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Henderson Technology Trust PLC
Annual Report and Accounts for the year ended
30 April 2000



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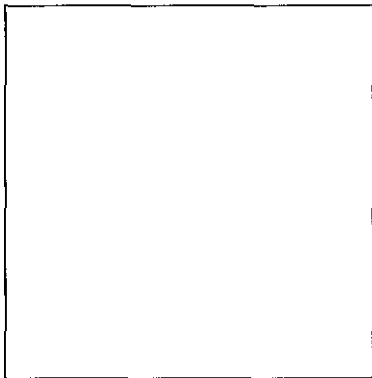


Henderson Technology Trust PLC is a member of the
Association of Investment Trust Companies

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.

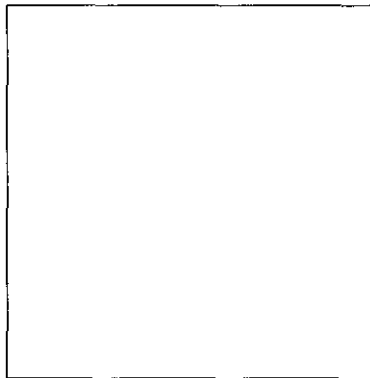
Rationale	<p>The technology industry is the most vibrant, dynamic and rapidly growing segment of the global economy.</p> <p>Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the accelerating rate of adoption of new technology. Technology spending is in the midst of a long-term secular uptrend.</p>
Investment Approach	<p>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:-</p> <ul style="list-style-type: none">• management quality• the identification of new growth markets• the globalisation of major technology trends and• exploiting international valuation anomalies and sector volatility
Management	<p>Henderson Investors is one of the largest managers of specialist technology funds outside the USA. The Fund Manager has been responsible for the Company's portfolio since its launch and before that for the Company's predecessor, TR Technology PLC, throughout its life.</p> <p>The Company pays both a basic management fee as well as a performance fee.</p>
Performance	<p>Undiluted NAV per share increased 138.1% in the year to 30 April 2000 and has risen by 57.7% per annum since the Company's inception on 16 December 1996.</p>

The Board of Directors



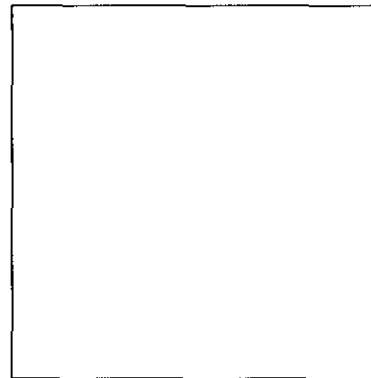
***R K A Wakeling**

MA (Cantab), Barrister, FCT (aged 53).
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.



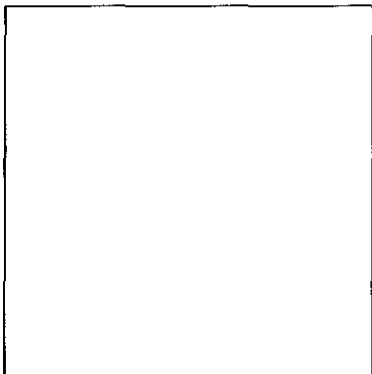
B J D Ashford-Russell

BA (Oxon) (aged 41).
Appointed to the board in 1996. Mr Ashford-Russell is head of the technology team at Henderson Investors, and has managed the Company since launch.



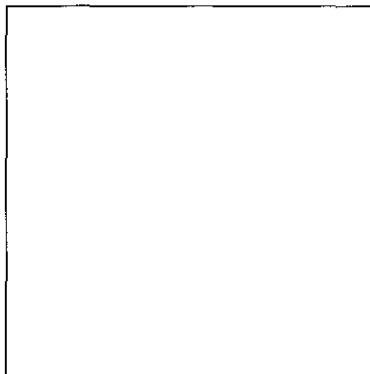
C G Clarke

FCA (aged 55).
Appointed to the board in 1996.
Mr Clarke is also a director of Witan Investment Trust plc. He was a director of Henderson plc until its acquisition by AMP in the spring of 1998.



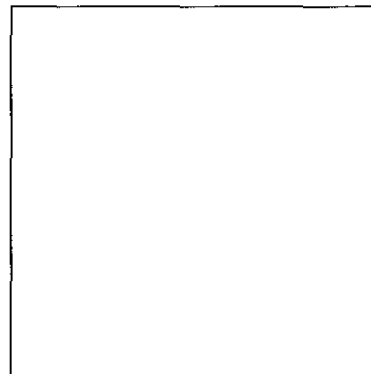
***P F Dicks**

(aged 57).
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, CBE**

FRS, OBE, FREng, BSc, PhD, DSc, D.Sc. (Hon), DEng (Hon), FIEE, FIEEE (aged 56).
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 54).
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 and the Management Engagement Committee

Financial Highlights

	Year ended 30 April 2000	Year ended 30 April 1999	Movement %
Total net assets	£668,727,000	£279,946,000	+138.9
FTSE World Index*†	348.7	304.8	+14.4
Net assets			
per ordinary share (undiluted)	452.8p	190.2p	+138.1
per ordinary share (diluted)	395.8p	175.3p	+125.8
per warrant	295.8p	75.3p	+292.8
Mid market share price			
per ordinary share	436.0p	167.5p	+160.3
per warrant	334.0p	84.0p	+297.6

*capital return, sterling adjusted

†formerly FT/S&P Actuaries World Index

Chairman's Statement

Your Company has enjoyed a remarkable and most successful year. Net assets rose by 138.9% to £669m as technology shares rose sharply in almost every country around the world. The Company achieved the highest absolute return in a financial year since its launch.

In most regions, the Company significantly outperformed local technology benchmarks with particularly good returns in Europe and in the USA. All areas of the portfolio contributed to the strong absolute returns with Continental Europe the single biggest gainer (+237%) and even the worst performing region in the portfolio, (Asia ex Japan), delivering a Sterling based return of 109%. Our geographical asset allocation proved quite satisfactory and we were fortunate in our choice of sub-sectors both to emphasise and avoid.

The Company's exceptional asset growth together with renewed investor enthusiasm for technology shares led to a marked rerating of our shares and, for much of the last half year, they have traded at a premium to net asset value. We have nevertheless rejected any suggestion that we should have a major new share issue. The Board do not see any merit in size for its own sake nor do we believe the timing would have been appropriate, particularly so as we have been making cautionary noises about excessive speculation in the technology sector since last December.

Performance Fee

The Company's consolidated statement of total return shows a significant increase in the revenue loss per ordinary share from 2.57p to 28.02p. In large part, this increased loss relates to a substantial increase in the performance related fee. The fee is calculated by taking 15% of the outperformance of the diluted net asset value as compared to the FTSE World Index. This fee arrangement was established at the Company's launch in 1996 with a review scheduled for 30 September 2001. Performance fees were earned in the financial years 1997-8 and 1998-9 as well as last year.

The last few years have seen strong outperformance from technology shares culminating in the astonishing results recorded last year. Consequently, it now seems appropriate to review the fee arrangements and move towards benchmarks that directly reflect the Company's specialisation in technology and also its long term objective of generating strong absolute returns. Henderson has agreed to bring forward the review date for the fee. The new arrangements will take effect from 1 May 2000; they are explained in detail in the Report of the Directors on pages 22 and 23.

Review

Equity markets enjoyed yet another year of good returns. The global economy has remained in good shape with continuing strength in the US economy helping to pull forward the more subdued economies of Asia and Europe. The latter in particular has begun to display more forward momentum but Asia remains handicapped by the comatose performance of its largest economy, Japan. Efforts to stimulate the Japanese economy have proved as futile as those designed to slow the US but to date this has not been a major source of concern for equity markets. With concerns mounting about the build up of inflationary pressures within the USA, the Federal Reserve has moved to reassert the brakes. Consequently equity markets have paused and then slipped back. Our financial year closed with equity markets around the world looking tired and apprehensive.

There was only one major story in equity markets last year, the extraordinary and completely unprecedented ascent of the technology sector. Technology shares soared in every market, massively outperforming other equity sectors and dragging up areas such as telecoms and media which were, not entirely correctly, perceived to be technology 'proxies'. Having been one of the very few proponents of technology investment in Europe we found ourselves swamped by the sudden surge in interest in the technology sector. This hysteria proved to be a global phenomenon. The technology boom was supported by

Chairman's Statement

continued

very strong inflows into specialist mutual funds and by the institutional investor's penchant for retrospective and closet index tracking.

Technology, as we have long argued, has been transforming the global economic and corporate landscape. *The emergence of the Internet has accelerated technology spending as companies and indeed entire economies rush to embrace this productivity enhancing panacea. Both consumers and corporations are dramatically increasing their expenditure on technology. In every major economy, technology is driving investment spending and, through its impact on productivity, raising the non-inflationary sustainable growth rate of that country. There is as yet no evidence of diminishing marginal returns, rather the reverse.*

It is hardly surprising that the technology sector finally began to attract so much attention. For years the sector has produced far stronger earnings growth than the broad market and last year was no exception. While a succession of more traditional companies announced disappointing earnings, technology companies led by those in the internet infrastructure and semiconductor sectors produced remarkable earnings growth. However, much of the performance delivered by the sector in the last year reflected a major upward rerating of growth stocks. Valuations for many companies climbed to indefensible levels and in the frantic rush into the sector, the bad rose alongside the good, in many instances by far larger amounts. Investment bankers enjoyed a field day, so too did the managers of technology companies. While the bankers unleashed a vast swarm of Initial Public Offerings (IPOs), secondary offerings and spin-offs, company founders sold holdings acquired for minuscule sums for amounts that would once have bought whole companies.

We ended our year with technology share prices falling precipitously; by 30 April 2000, most technology indices had declined by 20-30 % from their peaks. As if to remind us of what had generated all that frenzied

attention, the year also finished with the sector reporting the best quarterly results that our manager can remember in eighteen years as a sector specialist. Last year may have generated excesses in valuation but it also provided a considerable body of evidence to support the long term bull case for the industry.

Outlook

The technology industry has played a critical role in enabling the global, and especially the US, economy to enjoy an extended period of expansion. That expansion has been accompanied by subdued inflationary pressures and a remarkable level of corporate prosperity. In recent months, *however, there have been some signs, and a great deal of concern, that the extraordinary strength of the US economy is creating upward pressure on wages and that this will, together with a number of other factors, feed through to higher levels of inflation. There has been a notable shift at the US Federal Reserve and indeed at the European Central Bank towards a more restrictive monetary stance. With interest rates rising, economic commentators are growing increasingly pessimistic about the authorities' ability to deliver a 'soft' landing.*

We remain believers in a soft landing. Before the end of the summer, we would expect to see clear evidence that the US economy is indeed slowing. This would allow the monetary authorities gradually to relax their stance, which would provide support for equity markets and for the technology sector.

We continue to believe that the long term outlook for technology companies is excellent. Both consumer and corporate demand for technology is growing rapidly and the 'catch up' effect is causing spending in Europe and in Asia to accelerate. The Internet remains the single most important driver of technology spending but it is by no means the only one. The wireless industry is enjoying continued strength and even the hitherto sluggish PC market is beginning to recover. Earnings growth for the sector over the next year should at least match, and

Chairman's Statement

continued

probably exceed, that over the last twelve months. It should also compare very favourably with that of the overall market.

Painful though the current technology correction has been, it must ultimately be considered healthy. We entered April with the highest level of cash and derivative hedging since this Company's launch, namely 20%. Such levels of liquidity have been helpful in reducing the damage done to our assets but are insufficient to provide more than a modest cushion given the extent of the share price falls. By late May, we had reduced our liquidity by more than a half. While we are encouraged by the way in which the correction has eliminated the froth in share prices built up between November and March, the sector remains well above its levels of a year ago. Typically, the most effective corrections result in the elimination of most of the previous twelve months' gains. Moreover, valuations remain demanding although some premium is certainly justified by the much higher growth rates that the industry is currently delivering. The correction has, after a number of false starts, begun to drive IPOs back to the drawing board. This is a very healthy development. We believe that there remains some, albeit much reduced, risk to the sector and have therefore been feeding our cash in opportunistically. We are also on the point of finalising a number of committed loan facilities which, in aggregate, will allow us to gear the Company up to a limit of 40% should share prices reach particularly attractive levels.

We believe that, by the fourth quarter of 2000, the sector will once again be moving upward against a backdrop of *improved investor confidence in the prospects for the*

global economy. We do not believe that technology shares will return to the valuations seen earlier this year although the combination of continuing spectacular earnings growth together with some valuation expansion should allow many shares to move to new highs. However, a good many companies will never re-attain the share price peaks of earlier this year during the remainder of their corporate lifetimes. Feeding frenzies of the sort that have been enjoyed over the last year inevitably result in the consumption by investors of a substantial number of unappetising morsels. However, with the sharks retreating and the waters clearing, there remain many opportunities to generate more normal but still highly attractive growth.

