors is one of the largest managers of specialist technology funds outside the USA. The appointed Fund Manager has been responsible for the Company's management since its launch and before that for the Company's predecessor, TR Technology PLC, throughout its life.
Performance	Undiluted NAV per share increased 38.6% in the year to 30 April 1999 and by 32.7% per annum since inception.

The Board of Directors

†*R K A Wakeling
MA (Cantab), Barrister, FCT (aged 52).
Appointed to the board and as Chairman in 1996. Formerly chief executive of Johnson Matthey PLC, Mr Wakeling is a non-executive director of Logica plc, Oxford Instruments plc and other companies.

B J D Ashford-Russell
BA (Oxon) (aged 40).
Appointed to the board in 1996. Mr Ashford-Russell is head of the technology team at Henderson Investors, the appointed Fund Manager of the Company, and was throughout its life a director and the fund manager of TR Technology PLC.

C G Clarke
FCA (aged 54).
Appointed to the board in 1996.
Mr Clarke is also the managing director of Witan Investment Company plc. He was a director of Henderson plc until its acquisition by AMP in the spring of 1998.

***P F Dicks**
(aged 56).
Appointed to the board in 1996. Mr Dicks is a director of Standard Microsystems Corporation and Action Computer Supplies Holdings PLC. He is also the Chairman of Second London American Trust PLC and a director of several other companies.

***Professor J D Rhodes**
FRS, OBE, FREng, BSc, PhD, DSc. D.Sc. (Hon), DEng (Hon), FIEE, FIEEE (aged 55).
Appointed to the board in 1996. Professor Rhodes is Executive Chairman of Filtronic plc, Chairman of Isotek (Holdings) Limited and Industrial Professor at Leeds University.

***C J M Stutterheim**
(aged 53).
Appointed to the board on 1 May 1998.
Mr Stutterheim is Executive Chairman of CMG plc.

*Member of the Audit Committee and the Management Engagement Committee
†Chairman of the Audit Committee

Financial Highlights

	Year ended 30 April 1999	Year ended 30 April 1998	Movement %
Total net assets	**£279,946,000**	£201,891,000	+38.7
FT/S&P Actuaries World Index*	**304.8**	257.8	+18.2
Net assets			
per ordinary share (undiluted)	**190.2p**	137.2p	+38.6
per ordinary share (diluted)	**175.3p**	131.0p	+33.8
per warrant	**75.3p**	31.0p	+142.9
Mid market share price			
per ordinary share	**167.5p**	115.0p	+45.7
per warrant	**84.0p**	37.5p	+124.0

**capital return, sterling adjusted*

Chairman's Statement

Results

The Company enjoyed a successful year. Net assets rose by 38.7% to £279,946,000. Performance was helped by the continued buoyancy of most equity markets and by the technology sector's outperformance in most regions. In spite of a severe setback last autumn, the FT S&P World Index rose by 18.2% in sterling terms over the year.

In most regions, the Company's portfolio outperformed the local technology benchmarks. The US technology sector provided the best returns helped by the extraordinary returns generated by the Internet and communications sectors. European technology stocks were more subdued following the previous year's re-rating while Japanese technology shares compensated for an indifferent performance earlier in the year with a dramatic rise in the last quarter of our year. Our increased focus on communications and Internet related companies together with our modest exposure to small capitalisation and healthcare stocks contributed to performance over the year.

After a period in which the Company's shares lagged significantly behind their underlying net asset value, it is pleasing to see the gap narrowing although still unsatisfactory to see its continued existence. The Company has taken powers to enable it to buy back its shares and intends to exercise them in an opportunistic fashion. Some warrants have already been repurchased although lack of liquidity prevented us retiring a larger number during the year. A resolution will be proposed at this year's Annual General Meeting to renew the Company's authority to make repurchases of shares. It is the Board's intention to support the AITC's marketing campaign for investment trusts and to continue to broaden its shareholder base. To that effect, it is encouraging to note that, with the introduction of ISAs, the annual sum that can be invested by an individual in the Company in a tax-free form in the current financial year has risen to £7,000 from the £1,500 previously allowable through a PEP.

The Company's consolidated statement of total return shows a significant increase in the revenue loss per ordinary share from 0.85p to 2.57p. As anticipated, the revenue from the Company's investments has not been sufficient to cover costs. Moreover, expenses rose over the year in large part due to an increase in the performance related fee and the inclusion for the first time of a management fee at the full rate.

Review

Equity markets enjoyed another successful year although not without negotiating some particularly awkward moments. The Russian debt default, political and economic crisis in Asia, the collapse of a number of highly leveraged funds and extreme volatility in both bond and equity markets all seemed unlikely to constitute a warm-up act for a spectacular bull market. However, sentiment which had plunged the depths in the late autumn returned to a far more positive tack as investors, having at one point faced the prospect of economic contagion and disaster, found instead that a global recession had been avoided and the long-term bull market in western equities had been reinforced by the elimination of some of the froth that had built up in markets last summer. As with the Asian crisis of the previous year, the panic of last autumn was seen to be simply a pause to refresh the bulls. And indeed much that was positive came out of the crisis not least the deleveraging of the hedge fund industry and of many of the more aggressive financial institutions. The crisis also forced a policy response in even the most recalcitrant Asian and Latin American economies, and a boost to confidence was provided by the deft handling of the crisis by the US authorities as well as by the resilience of mutual fund investors in the face of rapidly falling equity markets.

With Asia now showing clear signs of recovery and Europe making steady, if slow, progress against the backdrop of falling interest rates, the outlook for the global economy appears to be encouraging, particularly so with the US economy continuing to generate strong growth. Optimism about a new era of steady, productivity-led growth with minimal inflationary pressure has supported equity valuations and allowed stock markets to enjoy a remarkably successful seven months.

Chairman's Statement

continued

Technology, not surprisingly given its role as one of the primary drivers of this new era, fully participated in this recovery and indeed in the fall that preceded it. Over the year, the sector delivered excellent returns. The technology industry's earnings growth substantially outperformed that of the overall market and, within the industry, the Internet continued to be the dominant influence on spending patterns. It was also the dominant influence on share price performance. Internet shares and derivative plays on the Internet, such as communications carriers and equipment suppliers, soared. The polarisation of performance in the broad equity market was mirrored in the technology sector where, despite a substantial rise in the Index, many companies failed to participate in the sector's rise and a large number suffered sharp share price declines.

Outlook

The pivotal role that technology has played in reshaping the US economy and in enhancing the competitiveness of US industry is now far more widely appreciated. Both in Europe and, increasingly also, in Asia the US capitalist model is becoming recognised as one to emulate. As these two regions enjoy economic recovery, we expect to see their spending on technology accelerate dramatically. This has positive implications for the technology sector and also, to the extent that they can emulate the US economic experience, for stock markets in general.

We are optimistic about the medium term outlook for the global economy. Economic growth remains rapid in the USA and is improving in both Europe and Asia. Excess manufacturing capacity, continuing substantial productivity gains on the back of heavy investment in technology and the very powerful deflationary implications of Internet based commerce all argue for continuing low levels of inflation. We do not expect any short term upturn in inflation to be either large or long lasting. Consequently, we expect a recovery in the US bond market which should be supportive of equities.

We are sanguine about the outlook for corporate profits and enthused by the prospects for technology earnings growth over the medium term. Restructuring, industrial consolidation, an increasing focus on return on assets together with the aggressive implementation of technology, in particular Internet based technologies, to reduce costs and extend distribution reach all suggest respectable corporate profits growth, even if economic growth remains modest. While pricing power in many industries has vanished, in others costs are falling far faster than prices.

However, we are less comfortable with stock market valuations and the level of optimism amongst investors. In view of the recent sell-off in the US bond market, equities on Wall Street look expensive and, if the USA were to suffer a correction over the summer or autumn, Europe and Asia would not be unaffected. Investor optimism has returned to the levels of last spring and summer and there have been signs of rampant speculation in some areas such as the Internet stocks. The very strong performance of some of the emerging markets in recent months highlights a renewed appetite for risk amongst investors. Moreover, the views that this Board have expressed about the emergence of a new era and the defeat of inflation were once those of a very small minority but are now shared by a majority of investors. Consequently, the scope for disappointment should we see a few discouraging economic statistics is considerable. It would be surprising if this were not to happen. Also, however encouraging the new world order appears, there remain substantial risks to the global economy: Japan may yet lurch back into recession later in the year while restructuring there may need to be accompanied by a weak yen which would put pressure on other Asian exporters; and European economic integration may prove excessively burdensome for some economies. For the moment investors are relaxed but, as the last few years have demonstrated, stock market corrections can arise quite unexpectedly.

