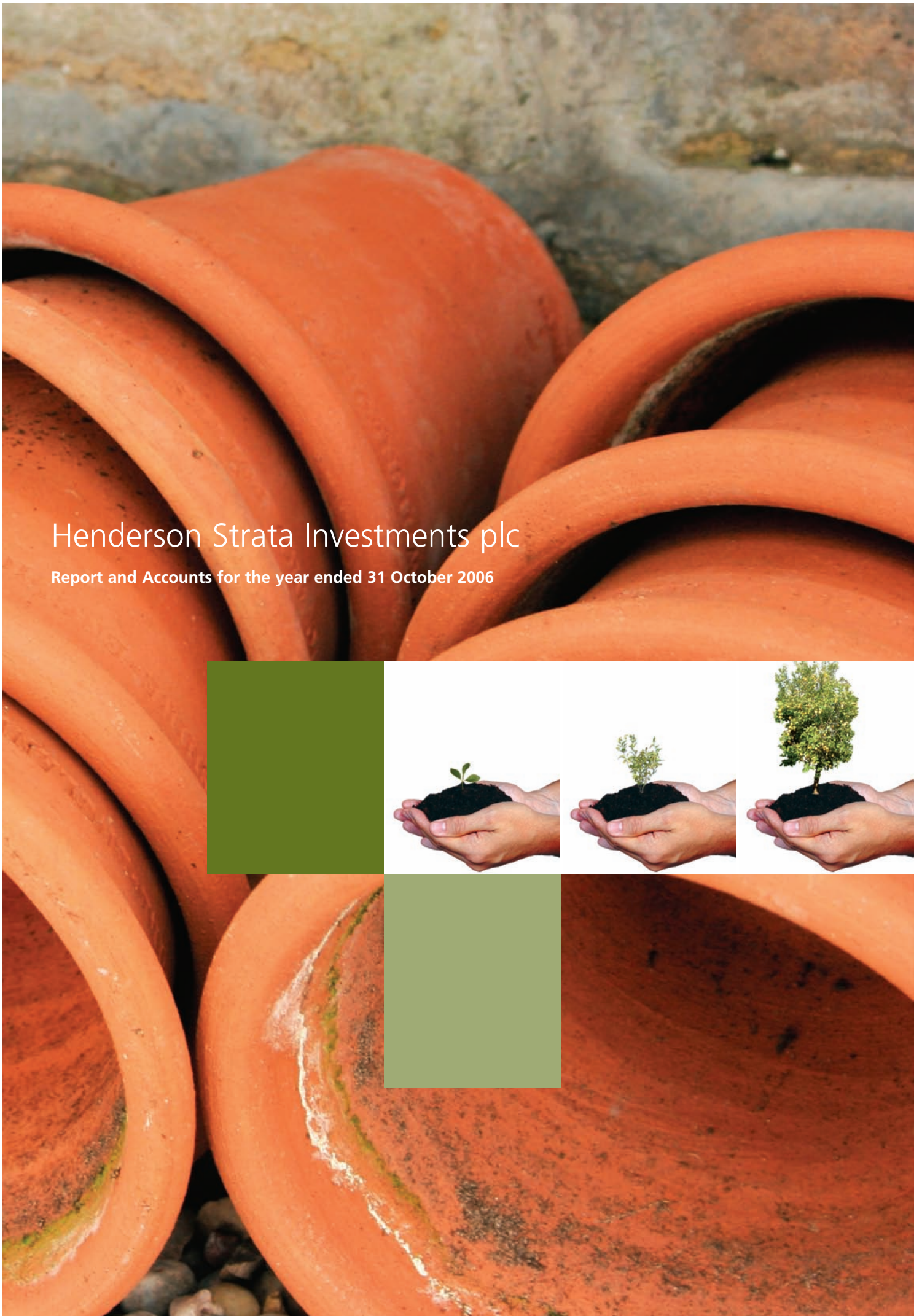


# Henderson Strata Investments plc

Report and Accounts for the year ended 31 October 2006



The text below profiles the Company as at 14 December 2006. The Company's name and investment objective will change if the proposals, referred to in the Chairman's Statement on page 3, are adopted by the shareholders. Accordingly, this annual report should be read in conjunction with the prospectus that will be posted to shareholders with it.

## Henderson Strata Investments plc

seeks to achieve above average capital growth from investment in a portfolio of UK micro cap companies.