While the stock market, distanced as it so often is from reality, may have driven technology share prices up to astral levels before plunging them down again, long term investors in this industry should take comfort from the extraordinarily positive fundamental outlook. The sustainability of the technology industry's health has always depended on its contribution to productivity enhancement. This Board believes that at no previous time has the industry delivered such vast, nor such rapid, nor such easily quantifiable returns on investment. For as long as that remains the case, investors in this industry with a sensible time horizon will enjoy continuing prosperity.

R K A Wakeling,
Chairman
15 June 2000

Fund Manager's Report

The Company's portfolio enjoyed a remarkably good year. Not only was performance in absolute terms quite exceptional but we also achieved some of the best relative returns of the last decade. Moreover, we substantially outperformed the FTSE World Index with a margin of out-performance greater than that of any year since I first started managing technology funds in 1984.

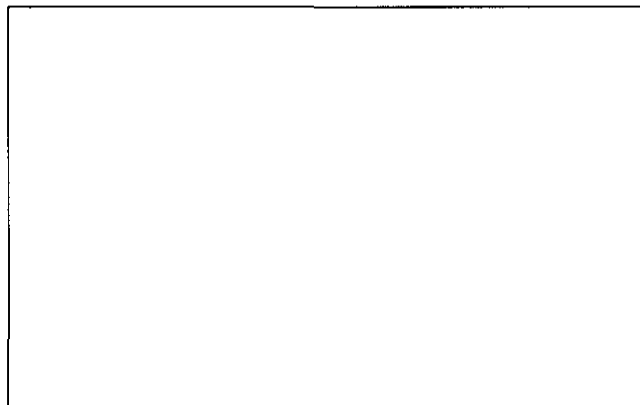
Technology polarised the investment landscape over the last year to a degree never seen before. Although in some markets, such as Europe and Asia, telecommunications and media were perceived to be of equal importance in influencing the disparity of returns achieved by investors, technology was, by a distance, the critical factor. Telecommunications and media shares simply basked in a glow created elsewhere, benefiting in some areas largely because of the paucity of pure technology shares available to the local investor.

One of the most striking features of the year was the way in which the technology bull market became a global phenomenon with both investors' and brokers' eyes increasingly focused on NASDAQ. With online trading expanding at a phenomenal pace in every country and mutual fund inflows rocketing, the amount of media attention devoted to the sector soared. By March, not a single part of the world had escaped the rush of enthusiasm for technology shares and the peak in the sector was marked, as so often has been the case, with rampant and largely unfounded enthusiasm in markets such as Hong Kong and Australia for the most speculative and dubious Internet based businesses.

Mutual fund inflows in every market have seen an unusual concentration of interest in 'aggressive growth' and specialist (largely technology) sector funds. For example, Henderson's Technology unit trust, which was launched in 1984, received larger net inflows in each month from November through April than it had received cumulatively in the fifteen years to the end of October 1999. Predictably but sadly the first few months of the new millennium was marked by a rush of opportunistic new fund launches in the technology area which will have done their investors little but harm over the short term.

There have therefore been an increasing number of signs that speculation was becoming too rampant, greed too endemic and share price performance too speculative for the technology bull market to be sustained without at the very least a painful but ultimately healthy correction. Between the end of October and early March technology shares in every market around the world produced returns which the average investor would have been proud to achieve over a five year period. Over the subsequent few months, share prices have collapsed, eroding two thirds of the gains achieved over the previous four or five months.

A glance at the industry's fundamentals would not have led a detached observer to understand the extraordinary volatility of



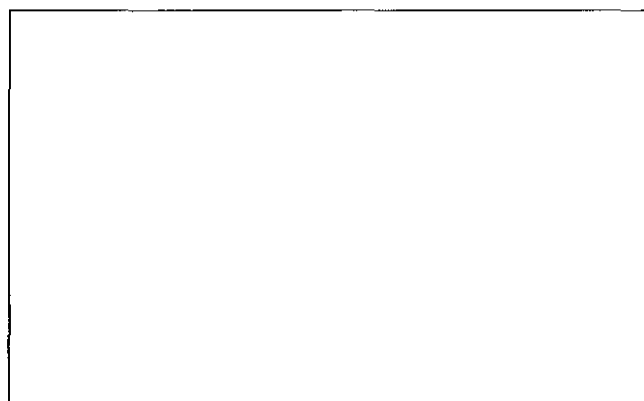
technology shares over the last twelve months but it would certainly have shown the appropriateness of the technology sector leading the market forward over the last few years. The extent to which the scale of the technology sector's move may be justifiable is a reasonable matter for debate but the direction of that move is not. In every major economy, technology spending is leading the advance and, while spending continues to grow very rapidly in the now more mature US economy, it is accelerating dramatically in both Europe and Asia as both these regions attempt to emulate the success of the American model. This 'catch up' effect, which I have talked about in these reports over the last five years, is however still in its early stages. As the graph above shows, we would need to see an extended period of very rapid growth in spending on technology in both Europe and Asia before these regions even approached the intensity of technology spending in the States.

The fundamental health of the technology sector has rarely been better. Although the overall spending environment may have been better in 1999 than it will prove to be in 2000, this is purely the consequence of the skew created by Y2K. However, within the overall IT budget, there are some pronounced changes in emphasis. E-commerce related spending in particular is at the top of every corporation's spending priorities while areas such as enterprise resource planning software and PCs are absorbing a lesser percentage of corporate budgets. The driving force in technology spending remains productivity enhancement. In an environment of low inflation and increasing competitive pressures, confronted by buyers armed via the Internet with better information than ever before, the corporate sector lacks pricing power and has no alternative but to seek productivity enhancement through investment in technology. The technology industry is delivering that improved productivity to an extent that is unprecedented in the eighteen years in which I have followed

Fund Manager's Report

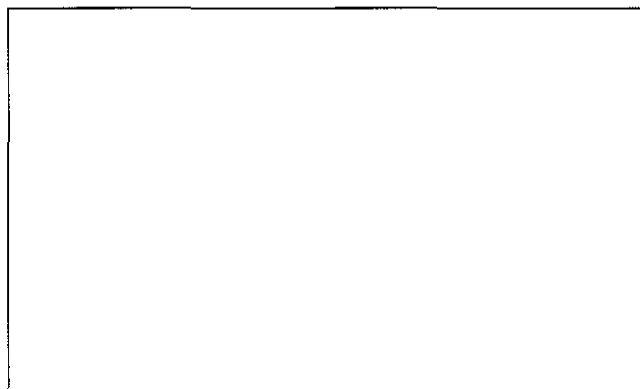
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the sector. That it is able to do so so effectively is to a large extent due to the developments that the Internet is enabling. Some years ago I commented on the likelihood of a massive increase in entrepreneurial activity in Europe and in Asia but it is difficult not to be staggered by the sheer scale of this development. It is also remarkable how fast the market is still evolving in the USA where, in the first quarter of 2000, venture funding increased by 365%. The availability of private finance and of entrepreneurial talent are critical requirements for successful technology industries. However, there is a risk that in an environment where capital is excessively abundant, many companies of a lesser quality receive funding. Too many 'start ups' can subsequently impact the competitive environment in which the better technology companies operate leading to a period of uneconomic pricing, confusion and ultimately a painful fall out. Such a development is already evident in the on-line retailing business but may become more widespread. The business failures that inevitably result may, for a time, colour investor attitudes towards parts of the technology sector. Another way in which excess venture capital can ultimately damage technology share prices is the pipeline of new issues that such an environment creates. By distorting the balance of supply and demand for technology companies, scarcity premiums diminish and even disappear and 'new issue overload' distracts investor attention from not only the good companies but also the bad, allowing far too much rubbish to be floated. For the moment, the problem is localised and to a large extent counterbalanced by the sheer volume of money that has poured into technology funds.



Evidence of excessive speculative activity in the technology sector together with heavy and increasing levels of new issuance in the form of initial public offerings (IPOs), secondary offerings and venture capitalist/founder stock holdings coming off 'lock up' have been matters of increasing concern. The other major source of worry has been the level of technology share

valuations about which we commented in our half year report. The year has been characterised by an entertaining evolution in share evaluation techniques. Predictably these methodologies have tended to follow rather than lead share price performance. Some of the new methodologies being rolled out in recent months to justify the indefensible are remarkable in considering a future earnings stream as of negligible significance. Moreover, even sensible methodologies such as discounted cash flow calculations are being ludicrously distorted by the use of absurdly low discount rates that would be more appropriate for evaluating secured debt than investment in highly speculative, albeit interesting, technology companies. For the latter, venture capitalists use target rates of return from 30% per annum upwards; investors in publicly listed 'venture-type' investments should do the same.



Valuations, even at the lows of recent weeks, remain well above those that have characterised the troughs of recent years. Although low inflation and modest long bond yields certainly support higher valuations, it remains difficult to get excited about many companies at current PE levels. There are, however, in some areas, signs that growth rates could be far higher than in the past. This would certainly support a higher PE ratio and encourages us to refocus the portfolio towards the USA where not only are the absolute valuations less demanding but the availability of 'hyper-growth' companies is much better.

Within the technology sector, the fastest growth rates are being seen in what can be loosely described as the E-commerce and Internet infrastructure markets. These areas cover not just the companies supplying communications and networking equipment but also their component suppliers. It includes suppliers of Business to Business ("B2B") software such as vendors of software tools, middleware, security, procurement and customer relationship management software as well as related service companies. In effect, this extended group of companies cuts across many of the sub-sectors into which we categorise our

Fund Manager's Report

continued

investments but then it is difficult to escape the impact of the Internet in any segment of the technology industry.

Over the last year, we made a number of positive bets on specific areas of technology. In particular we made significant investments in B2B software (largely in the USA), middleware (USA), photonics (principally in North America but to a smaller extent in Europe and Japan) and semiconductors (globally). We also made two negative bets. We maintained only a very modest exposure to the PC industry which, as I observed last year, has to a degree been marginalised by the emergence of the Internet. We also avoided the Business to Consumer ("B2C") or on-line retailing market where a combination of failed business models,



outrageous valuations and an apparently interminable pipeline of new issues suggested poor pickings for investors. On balance, these more thematic bets worked very well.

This year we anticipate that many of the trends that worked well last year will continue to deliver positive results. There is extraordinary momentum building in the E-commerce and Internet infrastructure markets. New bandwidth hungry applications together with still rapidly expanding Internet usage will ensure continued strong growth in demand for communications equipment. The existing network infrastructure remains under enormous pressure from the vast increase in data traffic, pressure that will only intensify as streaming and ultimately full motion video becomes more common over the Internet. Wireless access to the Internet promises to be a huge incremental opportunity, one reflected in the amounts bid in the 3G license auctions just completed in the UK. Vendors of equipment in both the wireless and wireline markets should

continue to see exceptional growth which will feed directly through into their component supply chains.

'Old' economy companies are rapidly restructuring themselves for the new Internet enhanced world. Already we are hearing of companies achieving staggering returns on their investments in procurement software while customer relationship management software remains a key priority in a world of greatly intensified competition for increasingly fickle customers. All these new applications require middleware to link them into legacy systems and all involve massive increases in the demand for storage and far better utilisation of the data stored.

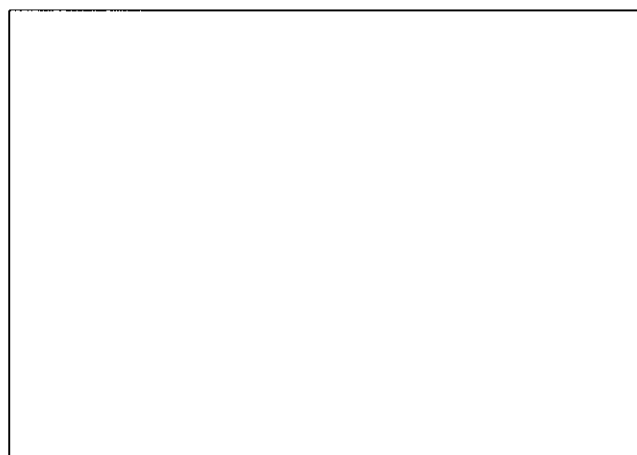
We remain opportunistic rather than strategic buyers of the PC market and believe that, although there are still good returns to be made in the semiconductor industry, the easy money is behind us and this sector may be vulnerable to a short term sell-off over the summer. The software and services markets will become increasingly difficult for legacy vendors but we expect skills shortages to become a major issue before the end of the year. The communications carriers are now well financed (which is good for equipment vendors) but competition is heating up and consolidation needs to accelerate. Healthcare has received limited attention from us given our lack of specialist resources in that area but the optimism I expressed about the biotechnology industry a few years ago has been justified by far better newsflow from the industry over the last eighteen months.