The technology industry also seems to be becoming the object of excessive veneration. While the industry's outlook is excellent and the Internet does have extraordinarily positive implications for the sector, the story is very well known. Valuations are high and in some cases not justifiable even on the most optimistic of assumptions. Speculators are flocking to the sector in pursuit of easy profits. The pipeline

Chairman's Statement
continued

of technology (largely Internet) issues has expanded rapidly over the last few months while the quality of both companies and sponsors has diminished. After such a tremendous bull run, the sector needs to consolidate and preferably correct. With earnings prospects diminished by year 2000 factors, a flood of new issues hitting investors and the approach of the holiday season likely to encourage even the most avid day trader to lock in some profits, it seems a reasonable bet that such a correction could take place within the next three to five months. Consequently, we have raised substantial liquidity since late March and, by year end held net cash and fixed interest investments equivalent to 13.9% of the portfolio. We have also used derivatives to protect some of our US portfolio. In doing so we hope to position the Company to take advantage of a better buying opportunity later in the year.

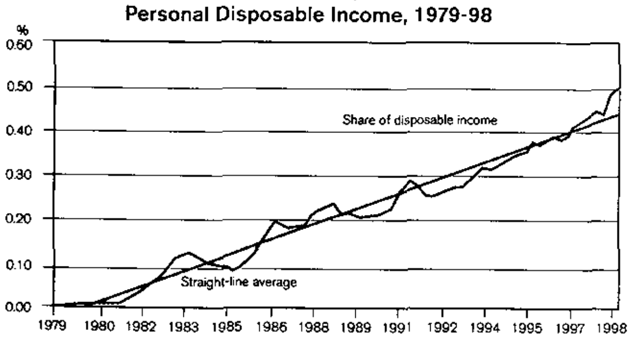
Further out we remain optimistic. Technology remains uniquely positioned at the sweet spot of the deflationary cycle. Not only is the industry one of the primary drivers of deflation in the global economy it is also its primary beneficiary as companies, faced with diminishing profitability as a result of the loss of pricing power, are forced to invest aggressively in technology in an attempt to restructure their cost base. And, as Bill Gates observed, "everything changes with the Internet" and there are not too many other industries on the right side of that change.

R K A Wakeling,
Chairman
18 June 1999

Fund Manager's Report

The Company has had a successful year; we outperformed the technology sector benchmarks in most regions, achieved our objective of substantially outperforming the FT S&P World Index and delivered an absolute return of 38.6% over the period. However, considered objectively, it was simply a satisfactory year in a good year for technology investors.

U.S.-based Nominal Computer Expenditures as a Share of Personal Disposable Income, 1979-98

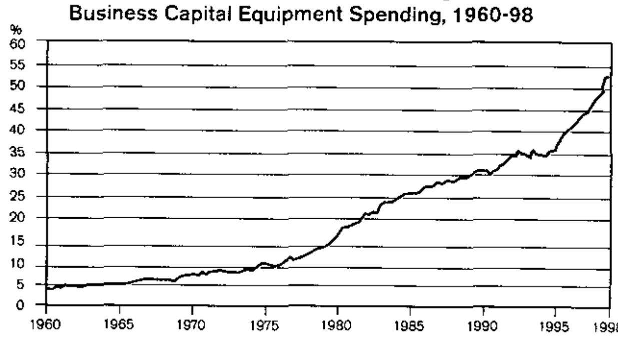


Source: U.S. Department of Commerce

Technology shares enjoyed another good year although not without a few heart-stopping moments in between. The notion that the industry operates in 'dog' rather than in conventional years seems as true of its stock market performance as of the pace of change within the industry. Volatility over the past twelve months has been quite extraordinary while the shift in stock market leadership has been remarkable. It is hard to remember a year in which so many 'premiere division' companies have come to grief nor one in which the leadership has been so dominated by companies of less than three years stock market vintage. The primary factors behind this development have been the emergence of the Internet and to a lesser extent the imminence of Year 2000 (Y2K). The Internet is exerting an even more dramatic impact on the technology industry than did the last major technological shift in the industry – the move towards client-server and networked computing. However, in both cases industry leadership was transformed, share price performance polarised and a whole generation of companies failed to make the transition and were marginalised. On this occasion the scale of the change is far greater because the impact of the Internet stretches far beyond the technology vertical and touches every aspect of global commerce.

The USA continues to be at the forefront of the technology industry. Spending on technology in the USA remains years ahead of Europe and more than a decade ahead of Japan. The USA is leading in the rate of adoption of Internet technology and the venture capital industry there has financed a whole generation of new web-oriented companies. Europe is beginning to emulate the US model. IT spending is beginning to accelerate despite lacklustre economic growth and entrepreneurial activity is increasing helped by the success of some of the new stock markets and the more ready availability of risk capital. Asia is lagging behind but the direction of change is positive although the gap between the USA and Japan shows no sign of closing.

U.S.-based Information Technology Spending as a Share of Business Capital Equipment Spending, 1960-98



Source: U.S. Department of Commerce

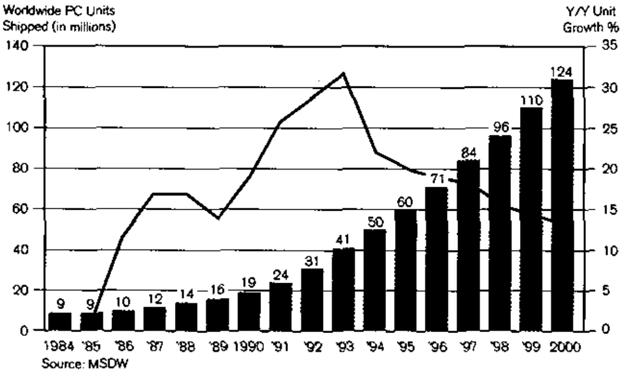
There seems little likelihood of demand for technology based products and services slowing over the foreseeable future even if we do see occasional short-term disruptions to the pattern of demand. While leadership within the industry may change, overall demand should continue to grow strongly and, with it, corporate earnings. Relative earnings growth should remain robust although this in part depends on the pace of earnings growth outside the technology sector. Over the last month optimism about a cyclical recovery in the global economy has revived interest in cyclical companies and distracted attention from growth sectors such as technology. This may continue over the next few quarters but it is our belief that the deflationary forces in the global economy are of such magnitude (not least because of developments on the Internet) that any cyclical pick-up is unlikely to be sufficiently dramatic to allow very strong profits growth

Fund Manager's Report
continued

from traditional cyclical companies for any extended period of time. Consequently, while relative earnings growth for technology companies may temporarily slow, by the end of 1999 we expect it to accelerate again. This should be supportive for technology company valuations later in the year.

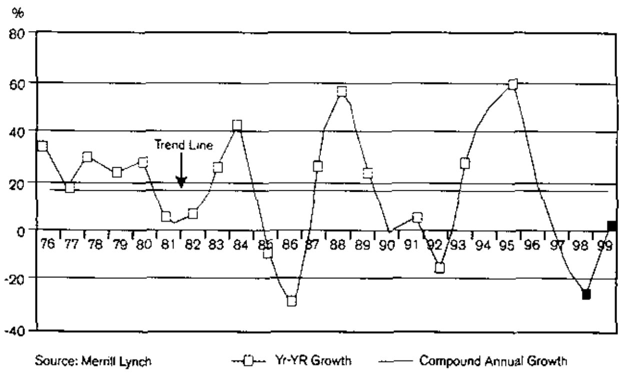
Valuations are of some concern. Traditionally, we have been reluctant to buy into companies unless their prospective price earnings ratio was below their sustainable medium term growth rate. Currently many companies sell at twice their growth rates while valuations for some Internet companies are at levels that, even on the most optimistic of assumptions, cannot be justified. Indeed the appetite for 'reward' in some instances seems to be so overwhelming that the discount appropriate to allow for risk has been driven down to insignificant levels. The polarisation of valuations is also striking with value (on conventional yardsticks) not hard to find in smaller companies in particular. This polarisation in valuations may be a reflection not just of liquidity and the premium which it is currently afforded but also of an industry in a state of flux where the gap between the well positioned and the more marginal companies is growing ever greater. Over the year, the Internet was responsible for much of this polarisation in fundamentals with most sub-sectors of the technology industry falling into one of two groups: those for whom the Internet represented an opportunity and those for whom it was seen as a threat.

PC Market – Worldwide PC Unit Estimates



Within the computing industry, suppliers of web servers and enterprise storage have emerged as some of the prime beneficiaries of the build out of the Internet. By contrast the PC and peripherals vendors had a difficult year with demand impacted early in the year by inventory adjustments, the collapse in the Asian economies, and average selling prices sliding steadily. The lack of any major software upgrade cycle impacted PC demand while Y2K has yet to produce the hoped for acceleration in the PC upgrade cycle. Profitability in the PC and peripherals industry has been under pressure in contrast to the high end of the computing market where margins have widened.