### Background

Henderson Strata was established in 1985 to invest in smaller companies across the international markets. Until 10 February 2005 the benchmark was the FTSE SmallCap (excluding investment companies) Index. On 10 February 2005 the investment policy was changed to focus on UK micro cap companies and the benchmark was changed to the FTSE Fledgling (excluding investment companies) Index. New investments are made in UK listed companies with a market capitalisation of £100 million or less at the time of initial investment. Investments are sold after becoming part of the FTSE 250 Index (or when their market capitalisation reaches the equivalent level). As a result, the portfolio includes investments in companies that are constituents of the FTSE Fledgling Index, the FTSE SmallCap Index and the FTSE AIM Index. Shareholders have the opportunity to vote every three years on the continued life of Henderson Strata; the next vote is scheduled for February 2008.

### Strategy

The focus of the portfolio has been on growth stocks, chosen on an individual basis. Short-term bank borrowings may be used to increase the funds available for investment when market conditions are deemed by the Manager and the Board to be propitious; but the Board's policy is that borrowings shall never exceed 20% of the value of the Company's total net assets.

### Stocks

The investment style has been to select individual stocks which have most or all of the following characteristics:

- a strong business franchise
- a clear strategy for growth
- the capability to make significant profits
- sound cash generation
- strong management
- a reasonable valuation.

The current maximum market capitalisation of new investments is £100 million.

## Financial Highlights

	<b>Year ended 31 October 2006</b>	Year ended 31 October 2005
Net asset value per share	<b>709.32p</b>	540.30p
Share price	<b>646.5p</b>	496.0p
Revenue return per share	<b>5.29p</b>	1.48p*
Dividend per share	<b>nil</b>	nil
Gearing†	<b>15.2%</b>	7.6%

†Defined here as the total market value of the investments less shareholders' funds as a percentage of shareholders' funds.

\*Not adjusted for the change, with effect from 1 November 2005, in the allocation of management and finance costs (see note 1g on page 28).

## Performance

to 31 October 2006

	6 months %	1 year %	2 years %
Net asset value total return	5.9	31.3	50.0
FTSE Fledgling (excluding investment companies) Index total return*	5.0	26.8	37.0
FTSE All-Share Index total return*	3.7	21.7	45.7
Share price total return†	8.7	30.3	64.5

Total return assumes net dividends are reinvested and excludes transaction costs.

\*Source: Datastream.

†Source: Fundamental Data.

The FTSE Fledgling (excluding investment companies) Index is the Company's benchmark. Prior to 10 February 2005 the benchmark was the FTSE SmallCap (excluding investment companies) Index.

## Chairman's Comment

I am pleased to report excellent results. The net asset value per share rose by 31.3% in the year ended 31 October 2006 and the share price by 30.3%. Over the same period the FTSE Fledgling (excluding investment companies) Index returned 26.8% while the FTSE All-Share Index returned 21.7%. These figures include income.

Despite the achievement of the Company's stated discount control objective and the strong performance of the Company's fund manager, Colin Hughes, against his benchmark, the Board has concluded that the requirement for share repurchases is such as to jeopardise the viability of the Company in its current form. As a result, we announced on 24 November 2006 proposals for a new investment strategy which we believe will have a strong appeal for current and potential investors and we shall be circulating full details to shareholders with this document.

George Burnett, Chairman

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# Chairman's Statement

## Review of the year

I am pleased to report excellent results. The net asset value per share rose by 31.3% in the year ended 31 October 2006, to 709.3p from 540.3p, and the share price by 30.3%, to 646.5p from 496.0p. Over the same period the FTSE Fledgling (excluding investment companies) Index returned 26.8% while the FTSE All-Share Index returned 21.7%. These figures include income. The total return per share was 148.03p (2005: 63.19p). But for the change in the basis on which the investments are now valued, the total return would have been 152.79p and the increase in the net asset value per share would have been 32.9%.

### Accounting changes

A year ago I reported the Board's decision that, with effect from 1 November 2005, four fifths of the finance costs and investment management fees would be allocated to capital, to reflect the significant proportion of these costs that relate to the maintenance or enhancement of the value of the Company's investments. The large increase in the revenue return per share reflects this change.

Also with effect from 1 November 2005, changes to UK accounting standards require the Company to account for its investments as held at fair value through profit or loss. Accordingly, the portfolio at 31 October 2006 is valued on a bid basis rather than as previously at mid-market values. The effect is to reduce the value of the investments at 31 October 2006 by £713,000 (or 1.05%) and to decrease the net return on ordinary activities after taxation for the year by £504,000.