Technology has already polarised the stock market and is beginning clearly to polarise corporate performance within the same industries. The shift in technology brought about by the emergence of the Internet is also polarising the performance of technology companies in the same sub-sectors. A new generation of companies has emerged and relatively few of the last generation of leaders have maintained their position. The universe of companies that we follow has vastly increased in number and in geographical distribution yet many of those that have floated over the last year look at best to be marginal players. The greatest challenge of the next year will be to sift out those companies that have the management and technology to emerge as leaders while discarding the vast majority whose time has long gone or who represent nothing more than the sediment at the end of an IPO bottle of considerable vintage but questionable quality.

North America

The US market enjoyed another good year and, while the extent of the overall market's advance was quite modest, the performance of the growth stock indices was exceptionally strong. So too was the performance of the US economy which continued to shame those of most countries in the developing as well as the developed world. Strong consumer spending and extraordinarily rapid growth in investment (particularly information technology related) expenditure more than counterbalanced a deteriorating trade position. With the Federal Reserve continuing to adopt a gradualist approach, particularly so ahead of Y2K, and inflationary pressures remaining subdued, only limited action was taken to slow an economy that seemed to be delivering on almost all fronts.

Over the year, the S&P Composite Index rose by 8.8% which compares favourably with the returns from a bond market which struggled for much of the year. However, in contrast to most recent years, the stock market broadened out into the middle and smaller capitalisation tiers nowhere more so than in the technology sector where the large capitalisation names lagged well behind their smaller counterparts. Broader participation in the stock market's advance did not extend to the sector level where the strength of the technology sector and its almost complete domination of the performance tables was, by a distance, the most significant feature of the year. Over the year, the Pacific SE Technology Index rose by 111.3%; the greatest out-performance of the S&P seen for well over two decades.



Graph Legend	Index	% change year to 30 April 2000	
		local	sterling adjusted
—	Pacific SE Technology	+111.3	+117.4
—	S&P 500 Composite	+8.8	+11.9
	HTT North American Portfolio	+153.2	+160.5

For most of the first half of the year, the technology sector drifted gently but modestly upwards. However, the sector took off in November and, over the following four months, share prices more than doubled. Mutual fund inflows remained positive throughout the year but strengthened markedly following the seasonally weak summer. This factor helped to propel the sector forward but perhaps the greatest impetus was provided by the absence of good newsflow in the rest of the market. Until the just reported March quarter results, the last year had witnessed a procession of hitherto popular companies announce disappointing earnings. Disinflation and competitive pressures have combined to erode the pricing power of even some of the world's foremost global brands.

£'000s	Largest North American equity investments by value		% of total portfolio
12,639	Xilinx	<i>programmable logic devices</i>	1.81
12,328	Siebel	<i>sales force automation software</i>	1.77
10,929	Texas Instruments	<i>semiconductors</i>	1.57
10,728	Oracle	<i>database software</i>	1.54
10,193	Teradyne	<i>semiconductor production equipment</i>	1.46
10,106	Applied Materials	<i>semiconductor production equipment</i>	1.45
9,886	Motorola	<i>wireless equipment and semiconductors</i>	1.42
9,867	BEA	<i>middleware</i>	1.42
9,480	Ciena	<i>communications equipment</i>	1.36

£'000s	Largest North American equity investments by value		% of total portfolio
9,147	Scientific Atlanta	<i>cable TV and satellite equipment</i>	1.31
9,086	Cisco	<i>networking equipment</i>	1.30
9,086	I2	<i>supply chain management software</i>	1.30
8,813	Sun Microsystems	<i>web servers</i>	1.27
8,661	Nortel	<i>communications equipment</i>	1.24
8,454	Ballard Power	<i>environmental technology</i>	1.21
8,097	Sapient	<i>IT consultancy</i>	1.16
7,984	EMC	<i>enterprise storage</i>	1.15
7,895	Kia-Tencor	<i>semiconductor production equipment</i>	1.13

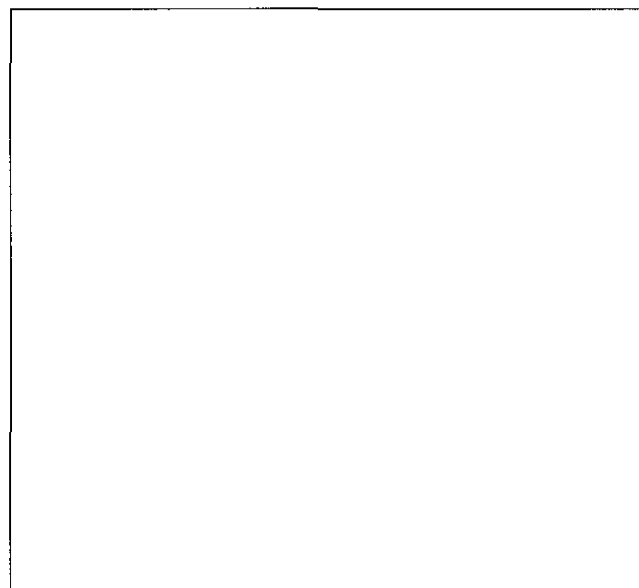
North America

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Disillusionment with the prospects for growth elsewhere in the market generated a stampede into technology, a sector already the subject of enormous retail investor interest. The inevitable consequence was a dramatic surge in share prices as an increasing appetite for growth stocks encountered surprisingly poor liquidity, accentuated by a Y2K related gap in the new issue calendar.

The sector had survived a dramatic collapse in B2C internet stocks over the spring and summer as interest moved into E-commerce, Internet infrastructure and semiconductor shares. In these areas, and also in many other parts of the technology sector, earnings growth accelerated to a remarkable degree. Over the last year the median technology share has generated earnings growth of close to 40% while many individual companies in some of the newer markets have been reporting 40% quarter on quarter growth rates. By contrast the S&P Composite Index's earnings grew 20% in the year to March 2000. In other words, the exceptional levels of share price performance within the technology sector were accompanied by unprecedented levels of earnings growth.

The internet has continued to be the key driver of technology spending. Data traffic volumes continue to double every 100 days and the introduction of streaming video and more data intensive business applications should maintain this growth rate. Consequently, new and old carriers are falling over themselves in a rush to extend their capacity. In doing so, they are spending massive amounts on the infrastructure provided by companies such as Nortel, Cisco and Ciena. Corporations are doing the same thing with their networks; so too are consumers by buying into new delivery technologies such as ADSL,



cable modems and, eventually also, a new generation of wireless access devices.

Strength in the communications market has created very strong demand for components be they optical, mixed signal, digital, analog or passive. Together with exploding demand from the wireless handset market, where subscriber numbers are finally taking off in the USA, this has created boom conditions for the semiconductor industry. The latter, once driven largely by the PC industry, is now increasingly driven by communications applications. Component suppliers have enjoyed a huge increase in orders and, with backlogs stretching, this has rapidly fed through to orders for semiconductor production equipment. Over the year, the Philadelphia Semiconductor Index was the best performing technology sub-sector index, rising by 237%. Our holdings in Applied Materials, Teradyne, TI and Xilinx rose on average by well over 200%.

£'000s	Largest North American equity investments by value		% of total portfolio
7,786	JDS Uniphase	<i>optical components</i>	1.12
7,491	Broadcom	<i>specialist communications components</i>	1.08
7,491	Yahoo	<i>internet portal</i>	1.08
7,117	America Online	<i>online services</i>	1.02
6,906	Metromedia Fiber	<i>emerging carrier</i>	0.99
6,407	Dell	<i>PCs</i>	0.92
6,089	Vitesse	<i>specialist communications components</i>	0.87
5,903	Inktomi	<i>internet search</i>	0.85
5,834	Seagate	<i>disk drives</i>	0.84

£'000s	Largest North American equity investments by value		% of total portfolio
5,819	DoubleClick	<i>internet advertising solutions</i>	0.84
5,208	Jabil Circuit	<i>electronic manufacturing services</i>	0.75
4,988	Verisign	<i>internet security</i>	0.72
4,953	Brocade	<i>data storage technology</i>	0.71
4,719	Intel	<i>microprocessors</i>	0.68
4,621	Juniper	<i>networking equipment</i>	0.66
4,520	Agilent	<i>diversified technology producer</i>	0.65
3,801	Adelphia	<i>cable TV provider</i>	0.55
3,590	BMC Software	<i>systems management software</i>	0.52

North America

continued

However, we achieved our best returns over the year in the E-Commerce software and middleware markets. The prospect of exceptionally high returns on investment is driving the corporate sector to utilise Internet based technologies to both reduce its cost base and enhance customer service. In areas such as component procurement, companies are achieving huge cost savings and enabling software suppliers are seeing a remarkable compression in sales cycles and a consequently dramatic acceleration in growth. In supply chain management software, we enjoyed a return of more than 600% from I2 Technologies while Siebel, the leader in customer relationship management software, rose by more than 500%. Other big gainers included Oracle (+340%) and Verisign (+400%). We also made huge profits on BEA (+500%) and Tibco (+1100%) both of which benefited from the growth in demand for software to integrate new and legacy applications.

With the sector performing so strongly, the opportunity cost of holding the wrong share has rarely been so high. We were fortunate in avoiding the worst performing sub-sectors: medical products, IT services and the B2C Internet group. Medical products shares are now few in number following the consolidation of recent years but their weak performance reflects both modest procedure growth and continuing pressure on healthcare cost inflation. IT services companies disappointed largely because so few have successfully transitioned to the new E-commerce world.

The Internet sector largely refers to the Internet service providers, portals and on-line retailing companies. These companies' share prices fell away in the spring of last year

as a flood of new issues removed any scarcity premium and raised doubts about the sustainability of 'first mover' advantage. With cash flowing out at a rapid rate and many business models of doubtful quality, the coming year should see a wave of consolidation and bankruptcies within the sector.

Elsewhere, biotechnology shares sparkled. Improving newsflow including the rapidly approaching completion of the Human Genome project, as well as a further number of new drug approvals led share prices to double over the year. PC stocks were more subdued with Y2K distorting spending patterns and the delayed release of Windows 2000 only now beginning to impact corporate demand for PCs.

Overall we enjoyed our best year in the USA for some time. In Sterling terms our portfolio rose by 160.5% over the year, significantly ahead of all the broad technology indices. Our weighting in the USA varied quite markedly over the year. We began the year at around 40% of our total assets, raised the figure to the mid 50% level in October before pulling it sharply back in March both through selling shares and initiating a derivatives based hedge.

At the time of writing, the technology sector in the USA is re-testing its mid-April lows having fallen around 37% from its 10 March high. Given the degree of out-performance in the five months before the peak, a sharp correction was inevitable. In some respects, the correction has been very healthy in that it has eliminated almost all the froth built up during the bubble period and has led to both a sharp deterioration in sentiment and to the postponement and indeed cancellation of a number of new and secondary issues.

£'000s	Largest North American equity investments by value		% of total portfolio
3,415	Tibco	middleware	0.49
3,411	Marchfirst	web consultancy	0.49
2,952	Incyte	biotechnology	0.42
2,496	Microsoft	PC software	0.36
2,275	Level 3 Communications	emerging carrier	0.33
2,063	Global Crossing	emerging carrier	0.30

£'000s	Largest North American equity investments by value		% of total portfolio
2,029	Redback Networks	networking equipment	0.29
1,798	Palm	information appliances	0.26
1,722	Transkaryotic Therapies	biotechnology	0.25
1,658	Agile Software	enterprise software	0.24
1,632	Antec	cable TV equipment	0.23
302,073			43.38

North America

continued

We had anticipated a sell off in April and were some weeks off in our timing. However, we raised a considerable amount of cash (actual and effective) in late March and early April at levels some 30 – 35% above today's values. We have now begun to recommit funds and have also switched some assets out of Japan and Europe into the USA. However, there remain some grounds for caution. First, the pipeline of new and secondary issues together with the release of insider 'lock up' stock represents an overhang that makes it unlikely that the US technology sector will run away on the upside in the near term. Secondly, most major lows are marked by the elimination of most, if not all, of the previous year's gains. Even now after the recent fall, the technology index is still ahead over 60% over a year. Thirdly, valuations remain rather high.

Nevertheless, the fundamental outlook for the US technology sector remains outstanding. Earnings growth is coming through at a prodigious rate and the results for the just reported March quarter were the best ever seen with hardly any disappointments and a vast number of significant upgrades following the figures. Every major segment of the technology industry is enjoying either very rapid or recovering demand. The USA still contains the most visionary and commercially ruthless technology company managements in the world and, as yet, they show few signs

of complacency. E-commerce and the build out of the Internet remain extraordinarily strong drivers of demand. In the absence of a major recession it is hard to see what will restrain the growth in expenditure on technology given the remarkable paybacks that such investment is delivering in both the 'old' and the 'new' economies.