Growth in Semiconductor Investment



The components market was impacted by the volatility of demand in the PC market but an upturn appears to be underway with strong demand from the communications industry and a recovery in broad industrial demand. Suppliers of specialist components in the wireline and wireless equipment industry enjoyed the best growth. In the commodity semiconductor industry, pricing remained under pressure but the economic crisis in Korea and the lack of funding in Japan have limited spending on capacity and should allow demand to gradually catch up to supply. Orders for semiconductor production equipment have been increasing sharply over the last two quarters and industry profitability is on the mend.

Y2K continues to exert a strong effect in the software and services industry with new applications spending under pressure from the need to devote resources to Millennium related work. The Enterprise Resource Planning (ERP) software market has matured and the main areas of focus have become customer relationship management, legacy extension and integration software

Fund Manager's Report

continued

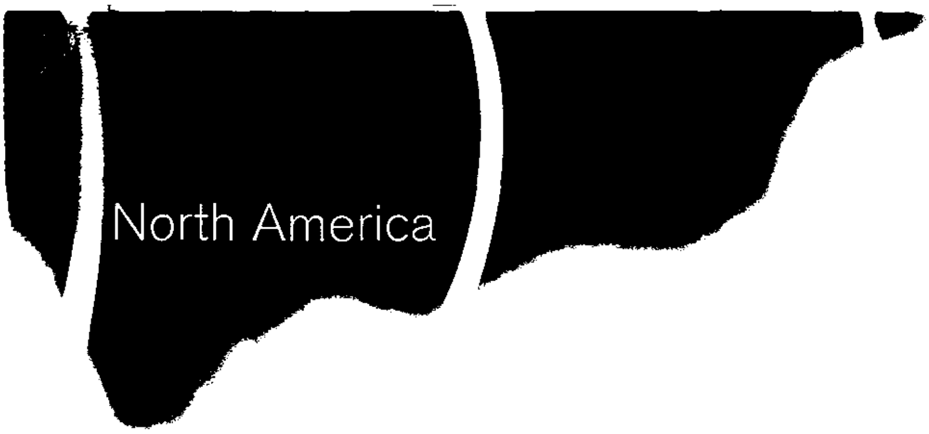
and web-enabled applications. In the services market, companies are having to reposition themselves away from ERP and Y2K related work to focus on electronic commerce and web-related development. The longer term outlook for the industry remains very encouraging with the trend towards outsourcing development and applications management intact. However, in the short-term, visibility is poor and the scope for earnings disappointments is high.

With the Internet placing tremendous strain on the existing network infrastructure by driving a massive increase in data traffic, suppliers of communications equipment have enjoyed strong demand. Merger and acquisition activity has blurred the distinction between suppliers to the telecommunications carriers and to the corporate market with each looking to build up their portfolios of data technologies. The carrier industry is now extremely well financed following a burst of fund raising. Moreover, a new generation of carriers has emerged in both the USA and in Europe basing its business model around ownership of the newest (and by definition most efficient) networks. Spending on communications equipment is therefore likely to continue to grow dramatically although merger activity between carriers may occasionally produce temporary disruptions to demand.

In the wireless industry, subscriber numbers have continued to soar and penetration rates in some countries have exceeded 50% with wireless telephony increasingly taking share from its fixed line counterpart. After a slow start, the US market is at last beginning to take off while Asian economic recovery should energise that market. Equipment suppliers have enjoyed strong growth although a small number of vendors have gained disproportionate share. Data over wireless should bring a new wave of growth and the recent patent settlements between Ericsson and Qualcomm should help to accelerate the emergence of third generation systems.

The healthcare industry had a mixed year with the US spending environment difficult and further pressure on healthcare budgets in much of Europe and in Japan. Healthcare information system vendors had a torrid time with software spending under pressure. However, the contract research organisations continued to generate strong growth. Medical equipment sales growth moderated while acquisition activity in the industry accelerated. In biotechnology those companies with drugs approved or pending approval enjoyed a re-rating but the smaller, earlier stage companies continued to struggle.

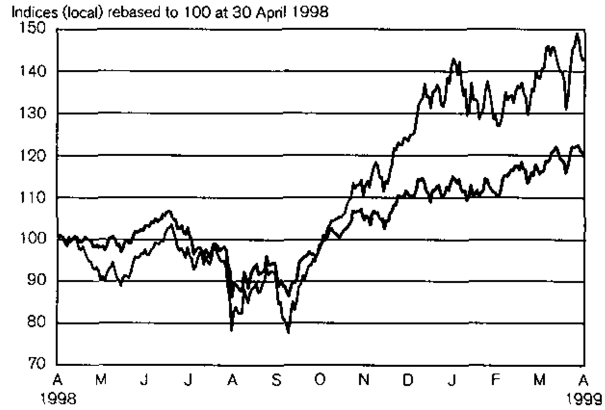
Along with investors, the chief beneficiaries of the year in the technology industry were corporate managements, venture capitalists and the investment banking community. Massive wealth has been created by the emergence of the Internet with hundreds of billions of dollars of unexercised stock options as well as vast insider and venture capital holdings of some of the larger companies such as AOL, Amazon and Yahoo. Already the market value created by the Internet exceeds that created by the personal computer yet the Internet in stock market terms is less than four years old. Investment bankers have enjoyed a boom in initial public offering fees from the surge in Internet company flotations but their big prize has been the fees generated from the wave of acquisition and merger activity over the year. Much of that activity has taken place in the communications services and equipment, and Internet areas but there have also been major deals in the software and healthcare markets. There has always been a strong tendency amongst technology company managements as well as amongst venture capital investors and specialist technology investment bankers to reinvest their wealth back into the industry. Consequently, the extraordinary success and wealth creation of the last few years should help to plant the seeds for the next generation of technology based companies and ensure the continued vibrancy of the industry.



North America

The performance of the American economy and its stock market continued to perplex a host of economists and strategists. Three consecutive years of close to 4% economic growth have driven unemployment down and left inflation below 1%. Productivity growth, far from standing still, appears to be accelerating while industrial capacity utilisation remains not far above levels normally associated with recession. With such a remarkable performance, it should not perhaps be surprising that American consumers have felt sufficiently confident to spend more than their incomes by nibbling into the enormous stock market profits that their passion for mutual fund investment has delivered them. 'Joe Dough' has proved over the past few years to be far more prescient than the strategists and columnists whose inaccurate prognostications for the US stock market fill the column inches of UK financial papers.

The last year has been an extraordinarily good one for investors in the USA. The S&P Composite Index climbed more than 20% and, in doing so, recovered in great style from the first meaningful correction to hit Wall Street for five years. Although the emerging market crisis led to a fall of almost 20% in the S&P from its July high, investors held their nerve and the Greenspan/Rubin team again showed how far the art of economic management has progressed from the inexact science with which we struggled at university. The bail out of Long Term Capital Management together with a strong injection of monetary stimulus and some well handled anxiety management helped to restore confidence and allow the stock market to fully recover its earlier losses. By our year end, the autumn setback seemed a distant memory and both economic and investor confidence had returned to the peak levels of last summer.



Graph Legend local	Index	% change year to 30 April 1999 local	sterling adjusted
——	Pacific SE Technology	+43.3	+48.8
——	S&P 500 Composite	+20.1	+24.7
	HTT North American Portfolio	**-**	**+53.6**

£'000s	Largest North American equity investments by value		% of total portfolio
4,440	Texas Instruments	*semiconductors*	1.53
4,396	Teradyne	*semiconductor production equipment*	1.52
4,251	Xilinx	*programmable logic devices*	1.47
3,662	America Online	*online services*	1.27
3,478	Motorola	*wireless equipment and semiconductors*	1.20
3,248	IBM	*computer systems*	1.12
3,131	Microsoft	*PC software*	1.08
3,002	JDS Fitel	*optical components*	1.04
2,941	Cisco Systems	*networking equipment*	1.02

£'000s	Largest North American equity investments by value		% of total portfolio
2,836	Applied Materials	*semiconductor production equipment*	0.98
2,718	Tellabs	*telecommunications equipment*	0.94
2,533	Sapient	*IT consultancy*	0.88
2,492	Siebel Systems	*sales force automation software*	0.86
2,421	Whittman-Hart	*IT consultancy*	0.84
2,388	Quintiles Transnational	*contract research organisation*	0.84
2,373	Kla-Tencor	*semiconductor production equipment*	0.82
2,345	Doubleclick	*internet advertising solutions*	0.81
2,267	General Instruments	*cable TV equipment*	0.78
2,265	Winstar	*communications carrier*	0.78

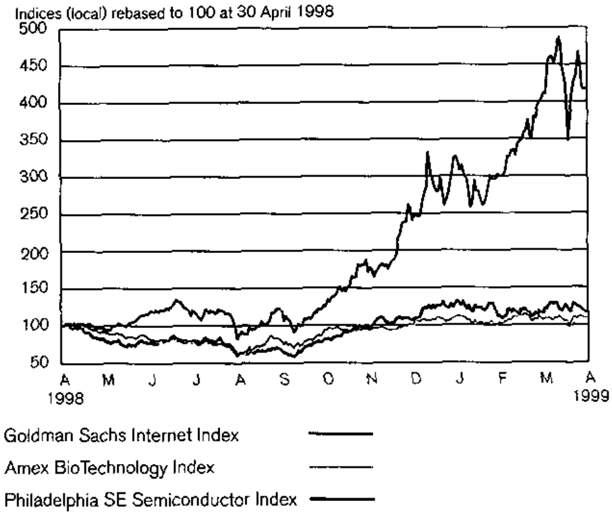
North America

continued

For much of the year the stock market had shown very poor breadth with growth concentrated amongst a very narrow band of growth stocks. The last month of our year showed some signs of a broadening in the market's leadership but over the year as a whole growth stocks substantially outperformed 'value' stocks and cyclicals. The continuing flood of money entering mutual funds and, in particular, index funds once again led to a focus on liquidity and therefore on larger capitalisation companies. Smaller companies performed poorly although they showed a better trend over the second half of the year.