### The discount

The Board has been committed, as far as practicable, to maintaining the discount to net asset value at which the Company's shares trade at close to the 8% level at which the tender offer was made in January 2005. During the year a total of 3,052,121 shares were bought back for cancellation at a cost of £18 million. Of these, 1,021,595 were bought back under the fresh authority granted at the Extraordinary General Meeting on 4 October 2006. In the 90 day period ended 31 October 2006, the average discount to the net asset value per share (as defined for this purpose in the Company's articles of association) at which the Company's shares traded was just under 8%. Accordingly, the discount control objective for this year was met and the Board is not required to arrange a tender offer.

### Proposals for the future

Despite the achievement of the Company's stated discount control objective and the strong performance of the Company's fund manager, Colin Hughes, against his benchmark, the Board has been advised that there is insufficient demand from investors to sustain the discount at

the 8% level over the medium term, especially with many other smaller company focused investment companies trading at greater discounts to net asset value than the Company. In the light of this and the ongoing demand for further share repurchases by the Company, the directors have concluded that the viability of the Company on an ongoing basis is jeopardised in its current form.

On 24 November 2006 the Board announced proposals for the future of the Company, to include changes to the investment objective, a change of name to Henderson Opportunities Trust plc and a bonus issue of subscription securities. If the proposals are approved by shareholders, James Henderson will become the Company's fund manager at Henderson. The Board is very grateful to Colin Hughes for the excellent performance that he has produced, not least since he became the sole fund manager in February 2005. He will be working with James Henderson, initially to ensure a smooth transition and thereafter to maximise the value of the portfolio.

The accompanying prospectus sets out the details of these proposals, which the Board believes will have a strong appeal for current and potential investors alike.

### AGM

In addition to the Extraordinary General Meeting required to approve the proposals, I look forward to welcoming shareholders to our Annual General Meeting on Thursday 15 February 2007 (for which notice is given on pages 38 and 39). In addition to the formal business, there will be a presentation from our fund managers at Henderson on the implementation of the investment policy and afternoon tea will be served.

G B Burnett  
Chairman

14 December 2006

## Fund Manager's Review



Colin Hughes

### Review

In my review last year I suggested that the outlook for the stock market in the year ahead was one of cautious optimism, that returns were forecast to be positive but in single figures but that, with judicious stock picking in our micro cap area, I hoped to exceed that return. I am happy to report that on both counts expectations were exceeded.

As is typical with any year in the stock market, bouts of optimism have been followed by periods of pessimism. Throughout this year we have retained an optimistic outlook, tempered with realism, and have remained geared. We started the year with £4 million of borrowings and finished it with slightly in excess of £8 million.

The stock market, after a set back in October 2005, made consistent gains through to May this year when the most serious falls in the stock markets of the last few years took place. This happened not only in the UK but also in all other major global markets. It is often the case that, when investors become nervous, small and micro-cap companies suffer more than their larger peers and this was the case on this occasion as well. Over the summer, confidence in the outlook returned as corporate profits continued to grow at a healthy pace and merger and acquisition activity spread throughout the market, previously having been focused predominantly on mid cap companies. Markets have made steady progress since then.

During this year, Strata's portfolio got off to a poor start in November and December but recovered significantly up to April to be ahead at the half year and moved further ahead by the year end, aided by a strong finish in October. The average market capitalisation of the portfolio rose to £84 million, spread across 98 quoted holdings, compared to £75 million and 111 holdings at the start of the year.

### Activity

In order to retain a clear focus on companies with market capitalisations of under £100 million, one of the disciplines of the current investment policy is to sell investments that are promoted to the FTSE 250 Index. In that connection we said

goodbye to **Mouchel Parkman**, the infrastructure services specialist, which Strata has been invested in for a number of years, for a good profit. Similarly we sold out of **Erinaceous**, the property services company, as it approached that size target, again booking sizeable gains. In addition we have very recently sold **Keller**, the ground engineering specialist, ahead of its promotion, following an unprecedented run of profit upgrades and share price performance.

In last year's review I highlighted **Carter & Carter**, the training services company, as the type of company with which we would wish to build a long term relationship. I am happy to report that the last year has been a highly successful one for the company and its shareholders. Indeed it was the biggest single contributor to growth in Net Asset Value. Last year, **Carter & Carter** ranked twentieth in the Strata portfolio and finished as the fourth largest this year. Other major contributors for the year included **royalblue**, our largest investment; **Axon**, the business transformation specialist, which has seen a strong flow of profit upgrades throughout the year; **e2v technologies** in electronic components, which acquired a major competitor; and **Datamonitor**, the market research company, which consistently outperformed market expectations.