However, the issue is not simply one of fundamentals but of a rapidly growing supply of shares at still heady valuations encountering a still growing but seasonally weaker demand for that paper. The industry also has to compete with traditional companies for investor attention and the news flow from that direction has shown some signs of improvement. All this suggests that it is sensible to feed our cash gradually into the USA and to do so in an opportunistic fashion. Before the end of our first half, we would expect to see the sector moving forward again and we aim by then to have effected a further significant shift out of Europe and Asia in to the States. The summer, however, promises to be volatile.

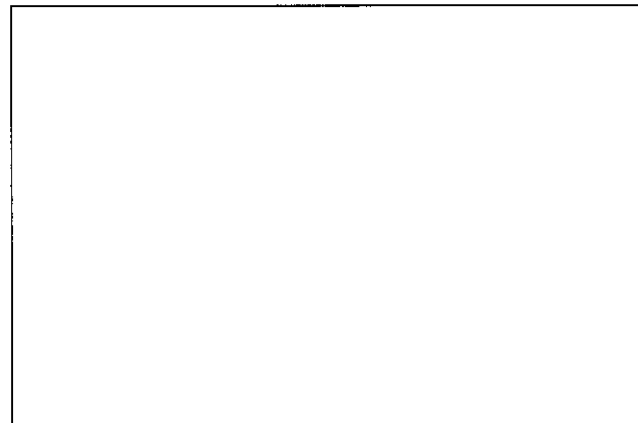
Longer term we remain enthused about the prospects for the US technology sector and believe, more so than at any time in the last five years, that it is appropriate to operate with a higher average percentage weighting in what remains the most formidable repository of technology intellectual property in the world.

Europe

Although economic growth in Europe marginally disappointed over the last year, the stock markets delivered reasonable returns albeit significantly diminished by the weakness of the Euro. The latter, together with the strength of the US economy and a recovery in Asia, helped to boost exports. However, with the exception of a sharp pick up in investment expenditure, the domestic European economy remained sluggish. Nevertheless, the recovery along with some modest benefits from restructuring allowed corporate earnings growth of around 15%. This was reflected in a rise of 16.9% in the FTSE World Europe Index. Sweden, Germany and France delivered the best returns of the major markets while Switzerland and the UK took the wooden spoons.

Inflationary pressures remained subdued despite sharply higher oil prices and the Euro's weakness. Significant slack exists in most European labour markets implying much lower risk of wage push pressures feeding through to the price index than in the States. However, Europe is still early in its corporate restructuring and remains years behind the USA in implementing new technology. Consequently productivity, although showing some signs of improvement, is growing well behind the rate seen in the USA.

Following a year in which European business leaders mouthed the appropriate platitudes about restructuring and shareholder value, last year was the first opportunity to see whether words would be translated into action. On balance, there does seem to have been some progress with a continuing acceleration in merger and acquisition activity culminating in the cross border acquisition by



Graph Legend	Index	% change year to 30 April 2000	
		local	sterling adjusted
—	Datastream Europe IT	+180.2	+148.4
—	Datastream Europe		
—	Electronic and Electrical Equipment	+101.0	+78.2
—	FTSE World Europe	+16.9	+8.4
	HTT UK Portfolio	+118.9	+118.9
	HTT Europe (ex UK) Portfolio	+280.3	+237.1

Vodafone of Mannesman. However, there have also been some retrograde steps, perhaps most predictably in France where the government appears to be intent on resisting the tide of American style capitalism.

As in the USA, the technology sector polarised the entire European stock market over the year. The sector soared with Morgan Stanley's Eurotec Sector Index rising by 106.3%. The shortage of technology shares in Europe ensured that the enthusiasm for all things technology related spilled into the telecommunications and media sectors which also saw significant share price gains. The vast majority of the strength in the sector was experienced between late October and early March. European technology shares slavishly followed those on

£'000s	Largest European equity investments by value		% of total portfolio
13,680	Ericsson	wireless equipment	1.96
10,414	Epcos	passive components	1.50
9,390	Bookham	optical components	1.35
8,489	Sage	accounting software	1.22
8,202	Filtronic	radio frequency components	1.18
7,820	Sherwood	software for the insurance market	1.12
7,686	Psion	palm computer manufacturer	1.10
7,645	ASM Lithography	lithography equipment	1.10
7,484	CMG	IT consultancy	1.07
7,241	Comptel	communications software	1.04
7,059	Secunet	security consultancy	1.01

£'000s	Largest European equity investments by value		% of total portfolio
6,773	Logica	IT consultancy	0.97
5,905	Dialog Semiconductors	mixed signal components	0.85
5,873	NTL	cable TV	0.84
5,819	FI	IT consultancy	0.84
5,550	Abacus Polar	component distributor	0.80
5,372	GFI Informatique	IT consultancy	0.77
5,363	Tietoenator	IT consultancy	0.77
5,125	RM	educational computing	0.74
5,022	Applied Optical	holographic systems	0.72
4,980	Unilog	IT consultancy	0.72
4,881	ST Microelectronics	semiconductors	0.70

NASDAQ. Inflows into sector specialist funds soared and, in disappointingly illiquid markets, share prices surged upwards often on quite modest volumes.

New growth stock markets and indices were launched all over Europe. Perhaps the most prominent and influential launch proved to be that of Techmark in London. Its launch in early November was followed by a dramatic leap in share prices. Similar results accompanied the launch of the Nuovo Mercato in Italy. Encouraged by the roll out of on-line broking and the emergence of a growing number of financial information web sites, retail interest in the sector soared. Responding to this belated revival in investor enthusiasm for technology, fund management groups raced to launch new funds often with esoteric specialisations and questionable rationales.

The last year has been marked by an enormous increase in the number of equity financings. IPOs flooded out of the investment banks and, while quality varied, the pricing was consistently demanding with the exception of a brief period during the autumn. Europeans rapidly adapted their phraseology for the new economy assimilating West Coast terminology while often failing to comprehend its subtleties. Lacking the long history of venture capital that has characterised the US investment banking cycle, European bankers have floated businesses at earlier and earlier stages of their development cycle. In many cases, it has been impossible to carry out due diligence on these deals as some companies have lacked a single credible reference site. The IPO cycle in Europe has been differentiated from that in the USA by the inclusion of a far larger proportion of telecoms deals. These have included not just the flotation of new carriers but also the spin off of divisions, notably those involving Internet service provision, from major telcos. Two of the most

successful deals of the year, Tiscali and Terra Networks, fitted into this category.

As in the USA, venture capital has been pouring into Europe although I suspect that a good deal has found its way into lower quality B2C businesses. Nevertheless, the availability of risk capital is no longer an issue for European technology start-ups. Indeed the real issue now is whether there are a sufficient number of good companies to absorb all this venture finance.

The pipeline of deals in Europe remains very large, particularly so in relation to the existing size of the European technology sector. Many of these deals are in the B2C area and, with luck, may never see the light of day. However, the new issue overhang is a source of concern and will act as a cap on the sector.

Although the European technology sector's earnings growth substantially outperformed that of the European market as a whole, it lagged that of its US counterpart. To some degree this reflects the make-up of the European sector with its bias towards software and services stocks and its limited exposure to semiconductor and internet infrastructure companies. Y2K certainly impacted growth rates for many applications software vendors and affected the utilisation rates of the services companies. Consequently the sector suffered a number of earnings disappointments. The outlook for both areas should be better over the next year although many of these companies have yet to prove themselves in a more Internet focused world.

The wireless industry continued to go from strength to strength. Yet again subscriber numbers soared well past most analysts' estimates and, once again, Nokia maintained its extraordinarily profitable lead in the handset market.

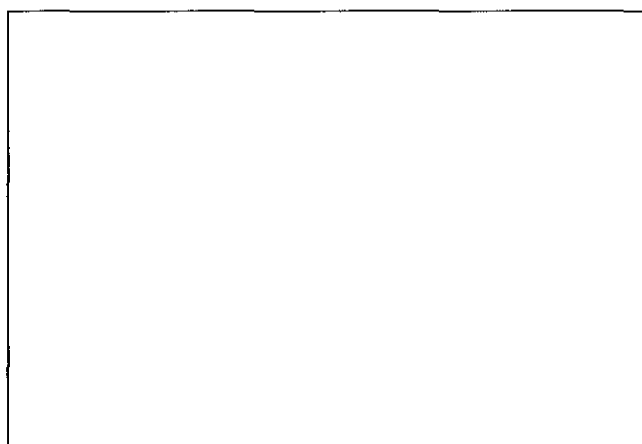
£'000s	Largest European equity investments by value		% of total portfolio
4,708	Royalblue Group	<i>financial software</i>	0.68
3,639	ICT	<i>technical design software</i>	0.52
3,576	ARM	<i>microprocessor designer</i>	0.51
3,257	Global Telesystems	<i>telecommunications services</i>	0.47
2,797	Entra Data	<i>financial software</i>	0.40
2,511	Galen	<i>emerging pharmaceutical supplier</i>	0.36
2,313	Fairey	<i>instrumentation</i>	0.33
2,297	Information Highway	<i>web consultancy</i>	0.33
2,189	Photo Me	<i>photographic booths</i>	0.31
2,179	Framtidsfabriken	<i>web consultancy</i>	0.31

£'000s	Largest European equity investments by value		% of total portfolio
2,078	MMT Computing	<i>information technology services</i>	0.30
1,949	Isotron	<i>irradiation services</i>	0.28
1,867	Telemetrix	<i>analog components</i>	0.27
1,861	Oneview.Net	<i>internet service provider</i>	0.27
1,842	MTL Instruments	<i>instrumentation</i>	0.26
1,628	Kabel New Media	<i>web consultancy</i>	0.24
1,344	Servicepower	<i>scheduling software</i>	0.19
1,267	AFA	<i>financial software</i>	0.18
1,148	Horizon Technology	<i>systems integrator</i>	0.17
1,112	Kazoo3D	<i>visualisation software</i>	0.16

201,335

28.91

Much excitement has been generated by the prospects for third generation wireless systems which will allow for much faster data transfer thereby making practical Internet access from wireless devices. Ericsson is the favourite to capture significant share in the infrastructure market for these 3G wireless networks. The wireless industry, and particularly that area where it overlaps with the components market, generated some of our biggest winners in Europe last year with ARM, Psion, Epcos, Dialog and ST Microelectronics rising on average by over 300%.



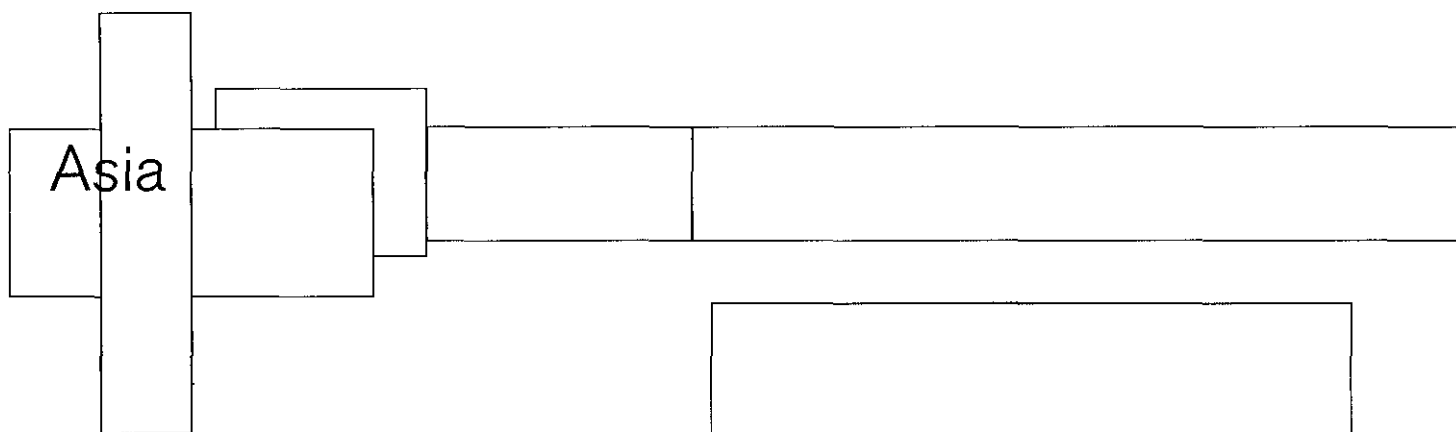
The other major source of our biggest gainers was the Internet. Europe is at least a year behind the USA in the Internet stock market cycle and it was possible even to make money in B2C last year some months after the sub-sector had fallen from grace in the USA. Tiscali generated a 500% return for the fund in spite of our selling the share well before its peak. Our other Internet winners were focussed more on the B2B or Internet infrastructure markets. Secunet (a German security consultancy) and Integra (a French web hosting business) both delivered returns of around 500%.