With corporate profits growth slowing as a result of the downturn in the Asian economy, the growth characteristics of the technology sector stood it in good stead. Over the year the PSE Technology Index rose by 43% and, although the sector suffered a fall of 25% in the autumn, it enjoyed a spectacular recovery over the balance of the year. Mirroring the broad market, large technology companies outperformed their smaller counterparts. The emergence of the Internet dominated the technology landscape and exerted a powerful influence on the performance of the different sub-sectors within the industry. Indeed, one's positioning vis a vis the Internet was the primary determinant of portfolio performance over the year.

1998-9 was the year in which the Internet went 'mainstream' in the USA and Internet stocks just went up. The Goldman Sachs Internet Index quadrupled over the year. By almost any ratio: the number of subscribers, the number of web sites, the quantity of advertising, the amount of time and money spent on line – the Internet made astonishing progress. Established companies raced to position themselves either to take advantage of the net or to limit the damage caused by it to their traditional



business models. New companies embraced it with enthusiasm as instrumental to their ability to change the competitive landscape within their industry. Countless new business models and concepts have emerged as a consequence of the Internet's development and the year was marked by a surge in the number of initial public offerings of Internet companies.

On-line broking has thrived with the growth of the Internet and has led to the emergence of a new breed of equity market investor. Operating often on the back of share tips provided by specialist web sites and dealing through any one of the large number of Internet based brokers, these investors have had a remarkable impact on the trading patterns of technology and, in particular, Internet stocks. Volatility has increased substantially and daily trading volumes in many stocks have soared. An enthusiasm for all things concerned, however obliquely, with the Internet and an investment approach which carries none of the superfluous baggage of traditional equity valuation methodologies have tended to be the hallmarks of these investors. Consequently,

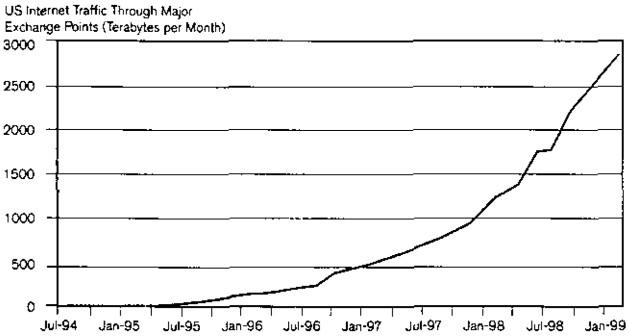
£'000s	Largest North American equity investments by value		% of total portfolio
2,227	Jabil Circuit	*electronic manufacturing services*	0.77
2,170	Yahoo!	*internet portal*	0.75
2,143	Verisign	*internet security*	0.74
2,125	Premiere Technologies	*communications services*	0.73
2,056	At Home	*internet service provider*	0.71
2,030	EMC	*data storage*	0.70
2,008	Seagate	*disk drives*	0.69
1,991	MCI Worldcom	*communications carrier*	0.69
1,966	Newbridge Networks	*telecommunications equipment*	0.68
1,919	Ballard Power Systems	*environmental technology*	0.66

£'000s	Largest North American equity investments by value		% of total portfolio
1,895	Sun Microsystems	*workstations*	0.66
1,871	Intel	*microprocessors*	0.65
1,859	Inktomi	*internet search*	0.64
1,848	Citrix	*applications software*	0.64
1,837	Sprint PCS	*wireless carrier*	0.64
1,749	Sanmina	*electronic manufacturing services*	0.60
1,536	Solectron	*electronic manufacturing services*	0.53
1,535	Dell	*PCs*	0.53
1,516	Antec	*cable TV equipment*	0.52
1,515	Electronic Arts	*entertainment software*	0.52

North America
continued

the valuation of many of the stocks in which they have become interested have often moved a galaxy or two away from reality. Speculation has been rife and both its intensity and its reach have been some of the most disturbing aspects of recent stock market behaviour. Such activity rarely accompanies sustainable bull markets in a sector and, if combined with a massive increase in the pace of Initial Public Offering activity, normally marks the short-term peak for a group. Such seems now to be the case for the Internet sector. We have reduced our exposure to the Internet sector by over 75% and await a meaningful correction before reinstating positions.

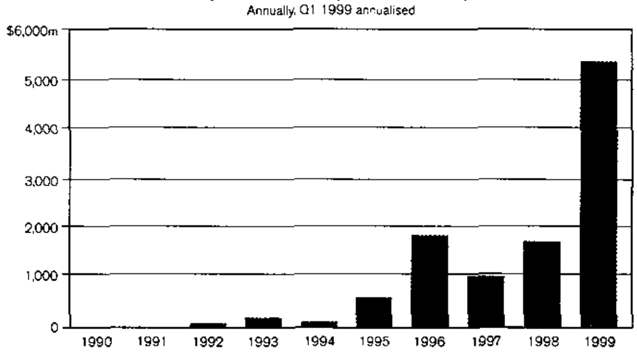
US Internet Traffic



Source: GTG

Whatever the short-term direction of Internet stocks, there can be no doubt that the Internet's influence on the whole technology industry will continue to be profound and, in some cases, extremely detrimental. Access to the Internet has become the key application for personal computers while the quality of that access has become the critical issue for both consumers and businesses. The Internet has, to a degree, marginalised the personal computer while increasing the utility of the communications infrastructure to which the PC is now largely an access device. Over the last eighteen months, the average selling price of a PC has plummeted with incremental consumer demand emerging increasingly at lower and lower price points. Declining prices have pressured both the PC and the PC peripherals markets and forced many companies to re-examine their business models. The PC industry enjoyed robust demand over the last year but inventory issues earlier in the year and the sharp fall in prices made the sector a tough place in which to make money.

Capital raised by Web start-ups
Annually, Q1 1999 annualised



Source: SDC

By contrast, the insatiable appetite for bandwidth that the Internet has created ensured buoyant demand for networking and communications equipment vendors as well as for their component suppliers. Although consolidation across the industry has substantially reduced the number of available investments in these sectors, we enjoyed very strong returns from our positions in Cisco, Ascend and JDS Fitel. Within the communications area, the importance of data – as opposed to voice – traffic was the single most important theme. Consolidation in both the communications equipment and in the carrier market reflected the rush by

£'000s	Largest North American equity investments by value		% of total portfolio
1,505	Digital Microwave	*wireless equipment*	0.52
1,496	Amazon Communications	*internet retailer*	0.52
1,388	Micron Technology	*semiconductors*	0.48
1,335	Brooks Automation	*semiconductor production equipment*	0.46
1,327	Qwest	*competitive local exchange carrier*	0.46
1,172	Unisys	*systems integration*	0.41
103,206			**35.68**

North America
continued

service providers and equipment vendors to position themselves for a data dominated world. Deregulation, technological change and a surge in the volume of data traffic have all contributed to the emergence of a new generation of carriers. Qwest, Global Crossing and Mcleod all fit into this category and made a significant contribution to the portfolio's performance over the year.

In software and services, the primary influence on performance over the year was the approach of the new Millennium. Y2K issues have resulted in significant dislocation of software spending budgets and it is evident that, while some new software applications spending was accelerated in anticipation of Y2K, a good deal is now being postponed until next year. Moreover, the growing importance of the Internet and of electronic commerce is forcing companies to review their spending priorities. The software and services sector has been littered over the year with fallen angels. A very high proportion of the universe of these companies has undershot at least one quarter's earnings estimates and investors have taken no hostages – many shares fell more than 75% from their peaks.

The component and semiconductor markets had a mixed year with initial weakness in the PC market and the downturn in Asia leading to a 40% decline in the semiconductor industry index. However, a recovery in the PC market in the fourth quarter together with renewed optimism about the prospects for the global economy in 1999 have returned the group to favour and, over the year, the sector rose by 17%.