Of course not everything worked as well as one would have hoped. A major disappointment was **eServGlobal**, an Australian domiciled AIM listed company, which suffered from slower than expected demand in its telecommunications infrastructure market place. We have retained this investment as we expect a much better performance over the coming year. Strata has one investment, **Leisure & Gaming**, exposed to the US internet sports betting market, which was declared effectively illegal by recently introduced US legalisation. This had a severe impact on the company but it has survived and will now focus on its retained betting operations in Italy.

We have been fortunate to be on the receiving end of a number of bid approaches, many of which have been completed. The most significant single contribution came from **Metal Bulletin**, the market information company and a

## Fund Manager's Review

continued

long term Strata investment, which was acquired by Euromoney. In addition, **Systems Union**, in financial software, was acquired by American competitor Extensity. **Neutec Pharma**, a bio-tech research company, was bought by Novartis, the Swiss based global pharmaceutical group. We also saw **Brandon Hire**, **Baggeridge Brick**, **Radstone Technology**, **Retail Decisions**, **TTP Communications**, **Urban Dining** and **WILINK** all fall to takeovers. Lastly I would like to mention **Ovum**, a market research and consultancy company that was floated on AIM in March 2006 at 190p, which, unusually, is being acquired (for 300p a share) by another of our investee companies, **Datamonitor**.

The UK market has seen a significant amount of Initial Public Offering activity in the year, particularly on AIM and particularly in respect of companies with an overseas domicile. From the table below you will see that we are active participants in this area but over the last year we have found it increasingly difficult to find good value opportunities. Among those that we did find were **Worthington Nicholls**, an air conditioning installer; **Clinphone**, the clinical trials analysis company; and **Brulines**, a dispensing control equipment business. All have made a positive contribution to performance.

### Outlook

Following on from another good year, it is tempting to try to call a change in the fortunes of equity markets. Indeed some economic lead indicators do point to a moderation of growth in the early part of 2007. Against that, however, business confidence surveys remain robust and growth in the UK is running a little above trend. Oil prices have fallen to around \$60 from \$75, so helping restrain inflation, and interest rates are close to or at levels which should represent near term peaks.

Corporate profits can therefore make further progress and stock market valuations, whilst not cheap, are reasonable when viewed against the rate of growth. In all therefore, there is no particular reason why markets and your company should not prosper in the year ahead.

Colin Hughes  
14 December 2006

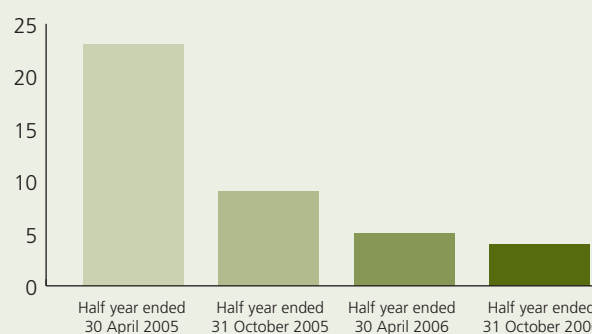
### Analysis of the portfolio by sector at 31 October 2006

	%	%
Oil & Gas		2.14
Basic Materials		4.87
Industrials		34.40
including: Electronics	8.49	
Support Services	20.53	
Consumer Goods		3.42
Healthcare		4.87
Consumer Services		23.20
including: Media	12.49	
Telecommunications		1.26
Financials		4.02
Technology		21.77
Unquoted		0.05
		<u>100.00</u>

### Analysis of the portfolio by market index at 31 October 2006

	%	%
FTSE Fledgling Index		18.6
FTSE SmallCap Index		33.0
FTSE AIM Index	42.4	
Other AIM	4.0	46.4
Other		2.0
		<u>100.0</u>

### IPO Activity



The above chart shows the number of investments made by Henderson Strata Investments plc in IPOs (Initial Public Offerings) in the four most recent half year periods. The number of investments has declined as market valuations have risen.