In such a strong market, it is easy to have a short list of losers; more significant is the number of underperformers. Last year our biggest mistakes were Global Telesystems (an emerging carrier), MMT Computing (a UK IT service provider) and a number of sales made well below the subsequent share price peak. In one case, that of Recognition Systems, this was particularly painful but it highlights an important issue for the fund. In certain of the markets in which we operate, the company is now of a size where there are substantial liquidity issues in buying into micro cap and small cap companies. On a number of occasions over the last year we

have found ourselves forced to either sell out of a small holding where the prospect of achieving a meaningful size seemed poor or to abandon an attempt to buy into a company before we had even acquired a holding. We will see liquidity in these markets improve over time but it has become an issue of growing importance in Europe and it must necessarily influence our asset allocation strategy going forward.

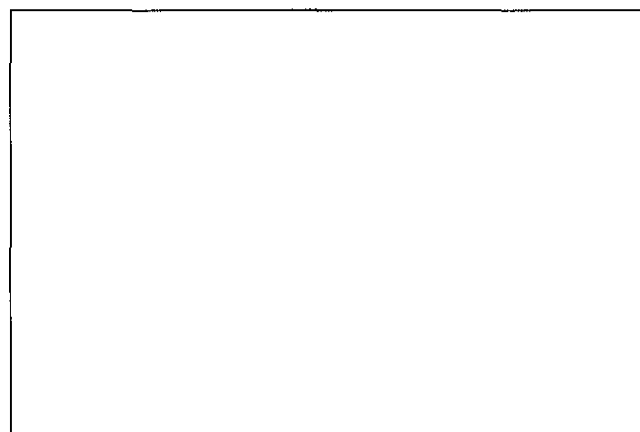
We enjoyed a very good year in Europe. Although we only performed in line with the sector in the UK, we massively outperformed on the Continent where our portfolio rose by 237% in Sterling terms. We have tried hard not to devalue the quality of the portfolio during the recent frenzied surge in technology share prices. This is a trap into which it is easy to fall as there is nothing more frustrating for a fund manager than to see his portfolio outperformed by a host of second rate companies during the latter stages of a bull market. We have, however, certainly made mistakes and, with the benefit of hindsight, I regret not having sold more of our high quality but very highly valued holdings when they reached stratospheric ratings in late February/early March.

To date the market has only made a modest distinction between quality companies and the second and third tier names. This in part reflects the impossibility of selling some of the small and mid cap stocks which forces those raising cash to focus on the more liquid companies. However, we expect to see more discrimination going forward. While the good quality companies will eventually recover, we believe that there is a large amount of rubbish in the sector which is, at best, worthy of incineration. In view of the likely fall out over the next year amongst the lower tier companies and given the extent of the fall, sentiment may take some time to recover not least because European investors are less used to extreme volatility than their US counterparts. We expect the European technology sector to struggle over the summer but begin to recover in the December quarter. However, although we are beginning to see some value emerge, valuations in Europe are higher than in the USA, growth rates are more modest and the quality is lower. Consequently, we expect to continue to move assets away from Europe and towards the USA as we believe that the opportunities across the Atlantic are better than we can find here.



Asian markets produced mixed results over the year. While Japan delivered excellent returns, albeit somewhat flattered by the renewed strength of the Yen, many other markets struggled. Indeed the FTSE Pacific Basin ex Japan Index rose by only 1.2% over the year. Once perceived as offering some of the most impressive growth rates available around the world, Asian markets have struggled to throw off the far less appealing image projected by the 1997-8 crisis. Moreover many of the markets are perceived, quite rightly in our view, as over-exposed to mature, commodity-like, traditional industries and under-represented in the faster growing intellectual property dependent markets. With most global investors fixated on the technology sector over the last year, restructuring stories have often been ignored and Asia has suffered from this oversight.

Economic growth has picked up across the region and will return this year to 6% or more. Much has been achieved in some countries in the form of reorganising the banking sector, reducing corporate leverage and moving towards a more westernised corporate culture. However, reform in some areas has come too slowly for investors and there has been a notable change in the way in which international investors are approaching these markets. Increasingly, the Asian emerging market asset class is being absorbed into representing merely a small sub-segment of global funds. Consequently, many specialist funds are closing and international investors have been withdrawing money from the region. For those investors of a contrarian disposition this seems to be excellent news.



Graph Legend	Index	% change year to 30 April 2000	
		sterling adjusted	sterling adjusted
—	Datastream Pacific Basin		
—	Electronic and Electrical Equipment	+69.9*	+74.8
—	FTSE World Pacific		
—	Basin ex Japan	+1.2	-1.3
—	Tokyo SE (Topix)	+23.3	+40.1
	HTT Japanese Portfolio	+124.6	+155.6
	HTT Asia (ex Japan) Portfolio	+83.7	+108.8

*US\$ return

In recent months Japan has also begun to suffer from investors' impatience at the pace of change. Although there are signs of progress, in many cases the pace of restructuring is not just modest but positively glacial compared with that taking place throughout the western economies. Moreover, the Japanese economy is apparently incapable of moving out of 'slumber' mode. With unemployment still rising and job security steadily diminishing, consumption spending is very weak and the economy can no longer rely on fiscal pump priming given the extent of the budget deficit. The authorities have maintained their policy of zero short term interest rates but, so far, the economy has shown little response.

£'000s	Largest Asian equity investments by value		% of total portfolio
14,612	Advantest	semiconductor test equipment	2.10
8,548	Kyocera	component manufacturer	1.23
7,989	Nihon Dempa Kogyo	communications components	1.15
7,725	Samsung Electronics	diversified electronics manufacturer	1.11
7,280	Disco	semiconductor production equipment	1.05
6,912	United Micro Electronics	wafer foundry	0.99
6,830	Murata	communications components	0.98
6,801	Taiwan Semiconductor	wafer foundry	0.98
6,471	Hon Hai Precision	connectors	0.93

£'000s	Largest Asian equity investments by value		% of total portfolio
5,780	Rohm	components	0.83
5,368	Venture Manufacturing	electronics manufacturing services	0.77
4,432	Furukawa Electric	optical components	0.64
4,141	Hyundai Electronics	diversified electronics manufacturer	0.59
3,578	Hoya	photomasks	0.51
3,481	Kurita Water	ultra pure water systems	0.50
2,733	Datapulse	software replication	0.39
2,134	Siliconware Precision	semiconductor packaging	0.31

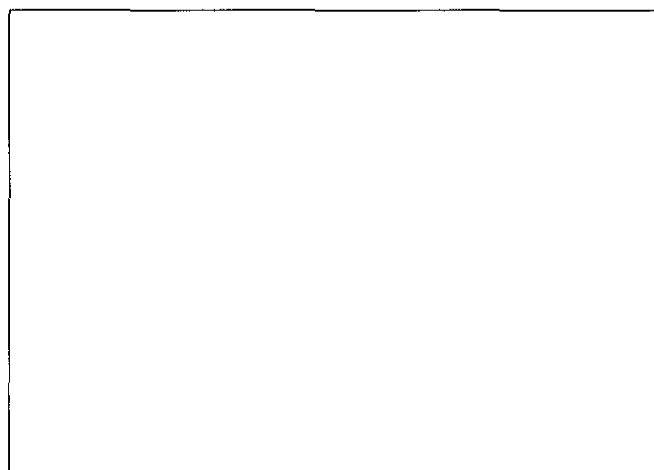
As in the rest of the world, technology shares were the main area of focus for most of the year. Indeed, over the first half of the year, Asian technology shares significantly outperformed those in Europe and the USA. However, while we had anticipated better relative performance from Asia, we had expected it to result from the region's high exposure to the fast recovering semiconductor industry and to be led by Taiwan. Instead Taiwan proved, if anything, to be a laggard, while the technology sector was led forward by the 'new economy' shares of Japan and Korea.

In Japan, two shares stood out as representing the new entrepreneurial growth culture which was supposed to sweep through the moribund Japanese corporate sector. Softbank, a once troubled PC software distributor, transformed itself through a series of enormously successful investments in US internet companies, into a global venture capital fund as well as a gateway into Japan for US technology companies looking to build their business in the region. Hikari Tsushin was established as a mobile phone reseller which then broadened itself into a technology, and especially Internet oriented, incubator fund. The share prices of these two companies soared in 1999 dragging up on their coat tails the share prices of a large number of young and, in some cases, recently listed growth stocks. Institutional and retail money poured into the sector and, between the beginning of June and mid February, the JASDAQ Index rose by almost 200% on top of a rise of 45% over the previous year.

The Japanese experience was mirrored in Korea where a host of new issues with a strong Internet focus participated in the sharp rise in the KOSDAQ Index. Over the latter part of last year and the first quarter of 2000, Asian investors transferred their predilection for gambling to the Internet sector. A succession of IPOs, spin-offs and

re-specialised shell companies with newly injected media and Internet interests raised finance. Many of these commanded extraordinary valuations for businesses with negligible commercial potential.

In Japan, the bubble burst with a profit warning from Hikari, the consequence of very liberal accounting practices and increasing competition in the mobile phone industry. In Korea the weight of new issues ultimately crushed KOSDAQ. In Hong Kong, the flotation of Tom.com, queues of applicants for which caused massive disruption of traffic in the city, marked the peak. Since then the share prices of Internet related and 'new economy' stocks have collapsed with Hikari falling by more than 90% and KOSDAQ by over 50%.



Our focus over the year in Asia was very much on the semiconductor space where we made a major global bet last June. In concentrating on this more traditional industry, I am ashamed to admit that I missed out to a very large extent on the easy pickings amongst Asian growth stocks. Unfortunately, I find it difficult to buy already expensive shares, with questionable or negligible medium

£'000s	Largest Asian equity investments by value		% of total portfolio
1,878	Obic Business Consultants	<i>accounting software</i>	0.27
1,706	TDC Software	<i>IT services</i>	0.25
1,222	Korea Thrunet	<i>internet service provider</i>	0.18
1,025	ASM Pacific	<i>semiconductor production equipment</i>	0.15
110,646			15.91

term growth prospects, purely on the basis that there is some greater fool further down the line who will take these shares off us; – more often than not there is not. Consequently, we performed a good deal less well than we might have done last year in Asia although in recent months we have more than made up the short fall.

Taiwan was our biggest disappointment of the year. Although we did well out of investments in TSMC, UMC and Hon Hai, given the strength of the semiconductor cycle, I expected to do better. However, I underestimated the impact of the (now completed) presidential election in raising cross strait tensions. Political concerns have severely damaged the Taiwanese market's performance.

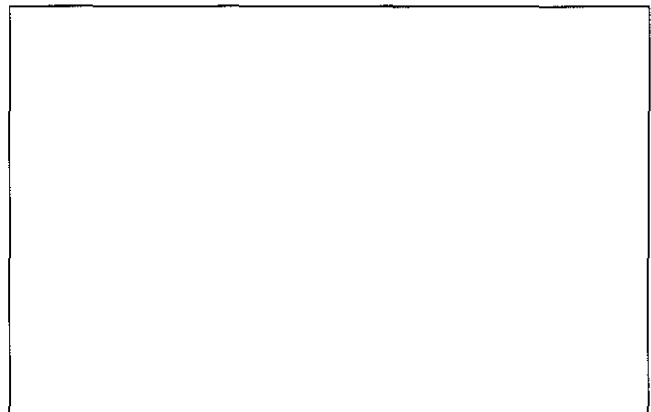
Our semiconductor shares in Japan performed well with Disco rising almost 400% and 150% gains from Advantest, Murata and Rohm. Our overall performance in Japan was quite satisfactory but we suffered a few disappointments in the software sector with our investments in Fujisoft and TDC, most of which have now been sold.

Until very recently our Asian weighting had been left intact but, over the last few months, we have taken almost a half out of our Japanese exposure, retaining it in cash with a view to reinvesting in the USA. Our Taiwanese weighting remains unchanged as the sector there is genuinely cheap with growth likely to be very strong over the next eighteen months.

Asia is still struggling to upgrade its technology industry. Although there are some excellent companies in India and there are encouraging signs in Korea, too much of the industry in Asia is based on commodity manufacturing. This makes it hard to justify increasing our weighting as, to a large extent, the most attractive companies in Asia are

simply derived plays on US intellectual property. It is critical, if the Asian corporate mould (more of a stranglehold in practice) is to be broken, that the collapse in the Asian Internet sector does not derail the emergence of a more entrepreneurial culture. However, we need to see less of the 'get rich quick' mentality and more evidence of entrepreneurs building businesses for the medium term based on differentiated intellectual property. I thought it a depressing indictment of Japanese technology that by far the most impressive company I met on my last trip was Oracle Japan, the subsidiary of the US database software giant.