Elsewhere the healthcare sector had a difficult year with the healthcare provider industry in a state of flux and spending in a number of categories under pressure. Consolidation continued in the medical equipment industry but is still awaited in the biotechnology sector where many companies are struggling to survive. A better performance by the biotechnology leaders and a continuing flow of approvals provided a better year for the sector but the smaller, earlier stage companies remain in need of attention.

Our US portfolio delivered good returns over the year rising by 53.6% (in sterling terms). In common with the sector, the strongest contributors to our performance were the Internet and communications stocks. However, we also enjoyed good returns from some of the enterprise hardware stocks such as Network Appliance and EMC as well as from companies in the components area such as Teradyne, Texas Instruments and Xilinx. The software sector was responsible for the majority of the unpleasant surprises in the portfolio.

Our weighting in the USA varied substantially over the year. We raised liquidity quite successfully in the early summer thereby avoiding some of the sell off in the US technology group in the autumn. However, we were tardy in reinvesting the cash raised in October and undid much of the benefit derived from our earlier more defensive stance. Towards the end of our financial year we reduced our US exposure to its lowest level of the year by selling a large proportion of our Internet and communications exposure. Consequently, at 30 April 1999, our weighting in the USA of 39% was at the bottom end of our normal 35-70% allocation range.

Over the last seven years we have frequently referred in the reports of this Company and its predecessor to the very remarkable changes that have been brought about in the US economy by the American corporate sector's massive investment in information technology. We continue to believe that technology has transformed the competitiveness of the US economy, substantially enhancing productivity and the rate of corporate profits growth and greatly diminishing the vulnerability of the US economy to a resurgence in inflationary pressures. The emergence of the Internet and its enthusiastic adoption by the USA will deliver far reaching benefits to the economy, many of which have yet to be seen. The combination of technological progress, aggressive and visionary corporate management together with inspired economic management justify considerable optimism about the medium term prospects for the USA.

North America

continued

However, valuations in the US equity market are extended. The recent acceleration in the US economy and signs of a modest recovery in Asia may be leading to an acceleration in corporate earnings growth but they have also led to a marked rise in long bond yields. Equities are more expensive relative to bonds than at any time since 1987 and, although bonds appear to be cheap based on our view of the medium term outlook for inflation, it is hard to see stock markets in the USA moving ahead without support from the bond market. Should they do so, any subsequent correction would be that much fiercer.

The fundamental outlook for the technology industry is very encouraging. The last quarter produced the best ratio of positive to negative earnings surprises for some time. Demand is generally robust and there is no evidence that either businesses or consumers are satiated with technology. Moreover, demand for technology is likely to accelerate as Europe and Asia's recovery gains momentum. However, there are some near term issues. Y2K has reduced earnings visibility for the second half of 1999 and increased the risk of negative earnings surprises.

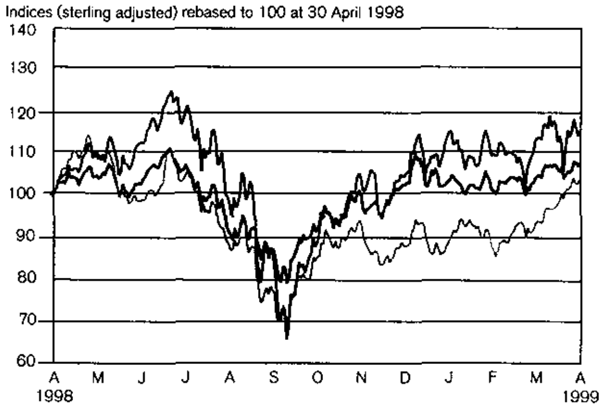
Technology shares have enjoyed a phenomenal run, one which more recently has been accompanied by an unhealthy amount of speculative activity and a rapidly expanding pipeline of new issues. Valuations are quite high in absolute terms albeit less so in relative terms. The sector remains very extended relative to its longer term trend and sentiment is universally fairly positive. Most of the indicators that we have used to good effect over the last decade are red and, as a result, we believe that it is appropriate to adopt a defensive stance and look for a better buying opportunity later in the year. The sector normally experiences one significant correction each year and there is no reason to believe that 1999 should prove different to the norm. If the long-term bull market in technology is to be sustained, it is important to have sustained and painful corrections every now and then in order to release the speculative froth that can build up from time to time. We expect a period of consolidation and correction over the next five months and are positioning ourselves to take advantage of the opportunity that it should provide.

Europe

European markets made positive progress over the year but the returns lagged far behind those on Wall Street and the weakness of the Euro further depressed the figures. Although the year started well, European markets fell further – 30% from peak to trough – and recovered less convincingly than the USA from the setback induced by the Russian debt crisis. Europe's proximity to the epicentre of the financial eruption did not help but equally important was the impact of the Asian economic downturn on European exporters and banks. The European economy performed in constipated fashion and even the laxative provided by the steady downward drift in interest rates failed to induce greater movement. Those economies that had been early into recession performed more strongly as did those such as Spain and Eire on the periphery of the Continent. Germany, in particular, remained sluggish with business confidence not helped by the change of government. There has been increasing divergence between different economies within the Euro bloc. In spite of this, the birth of the Euro passed off with little anxiety although the performance of the new currency disappointed all with the exception of the British Conservative Party.

As in the USA, growth outperformed value and large companies steamed ahead of the smaller ones although the polarisation of the market was less marked than on Wall Street. However, in other aspects, Europe is closely imitating the American example. Mergers and acquisition activity accelerated dramatically culminating in the extraordinary antics in the French banking sector and the bid by Olivetti for Telecom Italia. Restructuring appeared on the lips of every stock market-wise Chief Executive and investors, on the Continent in particular, lapped up the prospect of US style capitalism becoming a permanent feature in the European corporate world. In common with the USA, enthusiasm for equities continued to gain

Indices (sterling adjusted) rebased to 100 at 30 April 1998



Graph Legend sterling adjusted	Index	% change year to 30 April 1999 sterling adjusted
——	Datastream Europe (ex UK) IT	+16.0
——	Datastream Europe Electronic and Electrical Equipment	+4.0
——	FT/S&P World Europe	+8.1
	HTT UK Portfolio	**+37.9**
	HTT Europe (ex UK) Portfolio	**+45.2**

£'000s	Largest European equity investments by value		% of total portfolio
6,662	Sherwood	*software for the insurance market*	2.30
5,292	Nokia	*wireless equipment*	1.83
4,794	CMG	*IT consultancy*	1.66
4,422	Psion	*palm computer manufacturer*	1.53
4,320	RM	*educational computing*	1.49
4,315	Filtronic	*radio frequency components*	1.49
3,224	NTL	*cable TV*	1.11
3,106	Druid	*IT consultancy*	1.07
2,913	Galen	*emerging pharmaceutical supplier*	1.01
2,810	ARM	*microprocessor designer*	0.97

£'000s	Largest European equity investments by value		% of total portfolio
2,793	Global Telesystems	*telecommunications services*	0.96
2,660	Isotron	*irradiation services*	0.92
2,563	Logica	*IT consultancy*	0.89
2,363	Admiral	*IT consultancy*	0.82
2,196	Fairey	*instrumentation*	0.76
2,180	ASM Lithography	*lithography equipment*	0.75
2,113	MMT Computing	*IT consultancy*	0.73
2,033	WM-Data	*systems integrator*	0.70
1,990	Omnicom	*emerging carrier*	0.69
1,983	Applied Holographics	*holographic films*	0.69

Europe

continued

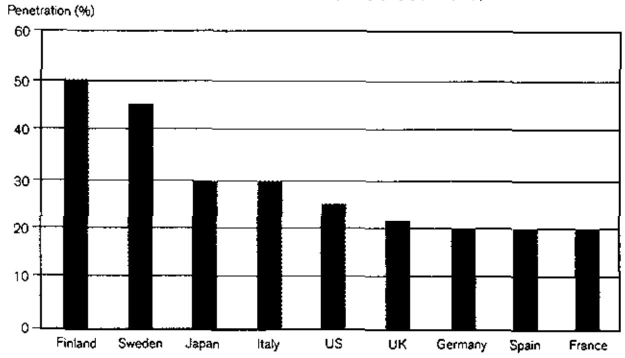
ground and mutual fund flows helped to soak up the rising tide of new issues and privatisations.

The technology sector has also benefited from Europe's tendency to follow the USA. Over the last few years we have commented on the likelihood that the European economic recovery would (as was that in the USA) be characterised by a much greater propensity to spend on technology. Within both the corporate and consumer worlds, there is some evidence that this is happening and, to the extent that it continues and gathers steam, this should be very constructive for European corporate profits growth, productivity enhancement and inflation control. Equally beneficial should be the increase in the level of entrepreneurial activity in Europe. Europe needs to emulate the success of the American small company sector and it is clearly making some – albeit modest – progress.