# Investment Portfolio

at 31 October 2006

		Valuation as at 31 October 2005 £'000*	Valuation as at 31 October 2006 £'000	% of portfolio
<b>royalblue</b>	<i>financial software</i>	2,311	<b>2,638</b>	3.93
<b>*Thomson Intermedia</b>	<i>media monitoring</i>	2,126	<b>2,000</b>	2.98
<b>e2v technologies</b>	<i>electronic components</i>	1,002	<b>1,765</b>	2.63
<b>Carter &amp; Carter</b>	<i>training</i>	873	<b>1,760</b>	2.62
<b>Datamonitor</b>	<i>market research</i>	902	<b>1,476</b>	2.20
<b>Axon</b>	<i>business transformation</i>	693	<b>1,439</b>	2.15
<b>*Accuma</b>	<i>debt solutions</i>	704	<b>1,375</b>	2.05
<b>Hydra Consulting</b>	<i>infrastructure consultancy</i>	847	<b>1,351</b>	2.02
<b>WSP</b>	<i>engineering consultancy</i>	1,079	<b>1,350</b>	2.01
<b>T Clarke</b>	<i>electrical contractor</i>	1,347	<b>1,331</b>	1.99
<i>10 largest</i>			16,485	24.58
<b>*Coda</b>	<i>financial software</i>		1,305	1.95
Hampson Industries	<i>aerospace components</i>		1,283	1.91
<b>*Zetar</b>	<i>confectionery and snack foods</i>		1,224	1.83
Kenmare Resources	<i>mineral sands producer</i>		1,198	1.79
Chime Communications	<i>corporate communications</i>		1,188	1.77
Latchways	<i>safety products</i>		1,164	1.74
<b>*Murgitroyd</b>	<i>patent attorney</i>		1,157	1.72
Dicom	<i>electronic document capture</i>		1,118	1.67
<b>*Majestic Wine</b>	<i>wine warehouse</i>		1,039	1.55
ICM Computer	<i>business continuity</i>		1,025	1.53
<i>20 largest</i>			28,186	42.04
Creston	<i>marketing services</i>		1,015	1.51
<b>*Blooms of Bressingham</b>	<i>garden centres</i>		1,003	1.49
<b>*Goals Soccer Centres</b>	<i>five-a-side soccer centres</i>		990	1.48
Entertainment Rights	<i>children's media content</i>		870	1.30
<b>*Bebbies Traynor</b>	<i>corporate insolvency</i>		869	1.30
<b>*Punch Graphix</b>	<i>digital printing equipment</i>		864	1.29
Ardana	<i>reproductive health products</i>		861	1.28
Land of Leather	<i>furniture retailer</i>		851	1.27
MTL Instruments	<i>electronic safety devices</i>		836	1.25
<b>*Worthington Nicholls</b>	<i>air conditioning contractor</i>		834	1.24
<i>30 largest</i>			37,179	55.45
Tribal	<i>education and health services</i>		795	1.19
XP Power	<i>electrical power supplies</i>		793	1.18
Ricardo	<i>automotive consultancy</i>		772	1.15
Waterman	<i>engineering consultancy</i>		760	1.14
<b>*Oakdene Homes</b>	<i>housing developer</i>		727	1.09
Kewill Systems	<i>logistics software</i>		720	1.07
<b>*IBS Opensystems</b>	<i>public sector IT services</i>		719	1.07
Carclo	<i>technical plastic components</i>		713	1.06
<b>*Dealogic</b>	<i>financial software and data</i>		706	1.05
<b>*Redstone</b>	<i>telecommunication services</i>		699	1.04
<i>40 largest</i>			44,583	66.49
<b>*Imprint</b>	<i>recruitment</i>		696	1.04
Theratase	<i>enzyme manufacturer</i>		690	1.03
<b>*RDF Media</b>	<i>television programming</i>		690	1.03
Trifast	<i>industrial fastenings</i>		683	1.02
<b>*Velosi</b>	<i>oil and gas quality control services</i>		625	0.93
Mice	<i>marketing services</i>		615	0.92
Alterian	<i>database software</i>		605	0.90
Abacus	<i>electronic component distributor</i>		591	0.88
<b>*Eservglobal</b>	<i>telephony infrastructure</i>		562	0.84
<b>*Genetix</b>	<i>life science research equipment</i>		562	0.84
<i>50 largest</i>			50,902	75.92

\*The ten largest holdings at 31 October 2006 were all constituents of the portfolio at 31 October 2005 but were not all among the ten largest holdings at that date. The comparative figures have not been adjusted for any acquisitions or disposals that may have taken place during the year.