Valuations in Asia are mixed with some attractively rated companies in Singapore, Korea and Taiwan. However, in Japan, the scarcity value of quality growth stocks ensures



that their ratings remain far ahead of their US counterparts. Oracle Japan for example, not a repository of intellectual property but simply the distribution and implementation arm of Oracle US trades at a prospective PE of 624 for 35% growth. By contrast, its parent sells on a PE of 102 for similar growth. With such pricing anomalies, it makes sense for us to focus more time on the USA until the Japanese and Asian universes either move to discount ratings or improve in their breadth and quality.

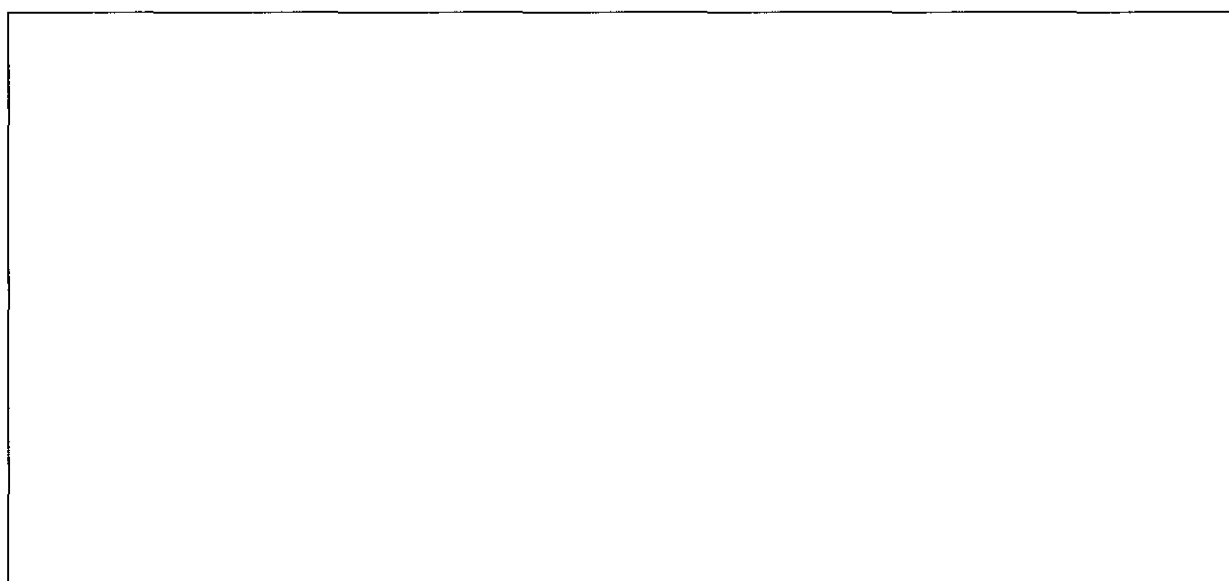
Classification of Investments and other Net Assets

at 30 April 2000

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 2000 %	Total 1999 %
Computing	5.4	0.2	1.2	6.8	7.4
Components	11.3	6.0	12.8	30.1	23.6
Software	8.0	5.8	0.3	14.1	9.5
IT Services	1.7	8.5	0.3	10.5	13.2
Communications	11.5	6.1*	2.0	19.6	15.4
Internet	4.7	1.7	0.2	6.6	7.1
Life Sciences	0.7	0.8	0.1	1.6	4.5
Other Technology	2.4	1.4	–	3.8	5.1
Unquoted Investments	–	0.2	–	0.2	0.3
EQUITY INVESTMENTS	45.7	30.7	16.9	93.3	86.1
Gilts and Fixed Term Bank Deposits	–	10.8	–	10.8	16.7
Net Current Assets	1.1	(3.4)	0.4	(1.9)	1.8
Loans	–	–	(2.2)	(2.2)	(4.6)
OTHER NET ASSETS	1.1	7.4	(1.8)	6.7	13.9
GRAND TOTAL (net assets of £668,727,000)	46.8	38.1	15.1	100.0	100.0
At 30 April 1999 (net assets of £279,946,000)	40.5	47.9	11.6	100.0	100.0

*Including convertibles of 0.2%



Largest Investments

The largest 15 investments at 30 April 2000

	Value of holding (£'000)		Market Capitalisation (£)	Historic growth	Historic P/E	Prospective growth	Prospective P/E	Share price growth
Advantest (JAP)	14,612	<i>Leading supplier of semiconductor test systems</i>	14.7bn	18%	110	56%	70	171%
Ericsson (SWE)	13,680	<i>Major supplier of wireless infrastructure</i>	108.6bn	10%	105	48%	74	360%
Xilinx (USA)	12,639	<i>Leading producer of programmable logic devices</i>	15.4bn	74%	98	50%	65	221%
Siebel (USA)	12,328	<i>Market leader in customer relationship management software</i>	15.8bn	85%	201	42%	142	539%
Texas Instruments (USA)	10,929	<i>Leading producer in the digital signal processing market</i>	85.9bn	104%	78	27%	61	219%
Oracle (USA)	10,728	<i>Global leader in database management software</i>	146.3bn	75%	143	33%	107	491%
Epcos (GER)	10,414	<i>Major producer of capacitors</i>	6.0bn	96%	65	62%	40	400%*
Teradyne (USA)	10,193	<i>US leader in semiconductor and telecommunications test equipment</i>	12.3bn	214%	70	117%	32	366%
Applied Materials (USA)	10,106	<i>Global leader in semiconductor production equipment</i>	52.9bn	374%	61	84%	33	280%
Motorola (USA)	9,886	<i>Diversified manufacturer of wireless equipment and semiconductors</i>	55.0bn	281%	50	43%	35	49%
BEA (USA)	9,867	<i>Major supplier of enterprise application integration software</i>	11.6bn	225%	371	62%	230	1176%
Ciena (USA)	9,480	<i>Producer of dense wave division multiplexing equipment</i>	11.3bn	(37)%	562	305%	139	426%
Bookham (UK)	9,390	<i>Emerging supplier of optical components</i>	3.7bn	--	--	--	--	204%*
Scientific Atlanta (USA)	9,147	<i>Leading producer of cable and satellite equipment</i>	6.7bn	118%	88	41%	63	310%
Cisco (USA)	9,086	<i>World leader in Networking equipment</i>	310.1bn	32%	141	35%	105	143%

The valuations of these investments total £162,485,000 or 23.2% of the fixed asset investments of the Company.

Key: Historic = the last reported 12 months
Prospective = the forthcoming 12 months

P/E = price earnings ratio
Share price growth is shown in absolute terms for the year ended 30 April 2000 or from Initial Public Offering.

Growth = earnings per share (where asterisked, revenues)

Source: First Call

Also included in the portfolio are UK Treasury Bills with a total value of £72,290,000 as at 30 April 2000.

Report of the Directors

The directors present the audited accounts of the Company for the year ended 30 April 2000.

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 1999. 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.

In 1998, the Company revoked its investment company status within the meaning of section 266 of the Companies Act 1985. Such revocation has not, however, had any adverse consequences for shareholders. In particular, it should be appreciated that the Company's eligibility for approval as an investment trust for taxation purposes has not been affected in any way by the loss of investment company status and, accordingly, any gains made by the Company were exempt from taxation during the most recent period for which such approval was granted.

In November 1999, company legislation was amended to permit companies to purchase their own shares out of capital whilst retaining investment company status.

In order for the Company to reapply for investment company status it would first be required to amend its Articles of Association. In view of the fact that the loss of such status has not had and will not have any adverse consequences for shareholders, the Board has decided that the Company's Articles of Association will not be amended until such time that other significant amendments are also required to be made.

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 21.

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

2000, 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 £8,589,000 and the net loss after taxation amounted to £41,320,000. The directors do not recommend the payment of a dividend.

Assets

At 30 April 2000 the total net assets of the Group amounted to £668,727,000 compared with £279,946,000 at 30 April 1999. The net asset value per ordinary share, on a fully diluted basis, increased by 125.8% from 175.3p to 395.8p.

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 base 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 base management fee calculation. VAT is payable on the fees where applicable.

In addition, Henderson has been entitled to a performance fee, in respect of each accounting period of the Company. To date this has been 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 exceeded the increase in the FTSE World Index, sterling adjusted, over such period. A performance fee is payable in respect of the period ended 30 April 2000 on this basis.

Under the new fee arrangements from 1 May 2000, the performance fee will be split into two parts. The first part will be at the rate of 10% of the amount, if any, by which the increase in the undiluted net asset value of the ordinary shares over the financial year exceeds the increase in the benchmark over the year. The benchmark is

Report of the Directors

continued

a blend of worldwide technology indices, comprising 50% Pacific SE (USA) Technology, 15% Morgan Stanley Eurotec, 7.5% Techmark, 7.5% Euro NM, 15% Datastream Asian Electronics and 5% JASDAQ. The second part comprises a longer term incentive and will be at the rate of 5% of the amount, if any, by which the increase in the undiluted net asset value of the ordinary shares over each three year period exceeds LIBOR +5% over the same period. Each three year period will be discrete and hence the first will end on 30 April 2003.

In the event of any underperformance, the arrangements include a mechanism whereby Henderson will only be paid subsequent fees once the levels on which previous fees have been based are exceeded.

Transitional arrangements are being proposed for the first year (to 30 April 2001) under which the Company will pay a performance fee to Henderson based on the lower of what would have been payable (if anything) under either the new or the old arrangements.

In addition, the management fee will become payable at the end of each quarter based on the gross assets (less liabilities other than borrowings made for investment purposes) at the end of that quarter.

All publications of the Company's NAV take account of any performance fee owing or potentially owing.

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.

Substantial Share Interests

At 15 June 2000 notices have been received of the following substantial interests in the issued ordinary share capital of the Company:

Prudential Corporation plc	5.88%
Halifax Group plc	5.28%

Directors

The directors of the Company at the date of this report are

shown on page 2. All of the directors held office throughout the year. At the forthcoming Annual General Meeting Mr Ashford-Russell and Mr P F Dicks will retire and offer themselves for re-appointment. The interests of directors in the ordinary shares and warrants of the Company, at 30 April 2000 and at 1 May 1999, are set out below:

Directors' Interests:	Ordinary Shares		Warrants	
	30.04.00	1.05.99	30.04.00	1.05.99
<i>With beneficial interest:</i>				
R K A Wakeling	10,000	10,000	2,000	2,000
B J D Ashford-Russell	183,540	185,340	100,124	100,124
C G Clarke	60,000	60,000	21,309	21,309
P F Dicks	25,000	25,000	5,000	5,000
Professor J D Rhodes	-	-	-	-
C J M Stutterheim	-	-	-	-
<i>With non-beneficial interest:</i>				
P F Dicks	1,057	1,057	-	-

Mr Wakeling, Mr Dicks, Professor Rhodes and Mr Stutterheim are independent of 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 pages 26 to 28.

Auditors

The Company's auditors, 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 45.

Authority to Allot Shares and Disapply Pre-emption Rights

On 28 July 1999 the directors were granted power to allot authorised but unissued ordinary shares. This

Report of the Directors

continued

authority will expire at the Annual General Meeting in July 2000. 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 2000.

Appropriate resolutions to renew both authorities will be proposed at the 2000 Annual General Meeting and are set out in full in the Notice of Meeting on page 45. An ordinary resolution will be proposed to authorise the directors to allot shares up to an aggregate nominal amount of £12,308,550 (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 £1,846,282 (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.

If renewed, both of these authorities will expire at the conclusion of the Annual General Meeting in 2001.

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

At the Annual General Meeting held on 28 July 1999, a special resolution was passed giving the directors authority, until the conclusion of the 2000 Annual General Meeting, to make market purchases of the Company's own issued ordinary shares for cancellation up to a maximum of approximately 14.99% (22,140,620 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 £284.6m. 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.

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 22,140,620 ordinary shares, representing approximately 14.99% 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 2001 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-purchase of warrants has been made during the year:

Report of the Directors

continued

Date of Purchase	Number of Warrants	Price per Warrant
1 July 1999	150,000	£0.88

Additionally, 483,397 warrants to subscribe to ordinary shares were exercised following the subscription in September 1999.

As at 30 April 2000, there were 28,438,218 warrants in issue (1999: 29,071,615).

A warrant holder has the right to subscribe for ordinary shares of 25p each in the Company on 30 September in any of the years 1999 to 2005 inclusive, at a price of 100p per ordinary share.