After the extraordinary performance of the previous year, it was hardly surprising that the technology sector's progress should be more muted last year. Nevertheless, the Datastream European IT Index rose by 16.0% and the Datastream Electronics Index by 4.0%. Strong relative earnings growth aided the sector's performance but share price performance lagged earnings growth after the dramatic re-rating of the previous twelve months.

As in the States, the Internet has made a significant mark in Europe although the level of adoption by both the consumer and business communities lags far behind. As yet there are few pure plays for the European investor and of those a significant proportion are of dubious quality. Consequently, investors have looked for derivative plays and focussed on both the traditional and the emerging communications carriers all of whom are enjoying a marked acceleration in traffic volumes. Deregulation of the telecommunications industry in Europe has produced a plethora of new carriers over the last few years many of which have focused on high speed data traffic. Cable companies have also benefited from the Internet with their ownership of a high bandwidth pipe into the home offering significant potential for them to leverage their traditional business models.

Wireless Penetration (1998 estimate)



The wireless industry continued to enjoy dramatic growth with pre-paid cellular driving a rapid increase in the number of subscribers across the Continent. This has benefited the wireless equipment suppliers in Europe. However, the wireline equipment providers in Europe have found themselves far less well positioned than their wireless counterparts in meeting the demands of the new generation of communications carriers. Consequently, they have been forced into an acquisition spree in the USA and the last half year has been marked by the spectacle of US investment bankers falling over themselves in a rush to sell their (often slightly soiled) wares to cash rich but often undiscriminating European buyers.

The software and services markets had a mixed year with the ERP vendors suffering severe earnings shortfalls as the

£'000s	Largest European equity investments by value		% of total portfolio
1,725	Abacus Polar	*component distributor*	0.60
1,610	Royalblue	*financial software*	0.56
1,607	MTL Instruments	*instrumentation*	0.56
1,528	Entra Data	*financial software*	0.53
1,371	ST Microelectronics	*semiconductors*	0.47
1,304	Microgen	*document management*	0.45

£'000s	Largest European equity investments by value		% of total portfolio
1,220	Softbank	*systems integration*	0.42
1,166	Intershop	*electronic commerce software*	0.40
1,135	ICT	*technical design software*	0.40
77,398			**26.76**

Europe

continued

impact of Y2K made itself felt on applications software spending. Low end IT consultants and staffing companies also felt the impact of a distinctly softer services market but the better quality, more strategically positioned companies have so far been largely unaffected. The year produced an apparently endless stream of small software and services companies floating on the stock market. Happily, recent disappointments in the sector and investor satiation with these issues has produced a period of reprieve.

One of the biggest surprises of the year was the failure of the Neuer Markt to crack under the weight of new issues. Despite a number of severe price falls in individual companies and a steady flow of new listings, the market has proved resilient even though it has declined some 20% from its peak. Valuations are, however, still well above what we consider to be sustainable levels and the market remains vulnerable.

We enjoyed a very good year in Europe despite too low a weighting in the communications area and an irritating number of (fortuitously relatively small) disappointing holdings. Psion, ARM, Sherwood, Nokia, RM, Omnicom and NTL all produced outstanding returns and more than compensated for some ill considered investments in the software/services sector such as Spring, Provida and EC Soft. Over the year the portfolio rose by almost 40% in sterling terms substantially outperforming the relevant indices.

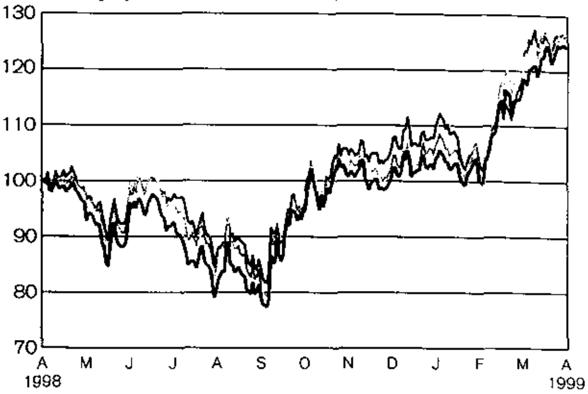
European technology's overexposure to software and services does not augur well for short-term performance although a good deal of damage has already been inflicted on the sector. Visibility in these areas remains poor and there is some risk that companies may have to make further downward revisions to earnings forecasts around the time that they release their mid year figures. The more cyclical areas of European technology and the communications sector should be less at risk of disappointment although some of the latter would be particularly vulnerable in the event of any broad market correction. We have moved the portfolio somewhat away from the software and IT consulting market but have been reluctant to sell some smaller companies where liquidity is a problem and where it may subsequently be difficult to rebuild a meaningful position. The long term outlook remains extremely positive for the outsourcing companies but it is too early to buy them and valuations are by no means at bargain basement levels.

Over the next four to five months, we may see further weakness in the sector particularly so if we are right in believing that the US technology sector may undergo a correction over the summer or autumn. European markets are, however, less extended on valuation grounds than Wall Street and the outlook for corporate earnings growth remains quite positive. Although the economy remains sluggish, a modest pick-up in Asia and the weakness of the Euro should help exporters while consumer confidence may yet drag up business confidence and allow investment to follow consumption trends. Already the UK is recovering and both here and on the Continent inflationary pressures remain very subdued. Consequently, the next year should allow European stock markets to make modest progress but any strength in the technology sector is likely to be concentrated into the second half of our financial year.

Asia

For much of the year, the Asian technology sector and Asian markets in general remained in the doldrums but a very sharp rally in the last three months ensured that, for the period as a whole, the region generated very satisfactory returns. 1998 will be seen as marking the bottom for the Asian economy following a downturn that has been so severe that it has led to some striking and very positive changes in business attitudes. The extent of the credit crunch that Asia has endured has forced change and, while there remain a number of economies and many companies who are unwilling to embrace change, 1998 should mark the point where Asian business began a long process of conversion to a more westernised approach. Thailand and Korea, which were early into the downturn and had some of the most spectacular leverage in the region, are notable examples of positive reform. Excess capacity is gradually being tackled, the banking system recapitalised and businesses obliged to focus on their return on assets. Japan has been one of the countries most resistant to change but, even there the government has been forced to take radical measures to address the country's economic plight and business leaders are at least mouthing the correct platitudes. China's economy is as hard for westerners to read as its script but the statistics encourage greater optimism than the anecdotal evidence. Moreover, China's response to the crisis and its commitment not to devalue the currency played a major part in beginning to decelerate the rate at which the Asian economy was heading for the buffers. Interestingly, by far the best performing economy in the region has been Australia which, some years ago, underwent a radical conversion to a very American brand of capitalism.

Indices (sterling adjusted) rebased to 100 at 30 April 1998



Graph Legend sterling adjusted	Index	% change year to 30 April 1999 local currency	sterling adjusted
——	Datastream Pacific Basin Electronic and Electrical Equipment	+21.5	+26.2
——	FT/S&P World Pacific Basin ex Japan	+10.0	+24.1
——	Tokyo SE (Topix)	+9.3	+26.0
	HTT Japanese Portfolio		**+44.2**
	HTT Asia (ex Japan) Portfolio		**-9.1**

£'000s	Largest Asian equity investments by value		% of total portfolio
3,143	Disco	*semiconductor production equipment*	1.09
2,811	Fujitsu Support & Service	*systems integration*	0.97
2,394	Venture	*electronic manufacturing services*	0.83
2,132	Murata	*component manufacturer*	0.74
2,099	Taiwan Semiconductor	*wafer foundry*	0.73
1,967	Sharp	*diversified electronics manufacturer*	0.68
1,915	Fujitsu	*diversified electronics manufacturer*	0.66
1,820	Secom	*security services*	0.63
1,817	Samsung Electronics	*diversified electronics manufacturer*	0.63
1,756	Hirose Electronics	*connectors*	0.61

£'000s	Largest Asian equity investments by value		% of total portfolio
1,741	Sony	*consumer electronics*	0.60
1,705	Hon Hai Precision	*connectors*	0.59
1,663	Advantest	*semiconductor test equipment*	0.57
1,644	Ines	*IT services*	0.57
1,499	Rohm	*application specific integrated circuits*	0.52
1,494	Toppan Printing	*photomasks*	0.52
1,382	Siliconware Precision	*semiconductor packaging*	0.48
1,363	TDK	*components*	0.47
1,336	NEC	*diversified electronics manufacturer*	0.46
1,274	CSK	*IT services*	0.44

Asia
continued

Having by the end of September priced in economic Armageddon in Asia, both stock markets and currencies staged a dramatic turnaround. Not surprisingly those industries that were most impacted by the downturn have recovered most strongly but technology stocks have also performed well even though they enjoyed the status of a safe bastion for investors' money during the bear market. Over the year, the Datastream Pacific Basin Electronics sector rose by 21.5% as compared to a rise in the FT S&P World Pacific Index of 10.0%. By far the best performance came from the Korean electronics stocks where the prospect of their finally abandoning a decades long policy of maximising debt and minimising attention to shareholder interests produced strong share price performance helped by an underlying improvement in business conditions. The Korean government has encouraged the Chaebol to divest non-core activities and to focus on a more limited repertoire of businesses which have the potential for generating sustainable profitability. A series of divestments and proposed mergers have raised the prospect of much enhanced profitability on the back of greater focus and lessened debt burdens.