## Investment Portfolio

continued

		Valuation as at 31 October 2006 £'000	% of portfolio
SDL International	<i>translation software and services</i>	550	0.82
Pinewood Shepperton	<i>film studios</i>	549	0.82
*La Tasca	<i>Spanish style restaurants</i>	548	0.82
*Brulines	<i>liquid control systems</i>	547	0.82
*Orchid Developments	<i>Bulgarian property development</i>	536	0.80
*2ergo	<i>mobile telecommunications services</i>	532	0.79
*RWS	<i>patent translation services</i>	531	0.79
*Serabi Mining	<i>Brazilian gold miner</i>	522	0.78
*Pantheon Resources	<i>oil and gas exploration</i>	512	0.76
*Betex	<i>Chinese betting operator</i>	500	0.74
<i>60 largest</i>		<u>56,229</u>	<u>83.86</u>
*IQE	<i>compound semiconductors</i>	495	0.74
*Ideal Shopping Direct	<i>television shopping channel</i>	490	0.73
*Carluccios	<i>Italian style restaurant and deli</i>	480	0.72
Alphameric	<i>betting software</i>	468	0.70
Quantica	<i>recruitment</i>	458	0.68
*Cardpoint	<i>cash machine operator</i>	456	0.68
Clinphone	<i>medical trials services</i>	438	0.65
*Alliance Pharma	<i>pharmaceuticals</i>	432	0.64
*Powerleague	<i>five-a-side soccer centres</i>	420	0.63
*Microemissive Displays	<i>light emitting polymers</i>	415	0.62
<i>70 largest</i>		<u>60,781</u>	<u>90.65</u>
Macfarlane	<i>packaging distribution</i>	406	0.61
Scarborough Minerals	<i>mining finance</i>	356	0.53
*Armour	<i>home and auto electrical products</i>	340	0.51
*Fujin Technology	<i>mobile telecommunications software</i>	338	0.51
*NCC	<i>software escrow services</i>	337	0.50
*Heritage Underwriting Agency	<i>insurance underwriter and agent</i>	308	0.46
*Neptune Minerals	<i>sub-sea mineral exploration</i>	308	0.46
*Faroe Petroleum	<i>oil and gas exploration</i>	298	0.44
*Electric Word	<i>niche newsletter publisher</i>	298	0.44
Ulster Television	<i>television and radio broadcaster</i>	291	0.43
<i>80 largest</i>		<u>64,061</u>	<u>95.54</u>
*Win	<i>mobile telephone services</i>	275	0.41
*Empresaria	<i>recruitment</i>	274	0.41
*Invocas	<i>debt solutions</i>	274	0.41
*Datong Electronics	<i>electronic surveillance products</i>	273	0.41
*Angle	<i>technology commercialisation</i>	259	0.39
*Scisys	<i>IT services to government</i>	211	0.31
*Cobra Bio-Manufacturing	<i>biopharmaceuticals manufacturer</i>	195	0.29
*Widney	<i>automotive parts</i>	181	0.27
*Platinum Mining Corporation of India	<i>Indian platinum exploration</i>	170	0.25
*Ocean Power Technologies	<i>alternative energy products</i>	153	0.23
<i>90 largest</i>		<u>66,326</u>	<u>98.92</u>
*SMC	<i>architectural consultancy</i>	132	0.20
†Henderson Liquid Assets Fund	<i>deposit fund</i>	128	0.19
*Adamind	<i>media adaptation software</i>	113	0.17
*Cornwell Management Consultants	<i>management consultancy</i>	92	0.14
*Proximagen Neuroscience	<i>drug discovery</i>	84	0.13
*Clerkenwell Ventures	<i>leisure sector development</i>	77	0.11
*Invox	<i>broadband telecommunication</i>	38	0.06
#Henderson Unquoted Growth Fund	<i>venture fund</i>	36	0.05
*Leisure & Gaming	<i>internet gambling</i>	24	0.03
*Healthcare Enterprises (warrants)	<i>healthcare</i>	1	0.00
		<u>67,051</u>	<u>100.00</u>

\* Quoted on the Alternative Investment Market

# Unquoted Investment

† Overseas quoted cash fund

There were no convertible or fixed interest securities at either 31 October 2006 or 31 October 2005. All holdings are equity shares, or warrants to invest in equity shares, with the exception of the unquoted investment (which is a limited partnership that invests in equity shares) and the cash fund (which provides an efficient means of holding short term deposits).

## Directors

### **George Burnett\*** (age 60)

is Chief Executive of Ashtead Group plc, retiring at the end of December 2006. He is Chairman of the Governors of the University College for the Creative Arts at Canterbury, Epsom, Farnham, Maidstone and Rochester. He joined the Board in 1995 and became Chairman in April 2004.