The total number of warrants to subscribe for ordinary shares in the Company as at 15 June 2000 (being the latest practicable date prior to publication to this document) was 28,438,218. If exercised in full, ordinary shares issued on exercise of the Company's warrants would represent 19.3% of the Company's issued share capital at that date. If the unused portion of the Company's existing authority to purchase its own shares and the new authority being sought were both to be exercised in full, ordinary shares issued on exercise of the Company's warrants would represent 27.5% of the Company's issued share capital.

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 2000.

Year 2000 Statement

The directors of Henderson Technology Trust PLC have been advised by Henderson plc, and its subsidiaries

("Henderson") which provide investment management, UK custodial, accounting, administrative and company secretarial services to the Company that the corporate action programme initiated by Henderson has been satisfactorily completed and that at the date of this document no material or significant problems affecting the Company have arisen from the Year 2000 date change. Costs relating to this project were borne by Henderson.

Going Concern

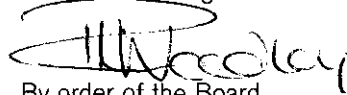
The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, has adequate financial resources to continue in operational existence for the foreseeable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

Nominee Code

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.



By order of the Board

Henderson Secretarial Services Limited,

Secretary

15 June 2000

Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

Application of the Code's Principles

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

The Board and Committees

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

The Board meets seven times a year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The investment manager takes decisions as to the purchase and sale of individual investments. The investment manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the investment manager attend each Board meeting enabling directors to probe further on matters of concern or seek clarification on certain issues. 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 Board procedures are followed.

The Chairman of the Company 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.

When a director is appointed he is offered an induction seminar which is held by the investment manager. Changes in directors' responsibilities are advised as they arise.

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 an agreed procedure. In accordance with the AITC recommendation, a management engagement committee, with defined terms of reference, has been established, which consists of all the independent non-executive directors, to review and discuss the terms of the appointment of 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. This committee is responsible for review of the annual accounts and interim report, terms of appointment of the auditors together with their remuneration as well as the 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 on the Company.

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

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. The Board have agreed without changing its Articles at present, that the directors will retire every three years to ensure compliance with Code Provision A.6.2.

Remuneration

The Board as a whole considers directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company in an investment trust and all

Corporate Governance

continued

directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in note 7 to the Accounts.

Internal Controls

The Board has previously reported on internal financial controls in line with the issued guidelines. New guidelines were issued in late September 1999 for the review of internal controls ("the Turnbull guidance"). As permitted by the UK Listing Authority the Company has adopted the transitional approach for reporting on the internal control aspects of the Combined Code.

The Board has undertaken a full review of all the aspects covered by the Turnbull guidance and believes that there is a robust and dynamic framework, substantially in place to meet the requirements of the Code. It is currently finalising its review of all the measures necessary to implement the Turnbull guidance in full. It is the Board's intention to be compliant with the guidance by December 2000.

Until full compliance with the Turnbull guidance is achieved the UK Listing Authority had permitted the directors to report on internal financial control in accordance with the existing guidance for directors on internal control and financial reporting which was issued in December 1994.

The directors are responsible for the internal financial controls 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 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.

The Board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting and 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 a biannual meeting 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 investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls. These are assessed by the investment manager's risk management services department and the compliance and business risk department 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.

The directors' statement of responsibilities in respect of the accounts can be found on page 28.

The report of the auditors can be found on page 29.

Exercise of Voting Powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

Relations with Shareholders

The investment manager has an annual programme of meetings with substantial shareholders and reports back to the Board on these meetings.

The Board is very conscious that the Annual General Meeting is an event which private 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. The investment manager makes a presentation

Corporate Governance

continued

to the meeting and proxy votes are relayed. The Company has adopted a nominee share code which is set out on page 25.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end and holding the earliest possible Annual General Meeting is valuable. Twenty working days' notice of the Annual General Meeting to shareholders as required under Code Provision C.2.4. has been given this year.

The Notice of Meeting sets out the business of the meeting and the special resolutions are explained more fully in the Report of the Directors on pages 23 and 24. Separate resolutions are proposed for each substantive issue.

Statement of Compliance

The directors consider that during the period the Company has complied with all the material provisions set out in the Code.

It did not, however, comply with the following provisions as explained:

- a remuneration committee has not been established;
- a nominations committee has not been established;
- a senior non-executive director has not been identified.

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.

Auditors' Report

to the members of Henderson Technology Trust PLC

We have audited the financial statements on pages 30 to 43.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Report and Accounts. As described on page 28, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the UK Listing Authority 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 United Kingdom 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 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 page 28 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

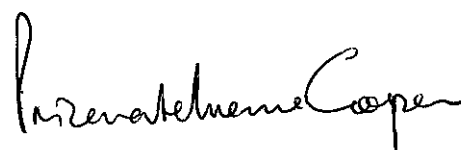
Basis of Audit opinion

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 2000 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
Chartered Accountants and Registered Auditors
London
15 June 2000.

Group Statement of Total Return (incorporating the revenue account)

for the year ended 30 April 2000

Notes	Year ended 30 April 2000			Year ended 30 April 1999 (Restated)*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
2	-	429,750	429,750	-	81,935	81,935
	-	(85)	(85)	-	(40)	(40)
3	2,073	-	2,073	1,256	-	1,256
4	6,516	-	6,516	2,036	-	2,036
	8,589	429,665	438,254	3,292	81,895	85,187
5	(48,627)	-	(48,627)	(6,690)	-	(6,690)
6, 7	(636)	-	(636)	(241)	-	(241)
	(40,674)	429,665	388,991	(3,639)	81,895	78,256
8	(593)	-	(593)	(125)	-	(125)
	(41,267)	429,665	388,398	(3,764)	81,895	78,131
9	(53)	-	(53)	(25)	-	(25)
	(41,320)	429,665	388,345	(3,789)	81,895	78,106
10	(Loss)/return per ordinary share					
	(28.02p)	291.32p	263.30p	(2.57p)	55.63p	53.06p
	-	260.42p	235.38p	-	53.87p	51.38p

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

*Restated in accordance with FRS16, as set out in note 1(c) on page 33.

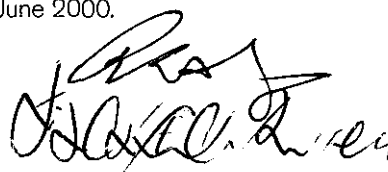
The notes on pages 33 to 43 form part of these accounts

Balance Sheets

at 30 April 2000

Notes	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
11 to 14 Fixed asset investments				
Listed at market value:				
United Kingdom (excluding fixed interest)	113,252	63,425	113,252	63,425
Investment in TR Technology PLC (in liquidation)	3,043	3,126	3,043	3,126
United Kingdom fixed interest	72,290	46,803	72,290	46,803
Overseas	505,655	175,497	505,655	175,497
	694,240	288,851	694,240	288,851
Unlisted at directors' valuation:				
Subsidiary undertaking	-	-	4,448	309
Other United Kingdom	1,724	71	1,724	71
Overseas	427	353	427	353
	696,391	289,275	700,839	289,584
Current assets				
15 Debtors	1,670	6,112	3,996	6,688
Cash	46,806	7,532	40,031	6,647
	48,476	13,644	44,027	13,335
16 Creditors: amounts falling due within one year	(61,357)	(9,965)	(61,356)	(9,965)
Net current (liabilities)/assets	(12,881)	3,679	(17,329)	3,370
Total assets less current liabilities	683,510	292,954	683,510	292,954
17 Creditors: amounts falling due after more than one year	(14,783)	(13,008)	(14,783)	(13,008)
Total net assets	668,727	279,946	668,727	279,946
Capital and reserves				
19 Called up share capital	36,926	36,805	36,926	36,805
20 Share premium	87,145	86,630	87,145	86,630
21 Warrant reserve	8,967	9,167	8,967	9,167
22 Other capital reserves	582,006	152,341	586,454	152,650
23 Revenue reserve	(46,317)	(4,997)	(50,765)	(5,306)
25 Equity shareholders' funds	668,727	279,946	668,727	279,946
26 Net asset value per ordinary share				
- undiluted	452.75p	190.16p	452.75p	190.16p
- diluted	395.80p	175.29p	395.80p	175.29p

The accounts were approved by the Board of directors on 15 June 2000.



{ R K A Wakeling
B J D Ashford-Russell

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 Change in accounting policy

The Company has adopted Financial Reporting Standard (FRS) 16 "Current Tax" under which UK franked dividend income should be accounted for net of the attributable tax credits. The comparative figures for the year ended 30 April 1999 have been restated accordingly. The effect of this change is that net return on ordinary activities before taxation is reduced by £65,000 (1999: £108,000). However, there is no effect on the revenue or capital returns per share, nor on the net asset value per share.

d 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.

e 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.

f 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 capital reserves.

g 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 capital reserves.

h 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.

i 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.

Notes to the Accounts

continued

j 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.

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

l Loss of investment company status

In the year to 30 April 1999 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 £159,771,000 (1999: £24,941,000) and realised exchange losses of £173,000 (1999: £662,000) as well as the loss on the repurchase of warrants of £85,000 (1999: £40,000). 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 2000 £'000	Year ended 30 April 1999 £'000
Net realised gains based on historical cost	193,575	32,440
Less: amounts recognised as unrealised in the previous year	(33,804)	(7,499)
	<hr/>	<hr/>
Realised gains based on carrying value at previous balance sheet date	159,771	24,941
Net movement in unrealised appreciation	271,927	58,973
Net loss on foreign exchange movements	(1,948)	(1,979)
	<hr/>	<hr/>
	429,750	81,935

Notes to the Accounts

continued

3 Income from fixed asset investments	Year ended 30 April 2000 £'000	Year ended 30 April 1999 (Restated) £'000
Franked:		
Listed investments	571	458
Unlisted investments	18	35
	<u>589</u>	<u>493</u>
Unfranked:		
Listed investments		
Dividend income	573	278
Interest income	911	485
	<u>1,484</u>	<u>763</u>
Total income from fixed asset investments	<u>2,073</u>	<u>1,256</u>

4 Other interest receivable and similar income	Year ended 30 April 2000 £'000	Year ended 30 April 1999 £'000
Bank interest	711	778
Underwriting commission	22	2
Dealing profits	5,783	1,256
	<u>6,516</u>	<u>2,036</u>

5 Management fee (charged wholly to revenue)	Year ended 30 April 2000 £'000	Year ended 30 April 1999 £'000
Management fee	3,275	1,894
Performance fee	43,111	4,502
Irrecoverable VAT thereon	2,241	294
	<u>48,627</u>	<u>6,690</u>

A summary of the terms of the management agreement is given in the Report of the Directors on pages 22 and 23.

6 Other administrative expenses	Year ended 30 April 2000 £'000	Year ended 30 April 1999 £'000
Directors' fees (note 7)	51	51
Auditors' remuneration:		
For audit services	19	17
For non-audit services	-	2
AITC <i>its</i> Campaign	123	-
Share plan administration fee	70	5
Other expenses	356	161
Irrecoverable VAT	17	5
	<u>636</u>	<u>241</u>

Notes to the Accounts

continued

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 £6,389,000 (1999: £780,000). This amount, together with the amounts paid by the Company to the other directors, is included in the analysis below:

	Year ended 30 April 2000 £'000	Year ended 30 April 1999 £'000
Fees (paid by the Company)	33	33
Salary and other benefits (paid by Henderson)	63	71
Performance related bonus (paid by Henderson)	6,326	709
Total emoluments, excluding amounts paid to third parties	6,422	813
Fees paid to third parties (including Henderson)	18	18
Pension contribution (paid by Henderson)	9	6

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 £6,389,000 and his accrued pension amounted to £24,000 per annum as at 30 April 2000 (1999: £23,000 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 2000. It excludes allowance for increases between leaving service and retirement and any amounts attributable to voluntary contributions. Collectively the remaining directors received fees of £51,000.

8 Interest payable and similar charges

	Year ended 30 April 2000 £'000	Year ended 30 April 1999 £'000
Interest on loans and overdrafts repayable within one year	414	46
Interest on loans repayable in more than one but less than two years	179	79
	593	125

9 Taxation

	Year ended 30 April 2000 £'000	Year ended 30 April 1999 (Restated) £'000
Overseas withholding tax	53	25
	53	25

Notes to the Accounts

continued

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 £41,320,000 (1999: £3,789,000) and on 147,489,961 (1999: 147,209,643) 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 £429,665,000 (1999: £81,895,000) 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). 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 164,986,341 (1999: 152,022,886).

11 Changes in fixed assets	Group £'000	Company £'000
Valuation at 1 May 1999	289,275	289,584
Unrealised appreciation	62,372	62,681
Cost at 1 May 1999	226,903	226,903
Additions at cost	557,206	557,206
Disposals at cost	(388,213)	(388,213)
Cost at 30 April 2000	395,896	395,896
Unrealised appreciation	300,495	304,943
Valuation at 30 April 2000	696,391	700,839

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 £4,448,000 relating to the subsidiary (1999: £309,000). The cost of investment in the subsidiary was £2 (1999: £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 1999. The value included in fixed asset investments is £3,043,000 (1999: £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 2000.