Unfortunately, we were slow to shift the emphasis of our Asian portfolio away from Taiwan and towards Korea and, although our other investments in Asia performed well, Taiwan dragged our performance down so much that over the year our non-Japan Asian portfolio fell by 9% in sterling terms. We had already reduced our Taiwanese weighting substantially the previous year as a result of excess valuations and disappointment at the apparent failure of the Taiwanese electronics industry to move up the value chain within the technology industry. Nothing that has happened over the last year has diminished our reservations about Taiwan. This is a pity as within Asia Taiwan has most studiously attempted to follow the Silicon Valley model of entrepreneurial technology development and has also been a source of significant profits for us over the last five years. Unfortunately Taiwan is also a net loser from the Internet's marginalisation of the PC.

Much the same is true of Asia (including Japan) as a whole but, over the next year, the stock market is likely to enthuse about restructuring/deleveraging stories. We harbour significant doubts over the long-term potential of the industrial and consumer electronics industries in Asia in view of their relatively low barriers to entry, lack of product differentiation, short product life cycles and relentless pressure on pricing. However, over the near term there is scope for strong earnings growth as companies focus on return on capital.

The Japanese technology industry remains far too exposed to commodity markets, lacks focus and has only been successful in recent years at destroying shareholder value. However, as in Korea, the Japanese electronic majors are becoming aware of the benefits to share prices of espousing shareholder value and a commitment to enhancing returns on (historically ill-invested) capital. Some companies are even going one stage further and actually implementing sensible restructuring.

Following recent market strength, a period of consolidation seems likely. While much of Asia appears to be in full recovery mode, there are still issues not the least of which is the state of the Japanese economy. Despite massive fiscal and monetary stimulus, the economy continues to struggle. Business investment is constrained by the level of excess capacity in the economy while consumer spending is being impacted by the reduction in job security implied by corporate restructuring. There is

£'000s	Largest Asian equity investments by value		% of total portfolio
1,208	Phoenixtec Power	*power supplies*	0.41
1,197	Ricoh	*copiers*	0.41
1,083	Elec & Eltek	*printed circuit boards*	0.37
40,443			**13.98**

Asia
continued

still some risk that the Japanese economy lurches down again in the second half of 1999 although the proximity of the next general election suggests that the government will do what it can to generate growth. Unfortunately it will be doing so against the backdrop of the increasingly parlous state of government finances. Any further slackening in the already tepid pace of activity in Japan would lead the yen to drift down again – something which would discomfort other Asian economies. These issues together with the sheer speed with which investor sentiment has shifted to a more positive view of Asia suggests that share prices may mark time while economic fundamentals catch up.

In the technology sector, Asia's overexposure to the personal computer, semiconductor and consumer electronics markets argues for some caution. Although volume growth in PCs is strong, pressure on selling prices is being felt throughout the supply chain. Competitive pressures also remain intense in both the semiconductor and consumer electronic sectors although there are signs of recovery in semiconductors following a period in which capacity additions have been limited by the extent of the capital spending slump in Asia. New products in consumer electronics such as DVD, digital TV and digital cameras provide some grounds for optimism but are more likely to provide a breathing space for the industry rather than relaunch it on a sustainable long term uptrend in profitability. In the growth areas of technology such as the communications and Internet sectors, Asia is poorly positioned although communications carriers in the region should benefit from the acceleration in data traffic growth as well as from a general economic recovery in the region.

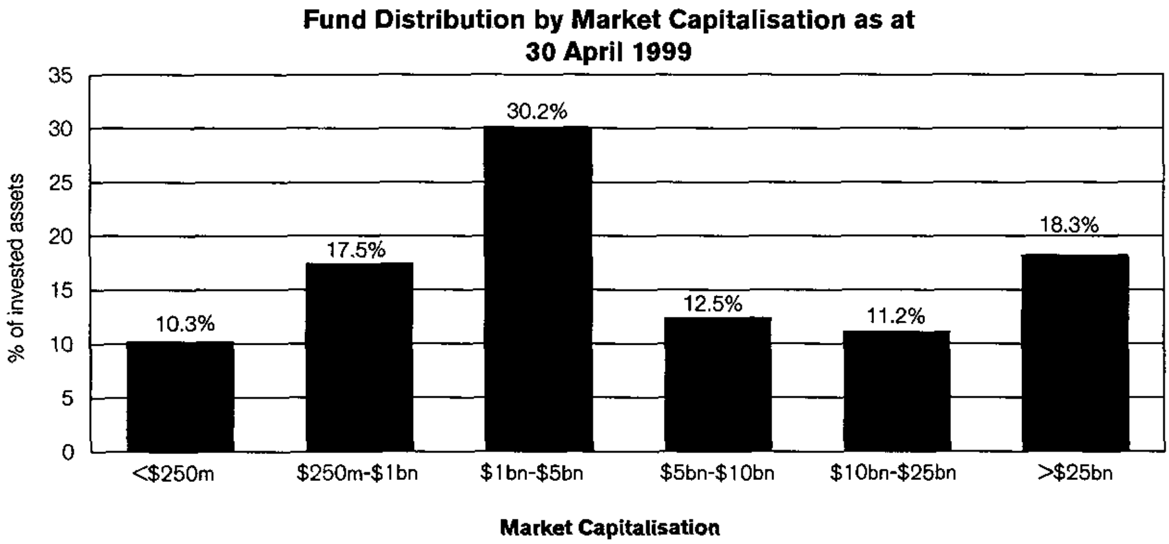
Our poor performance in non-Japan Asia was counterbalanced by the 44% return (in sterling) of our Japanese portfolio. Nevertheless, the region as a whole was a disappointment. In last year's annual report, we correctly identified the sudden negative switch in sentiment amongst UK investors as marking the bottom of the Japanese market. Unfortunately, our intention then to devote a good deal of time to finding the appropriate investment opportunities in Japan was delayed by the need to spend last summer fire-fighting in the USA where the technology sector plummeted in the third quarter. Consequently, our Japanese weighting during the last quarter of our financial year (during which the vast majority of the year's performance was delivered in Japan) was far too low. Performance plus some additions to the portfolio have raised our Japanese weighting to 10% at year end, much of which has been financed by two to three year loans at an average rate of 1.2%. We await a period of consolidation before adding to our exposure in Japan but believe that from here our weighting is most likely to rise back towards a level which is more representative of Japan's share of the global technology industry.

Classification of Investments and other Net Assets

at 30 April 1999

The classification below combines the value of investments held directly by the Company and those held indirectly through the Company's holding in TR Technology PLC 'A' Ordinary shares.

	North America %	Europe %	Asia %	Total 1999 %	Total 1998 %
Computing	3.9	1.5	2.0	**7.4**	8.0
Components	11.1	3.5	9.0	**23.6**	15.2
Software	3.8	5.7	–	**9.5**	18.5
IT Services	2.2	8.7	2.3	**13.2**	16.9
Communications	8.7	6.7	–	**15.4**	15.8
Internet	6.6	0.5	–	**7.1**	5.1
Life Sciences	1.6	2.5	0.4	**4.5**	13.7
Other Technology	1.0	2.1	2.0	**5.1**	3.6
Unquoted Investments	0.1	0.2	–	**0.3**	0.4
EQUITY INVESTMENTS	**39.0**	**31.4**	**15.7**	**86.1**	97.2
Gilts and Fixed Term Bank Deposits	–	16.7	–	**16.7**	–
Net Current Assets	1.5	(0.2)	0.5	**1.8**	2.8
Loans	–	–	(4.6)	**(4.6)**	–
OTHER NET ASSETS	1.5	16.5	(4.1)	**13.9**	2.8
GRAND TOTAL (net assets of £279,946,000)	**40.5**	**47.9**	**11.6**	**100.0**	100.0
At 30 April 1998	56.3	35.1	8.6	**100.0**	100.0