**Hamish Bryce\*** (age 65) is a former Chairman of TLG plc, Heywood Williams plc and Norcross plc. He is Chairman of the Business Committee of the London Resilience Forum and Chairman of IndependentAge. He joined the board in 1993.

**Malcolm King\*** (known as Max, age 49) was appointed to the Board in June 2005. He has 22 years' experience in fund management, including investment in UK smaller companies. He works currently at Investec Asset Management and also writes on investment and personal finance matters.

**Peter May\*** (age 52) was appointed to the Board in June 2004 and as Chairman of the Audit Committee in March 2006. His background is in corporate finance. He spent 17 years at Charterhouse and is currently Chairman of Nirah Holdings Limited and MacArthur & Co. Limited.

**Richard Smith** (age 55) is a senior investment consultant with Smith & Williamson Pension Consultancy Limited. He was previously a senior investment manager at Henderson Global Investors and from 1985 to February 2005 led the management team responsible for the Company's investments. He joined the board in 1985.

\*Independent director and a member of the Audit Committee and the Management Engagement Committee.

All the directors are members of the Nomination Committee.

Mr May is Chairman of the Audit Committee. Mr Burnett is Chairman of the other two committees.

For further information about the directors, see also pages 11 and 12.

## Management Team

**Colin Hughes** has been involved in the management of the Company's UK portfolio since 2002 and became the sole fund manager in February 2005 when the investment policy was changed to focus on UK micro cap companies. He joined Henderson Global Investors in 1998 to manage UK smaller companies portfolios, prior to which he was a fund manager with London Life and AMP Asset Management.

Colin Hughes is supported by the other members of the team at Henderson who specialise in UK smaller companies, Neil Hermon and Theresa Wat.

**Geoffrey Rice ACIS** has acted as company secretary since 1997. He is an authorised representative of Henderson Secretarial Services Limited, the corporate company secretary.

## Report of the Directors

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

### Activities and business review

A review of the business is given in the Chairman's Statement on page 3, in the Fund Manager's review on pages 4 to 5 and in the business review below.

### Status

Henderson Strata Investments plc ("the Company") is incorporated in England and Wales and domiciled in the United Kingdom. It is an investment company as defined by section 266 of the Companies Act 1985 and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs approval of the Company's status as an investment trust has been received in respect of the year ended 31 October 2005, although approval for that year may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

### Investment in investment companies

It is the stated investment policy of the Company to invest no more than 15% of its gross assets in other UK listed investment companies. The directors do not expect that the Company will hold any investments in other investment companies; no such investments were held during the year.

### PEPs and ISAs

The Company intends to continue as a fully qualifying investment trust company under the regulations governing Personal Equity Plans and Individual Savings Accounts.

### Life of the Company

On 10 February 2005 the shareholders agreed, at the annual general meeting held on that date, that the Company should continue in existence. The Company's articles of association specify that at the first annual general meeting convened for a date on or after 1 January 2008, and at every third annual general meeting thereafter, the members will be asked to approve the continuation of the Company by ordinary resolution. If any such ordinary resolution is not passed, the directors will

convene an extraordinary general meeting within three months at which proposals for the liquidation or reconstruction of the Company will be put forward.

### Discount control mechanism

In 2005 the Company's articles of association were amended to require the Board to enable shareholders, subject to the resolution of the Company's shareholders as a whole, to realise their ordinary shares, within 180 days of the relevant date, at a discount of 8% to the net asset value per share if the average discount to the net asset value per share at which the ordinary shares are quoted on the London Stock Exchange in the 90 day period prior to the relevant date exceeds 8%. The relevant date is 31 October (being the last day of the Company's accounting year) in every year from 2006 onwards. In the 90 day period ended 31 October 2006 the average discount (as defined for this purpose by the articles of association) was 7.97%.

### Business review

This section of the directors' report provides a review of the Company's business.

#### *Objective and principal activity*

The Company's objective is to achieve above average capital growth from investment in a portfolio of UK micro cap companies. The principal activity of the Company is to pursue that objective by operating as an investment trust company. The investment trust company structure allows the shareholders, whether institutions or private investors, to access a diversified portfolio of investments that is professionally managed. Both the objective and the principal activity have remained unchanged throughout the year ended 31 October 2006. The objective was approved by the shareholders on 10 February 2005 (prior to which date the Company had invested in smaller companies around the world).

On 24 November 2006 the Board announced proposals for a further change of investment objective. Details of these proposals are set out in the prospectus that is to be circulated to shareholders with this annual report.