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	-	-

Notes to the Accounts

continued

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 33 1/3% 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 (1999: 5) investee companies. At 30 April 2000 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 Debtors	Group 30 April 2000 £'000	Group 30 April 1999 £'000	Company 30 April 2000 £'000	Company 30 April 1999 £'000
Sales for future settlement	1,178	5,835	1,178	5,835
Income tax and overseas tax recoverable	25	27	25	27
Prepayments and accrued income	464	221	437	217
Amounts due from subsidiary undertaking	-	-	2,353	580
Other debtors	3	29	3	29
	1,670	6,112	3,996	6,688

16 Creditors: amounts falling due within one year	Group 30 April 2000 £'000	Group 30 April 1999 £'000	Company 30 April 2000 £'000	Company 30 April 1999 £'000
Purchases for future settlement	15,523	3,326	15,523	3,326
Accruals	45,834	5,051	45,833	5,051
Bank overdrafts	-	1,588	-	1,588
	61,357	9,965	61,356	9,965

17 Creditors: amounts falling due after more than one year	Group and Company 30 April 2000 £'000	Group and Company 30 April 1999 £'000
The Group has the following unsecured Japanese Yen loans:		
¥1,400m at a fixed rate of 1.375% repayable 23 July 2001	8,278	7,284
¥1,100m at a fixed rate of 1.01% repayable 15 April 2002	6,505	5,724
	14,783	13,008

Notes to the Accounts

continued

18 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 Report and Accounts;
- 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 comprising 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 17 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 fund 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) Interest rate 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.

Notes to the Accounts

continued

18 Derivatives and other financial instruments (continued)

Included in fixed asset investments at 30 April 2000 were UK Treasury bills with a market value of £72,290,000 (1999: £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 5.5% (1999: 4.95%). Also included in fixed asset investments at 30 April 2000 were outstanding options contracts with a total value of £3,148,000 (1999: £218,000).

Financial liabilities

The interest rate profile of the Group's financial liabilities at 30 April 2000 was:

Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Yen	14,783	–	14,783

The weighted average interest rate on the above liabilities was 1.214% (1999: 1.214%).

The weighted average period for which the interest rate is fixed was 1.6 years (1999: 2.6 years).

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

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

	2000 £'000	1999 £'000
In one year or less, or on demand	–	1,588
In more than one year but not more than two years	14,783	–
In more than two years but not more than five	–	13,008
	14,783	14,596

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

	2000 £'000	1999 £'000
Expiring in one year or less	35,000	67,285
In more than two years but not more than five	–	5,724
	35,000	73,009

(d) Currency exposure

	Investments denominated in overseas currencies £'000	Net monetary assets/ (liabilities) £'000	Net foreign currency monetary assets £'000
US dollar	322,845	7,149	329,994
Euro	37,708	2,058	39,766
Yen	66,873	(14,783)	52,090
Other non-sterling	83,170	3,444	86,614
Sub Total	510,596	(2,132)	508,464
Sterling	185,795	(25,532)	160,263
Total net assets	696,391	(27,664)	668,727

Notes to the Accounts

continued

18 Derivatives and other financial instruments (continued)

(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 2000:

	Book value £'000	Fair value £'000
Long-term borrowings	14,783	14,790

The fair value of the foreign currency long-term fixed rate debt with a carrying amount of £14,783,000 has been determined by reference to discounted cashflow calculations.

19 Called up share capital

Authorised:

860,000,000 ordinary shares of 25p

	Group and Company 30 April 2000 £'000	Group and Company 30 April 1999 £'000
	215,000	215,000

Allotted, called up and fully paid:

147,702,603 (1999: 147,219,206) ordinary shares of 25p

	36,926	36,805
--	---------------	--------

During the year 483,397 ordinary shares of 25p (with a nominal value of £120,849) were issued on the exercise of warrants, for a total consideration of £483,397.

20 Share premium

At 1 May 1999

Exercise of warrants for ordinary shares

Transfer from warrant reserve on exercise of warrants

At 30 April 2000

Group
and Company
£'000

86,630

362

153

87,145

21 Warrant reserve

At 1 May 1999

Transfer to share premium on exercise of warrants

On repurchase of warrants

At 30 April 2000

Group
and Company
£'000

9,167

(153)

(47)

8,967

Warrantheolders 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 2000 to 2005 inclusive at a price of 100p per share. During the year 150,000 warrants for a total consideration of £132,264 were repurchased for cancellation. At 30 April 2000 there were 28,438,218 warrants outstanding (1999: 29,071,615).

Notes to the Accounts

continued

22 Other capital reserves

a Group	Unrealised appreciation £'000	Realised gains £'000	Total £'000
At 1 May 1999	61,055	91,286	152,341
Transfer on disposal of assets	(33,804)	33,804	-
Net gains on fixed asset investments	271,927	159,771	431,698
Net loss on foreign exchange	(1,775)	(173)	(1,948)
Repurchase of warrants	-	(85)	(85)
At 30 April 2000	297,403	284,603	582,006

b Company	Unrealised appreciation £'000	Realised gains £'000	Total £'000
At 1 May 1999	61,364	91,286	152,650
Transfer on disposal of assets	(33,804)	33,804	-
Net gains on fixed asset investments	276,066	159,771	435,837
Net loss on foreign exchange	(1,775)	(173)	(1,948)
Repurchase of warrants	-	(85)	(85)
At 30 April 2000	301,851	284,603	586,454

23 Revenue reserve

	Group £'000	Company £'000
At 1 May 1999	(4,997)	(5,306)
Deficit for the period	(41,320)	(45,459)
At 30 April 2000	(46,317)	(50,765)

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 £45,459,000 (1999: £3,692,000).

24 Capital Commitments

At 30 April 2000 the Group had commitments of £800,000 in respect of undertakings to make further loans to an investee limited partnership (1999: nil).

25 Group reconciliation of movement in equity shareholders' funds

	Year ended 30 April 2000 £'000	Year ended 30 April 1999 £'000
Net loss after taxation	(41,320)	(3,789)
Increase in capital reserves	429,665	81,895
	388,345	78,106
Exercise of warrants for ordinary shares	483	21
Repurchase of warrants	(47)	(72)
Net increase in shareholders' funds	388,781	78,055
Equity shareholders' funds at 1 May	279,946	201,891
Equity shareholders' funds at 30 April	668,727	279,946

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 £668,727,000 (1999: £279,946,000) and on the 147,702,603 ordinary shares in issue at 30 April 2000 (1999: 147,219,206).

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 28,438,218 warrants in issue at 30 April 2000 (1999: 29,071,615) 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 value per share is calculated by dividing the net assets of £668,727,000 by the 164,986,341 weighted average number of shares, derived as described in note 10. Under this method the diluted net asset value per share is 405.32p (1999: 184.15p).

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

	£'000
Total net assets at 1 May 1999	279,946
Exercise of warrants for ordinary shares	483
Repurchase of warrants	(47)
Net return on ordinary activities after taxation	388,345
Total net assets at 30 April 2000	668,727

	Year ended 30 April 2000 £'000	Year ended 30 April 1999 (Restated) £'000
27 Reconciliation of operating revenue to net cash outflow from operating activities		
Net loss before interest payable and taxation	(40,674)	(3,639)
Net sale of trading stock	-	57
Increase in accrued income	(179)	(220)
(Increase)/decrease in other debtors	(38)	6
Increase in other creditors	40,772	2,327
UK income tax deducted at source	(18)	(26)
Overseas withholding tax suffered	(56)	(25)
Scrip dividends included in investment income	(19)	-
Net cash outflow from operating activities	(212)	(1,520)

	At 1 May 1999 £'000	Cash Flow £'000	Exchange Movements £'000	At 30 April 2000 £'000
28 Analysis of changes in net funds				
Cash at bank and overdrafts	5,944	41,226	(364)	46,806
Debts falling due after more than one year	(13,008)	-	(1,775)	(14,783)
Net (debt)/funds	(7,064)	41,226	(2,139)	32,023

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 pages 22 and 23. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 30 April 2000 was £46,386,000, excluding VAT, (1999: £6,396,000) of which £43,535,000 is included in creditors at 30 April 2000 (1999: £4,701,000). 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 2000 amounted to £70,000 (excluding VAT) (1999: £5,000) of which £45,000 (1999: £5,000) was outstanding at 30 April 2000.

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 6 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

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

For each ordinary share of 25p each:

For each stepped preference share of 25p each:

For each zero dividend preference share of 25p each:

Henderson Technology Trust PLC

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.

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.

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.

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Henderson Technology Trust PLC will be held at Vinopolis, Stoney Street, London SE1 9BU on Thursday 27 July 2000 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 2000.
- 2 To re-appoint Mr B J D Ashford-Russell as a director of the Company.
- 3 To re-appoint M P F Dicks 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 £12,308,550 (being approximately one third of the issued share capital) 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 £1,846,282 (being approximately 5% of the Company's issued share capital).
- 8 The Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of 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 22,140,620;
 - (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;

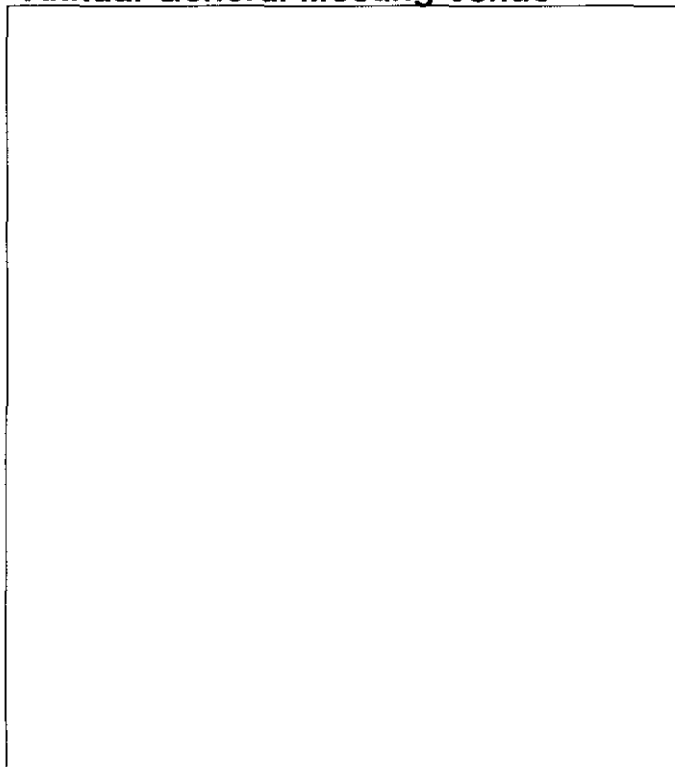
Notice of Annual General Meeting

continued

- (iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2001 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
- (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. 15 June 2000

Annual General Meeting Venue



Shareholders are asked to use the rear entrance to Vinopolis which is located in Stoney Street, off Clink Street, London SE1 9BU. The closest rail/tube station is London Bridge. A travelator links London Bridge station, to Borough Market on Stoney Street.

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 close of business on 25 July 2000 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 the close of business on 25 July 2000 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

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 six 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 020 7282 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.

Performance Details

Details of the performance of Henderson Technology can be found 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 Companies". The ordinary share price is also published in The Times and The Daily Telegraph.

The London Stock Exchange Daily Official List (SEDOL) codes are:

Ordinary Shares – 0422002
Warrants – 0422035

Financial Calendar

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

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

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 27 July 2000. A notice of this meeting setting out the business that will be proposed is on page 45 and 46 of this report. 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.

Investor Information

continued

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 Mrs R L Woodley ACIS

Registered Office

3 Finsbury Avenue
London EC2M 2PA
Telephone: BT: 020 7638 5757
Mercury: 020 7410 4100
Facsimile: 020 7377 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
Southwark Towers
32 London Bridge St
London SE1 9SY

Bankers

Chase Manhattan Bank
125 London Wall
London EC2Y 5AJ

Stockbrokers

UBS Warburg
1 Finsbury Avenue
London EC2M 2PP

Solicitors

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Copies of this Report and Accounts or other documents issued by Henderson Technology Trust PLC are available from the Company Secretary.

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

You can contact our Registrars, Lloyds TSB Registrars Scotland, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for the Deaf) the number is 0800 959 598.

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

For shareholders attending the Annual General Meeting of the Company an induction loop is available for hearing aid wearers.

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) 20 7452 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 020 7410 4100.

Henderson Technology Trust PLC is
managed by



Henderson
Investors

An **AMP** Company