Largest Investments

The largest 15 investments at 30 April 1999

	Value of holding (£'000)		Market Capitalisation	Historic growth	Historic P/E	Prospective growth	Prospective P/E	Share price growth
Sherwood (UK)	6,662	*Supplier of software applications and services into the insurance market*	£177m	67%	47	10%	43	121%
Nokia (FIN)	5,292	*Largest producer of mobile handsets with a strong position in mobile infrastructure equipment*	£58.1bn	66%	49	20%	41	137%
CMG (UK)	4,794	*Anglo-Dutch IT services supplier focused on financial telecommunications and government sectors*	£2,155m	63%	54	32%	41	26%
Texas Instruments (USA)	4,440	*Broad based manufacturer of semiconductors with the leading position in the digital signal processing market*	£24.9bn	34%	100	199%	33	59%
Psion (UK)	4,422	*Manufacturer of hand held computers with a 31% share in the Symbian joint venture with Nokia, Ericsson and Motorola*	£704m	6%	84	(21%)	106	229%
Teradyne (USA)	4,396	*Largest manufacturer of semiconductor automatic test equipment*	£2,494m	(20%)	40	43%	28	29%
RM (UK)	4,320	*Dominant supplier in the UK of software, services and internet access to the educational market*	£496m	74%	58	9%	53	104%
Filtronic (UK)	4,315	*Broad based supplier of components and sub-systems into the wireless infrastructure market*	£515m	63%	28	32%	21	83%
Xilinx (USA)	4,251	*Leading producer of programmable logic devices*	£4,097m	5%	55	47%	37	99%
America Online (USA)	3,662	*Premier supplier of on-line services into the consumer and, increasingly, business markets*	£89.5bn	54%*	–	65%*	255	614%
Motorola (USA)	3,478	*Diversified manufacturer of wireless equipment and semiconductors*	£29.9bn	9%*	32	17%*	27	43%
IBM (USA)	3,248	*Broad based supplier of computer systems reborn as the leading vendor of electronic commerce solutions*	£119.6bn	9%	32	17%	27	81%
NTL (UK)	3,224	*Supplier of residential telephony, cable television and internet access services*	£3,471m	52%*	–	34%*	–	96%
Disco (JAP)	3,143	*Dominant global supplier of dicing saws for semiconductors*	£660m	(46%)	60	13%	53	59%
Microsoft (USA)	3,131	*Largest supplier of software for PCs and increasingly also for servers*	£415.0bn	62%	64	14%	56	80%

The valuations of these investments total £62,778,000 or 21.7% of the fixed asset investments of the Company.

Key: Historic = the last reported 12 months
Prospective = the forthcoming 12 months
Growth = earnings per share (where asterisked, revenues)

P/E = price earnings ratio
Share price growth is shown in absolute terms for the year ended 30 April 1999.

Source: First Call

Investor Information

Henderson Technology Trust PLC ("Henderson Technology") is an investment trust company listed on the London Stock Exchange. Its business is to invest in the shares of other companies chosen by the fund manager in accordance with the Company's objective.

Henderson Technology was launched on 16 December 1996 with one warrant attached to every five shares. The original subscription price for each share was £1. In 2006, and every five years thereafter, shareholders will have the right to approve, or otherwise, the continued existence of the Company.

The Company's investment portfolio is managed by Henderson Investors, part of the AMP group of companies, winner of a number of awards for investment trust excellence including the 'Standard & Poor's Micropal Best Investment Trust Manager' for the last five years. Henderson Investors is regulated by IMRO and the Personal Investment Authority while the Company is a member of the Association of Investment Trust Companies (AITC) from whom general information can be obtained by telephoning 0207 282 5555 (e-mail address: info@aitc.co.uk).

The Objective of Henderson Technology
Henderson Technology's objective is to maximise capital growth over the long term rather than to provide income to shareholders in the form of dividends in the interim period.

Investing in Henderson Technology
Ordinary shares and warrants of Henderson Technology may be bought or sold directly through a stockbroker, accountant, other independent financial adviser or through a number of banks or building societies who are also providing this service. Alternatively, shares may be bought directly through the Henderson Investors Investment Trust Share Plan and the Henderson Investors Selection ISA.

Henderson Investors Investment Trust Share Plan
Investing via the Share Plan enables an investor to make regular savings from £50 per month or per quarter or to invest a lump sum of a minimum of £500 into any or a combination of the investment trusts managed by Henderson. A Share Exchange Service is provided by Henderson that allows an investor to sell existing UK company shares, unit trusts or gilts and to invest the proceeds in the Company at a cost of £15 per holding or class of share. Half-yearly valuations and tax certificates are sent to Share Plan investors with a complimentary newsletter.

Henderson Investors Selection Mini/Maxi ISA
Investments in shares made via Individual Savings Accounts (ISAs) do not attract tax either on dividend income or on capital growth.

Investments may be made directly into Henderson Technology through the Henderson Investors Selection ISA. Investors are able to make regular savings from £100 per month, or lump sum investments from £2,000. Half-yearly valuations are sent to ISA investors with a complimentary newsletter.

For information on how to invest through the Share Plan or the ISA please contact your financial adviser or call the Investor Services Department on freephone 0800 106106. Please call (44) 207 452 1315 if you are calling from abroad. Alternatively, you may e-mail Henderson Investors at the following address: investor.services@henderson.com

Please remember that the value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend upon your individual circumstances.

Performance Details
Details of the performance of Henderson Technology is updated daily on the Henderson website: **www.henderson.com**

Share Price Information
The mid-market prices of the ordinary shares and warrants in the Company are published daily in the Financial Times in the Companies and Markets section under the heading "Investment Trusts". The ordinary share price is also published in The Times and The Daily Telegraph.

Financial Calendar
The key dates in the Company's financial year are as follows:

30 April	– financial year end
21 June	– announcement of results
28 June	– publication of report
28 July	– Annual General Meeting
30 September	– warrant subscription date
31 October	– half-year end
23 December	– announcement of half-year results

Annual General Meeting
The Annual General Meeting will be held at 12 noon on 28 July 1999. A notice of this meeting setting out the business that will be proposed is on page 24 of the Directors' Report and Accounts. It is hoped that shareholders in the Company will take this opportunity to meet the directors and hear a report from the fund manager on the progress of your Company.

Directors, Officers and other Information

Directors
R K A Wakeling (Chairman)
B J D Ashford-Russell
C G Clarke
P F Dicks
Professor J D Rhodes
C J M Stutterheim

Investment Manager
Henderson Investors Limited
(a wholly owned subsidiary of Henderson plc)
regulated by IMRO and the Personal Investment Authority

Appointed Fund Manager
B J D Ashford-Russell

Secretary
Henderson Secretarial Services Limited,
represented by Miss R L Woodley

Registered Office
3 Finsbury Avenue
London EC2M 2PA
Telephone: BT: 0207 638 5757
Mercury: 0207 410 4100
Facsimile: 0207 377 5742

Registered Number
Registered in England and Wales No. 3224867

Registrar
Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED
Telephone: 0870 601 5366

Registered Auditors
PricewaterhouseCoopers
1 Embankment Place
London WC2N 6NN

Bankers
Chase Manhattan Bank
125 London Wall
London EC2Y 5AJ

Stockbrokers
Warburg Dillon Read
1 Finsbury Avenue
London EC2M 2PP

Solicitors
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Henderson Investors Investment Trust Share Plan

The Henderson Investors Investment Trust Share Plan offers a simple and flexible way of investing in **Henderson Technology Trust PLC**. The Share Plan offers the following:

- **regular savings from £50 per month/quarter, or lump sum investments from £500 and additional 'top-up' from £100**
- **a Share Exchange Service whereby you can sell existing UK company shares, unit trusts or gilts and reinvest the proceeds in the Company at a cost of £15 per holding (or class of share)**
- **an income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **all paperwork and documentation is simplified and reduced to a minimum**
- **half yearly valuations with consolidated tax certificate and complimentary newsletters.**

Henderson Investors Selection ISA

You can invest directly in **Henderson Technology Trust PLC** through the Henderson Investors Selection ISA. The ISA offers the following:

- **tax free income and tax free growth**
- **fixed annual management charge of £30 (+VAT)**
- **regular savings from £100 per month or lump sum investments from £2,000**
- **quarterly income withdrawal facility**
- **half yearly valuations, reports and complimentary newsletters**
- **both Mini and Maxi ISAs available for investment by lump sum or regular savings**

Further Information

Please consult our website **www.henderson.com** or write to:-

Henderson Investors
FREEPOST
Newbury RG14 2ZZ

No stamp is required. Alternatively, please contact your professional adviser for further information or call the Investor Services Department on freephone **0800 106 106** quoting the reference **REPORT**. Please call (44) 207 452 1315 if you are telephoning from abroad.

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Tax assumptions may change if the law changes and the value of tax relief will depend upon your individual circumstances.

Henderson Investors is the name under which Henderson Investors Limited and Henderson Investment Funds Limited (both regulated by IMRO and the Personal Investment Authority) and Henderson Administration Limited (regulated by IMRO) provide investment products and services.
3 Finsbury Avenue, London EC2M 2PA. Telephone 0207 410 4100.

Henderson Technology Trust PLC is
managed by

Henderson
Investors

An AMP Company