#### *Strategy*

The Company has appointed Henderson Global Investors Limited ("Henderson") to manage the investments and to

## Report of the Directors

continued

provide the related administrative services. Henderson provides a specialist fund manager whose role it is to pursue the Company's objective within parameters determined by the Board. These parameters reflect the investment policy (as set out in the circular to shareholders dated 22 December 2004) and the Board's assessment of the risks facing the Company, including the importance of retaining the Company's taxation status as an investment trust. As an investment company the Company invests its shareholders' funds in the securities of other companies. In addition it has the ability to borrow money (termed "gearing") in order to increase the funds available for investment. It does this by means of short term borrowings (drawn down from a £9 million facility currently provided by The Royal Bank of Scotland plc), subject to a limit of 20% of total net assets. In the event that the investment outlook becomes unfavourable, the Board may reduce the gearing to nil. However, it expects the shareholders' funds to remain invested in all but unusual circumstances.

### Capital

At 31 October 2006 the Company had in issue 8,208,293 ordinary shares of 25p each. The market price per share at that date was 646.5p, giving the Company a market capitalisation of £53.1 million. Equity shareholders' funds totalled £58.2 million, the net asset value per share at that date being 709.3p per share (inclusive of retained revenue for the year). Accordingly, the market price per share stood at a discount of 8.9% to the net asset value (inclusive of retained revenue for the year). The Company seeks shareholder authority annually to buy back its shares in the market for cancellation. During the year the Company bought back 3,052,121 of its ordinary shares at an average discount of 8.6%.

### Performance

The Company had a successful year. The stock market rose strongly over the year as a whole and, assisted by its gearing, the Company outperformed its benchmark, the FTSE Fledgling (excluding investment companies) Index on a total return basis. The following table sets out, with comparatives, key indicators of performance:

	<b>At 31 October 2006</b>	At 31 October 2005	%
			Change
Shareholders' funds	<b>£58,223,000</b>	£60,840,000	- 4.3%
Net asset value per share	<b>709.3p</b>	540.3p	+ 31.3%
Market price per share	<b>646.5p</b>	496.0p	+ 30.3%
	<b>Year ended 31 October 2006</b>	Year ended 31 October 2005*	%
			Change*
Revenue return per ordinary share	<b>5.29p</b>	1.48p	
Capital return per ordinary share	<b>142.74p</b>	61.71p	+ 131.3%
Total return per ordinary share	<b>148.03p</b>	63.19p	+ 134.3%

\*Not adjusted for the change, with effect from 1 November 2005, in the allocation of management and finance costs.

On a total return basis the benchmark index returned 26.8% over the year ended 31 October 2006. By comparison, based on the audited accounts for the year, including retained revenue, the Company's net asset value total return was 31.3%.

The Company has no employees and no premises or physical assets of its own.

### Assets

The Company's net assets decreased during the year from £60.8 million to £58.2 million. The main reason for this decrease is the Company's share buy-back programme. The net asset value per ordinary share increased during the year from 540.3p to 709.3p. The main reason for this increase is the rise in the market value of the Company's investments.

### Costs

The Company's most significant items of expenditure are the management fees payable to the Manager and the costs of borrowing money for investment (the costs of gearing). Other expenses include investment transaction costs, the directors' fees and insurance, the fees of professional advisers and regulators, marketing, and the production and issue of reports to shareholders. In the year under review borrowing costs totalled £300,000, the management fee totalled £707,000 and other expenses totalled £217,000. These figures included VAT where applicable. The transaction costs, which include stamp duty and totalled £82,000, are included within the purchase costs or the sales proceeds of investments.

# Report of the Directors

continued

The total expense ratio ("TER") is a measure of the Company's running costs. The definition used for the figures below is "the total of the management fees and other administrative expenses as a percentage of the average of shareholders' funds at the beginning and end of the year". This definition excludes borrowing costs and transaction costs (and, in respect of the comparative period, the costs of the tender offer). For the year ended 31 October 2006 the TER was 1.55% (2005: 1.19%).

The main reason for this increase is the reduction since 2004 in shareholders' funds as a result of the tender offer early in 2005 and subsequent share buy-backs.

## *Revenue and dividend*

The Company's investment income and other revenue totalled £978,000 (2005: £1,122,000). After deducting expenses the net revenue profit for the year was £560,000 (2005: £193,000).

The Board is unable to propose a dividend because the revenue reserve brought forward from previous years is negative. The amount available for distribution represents the investment income of the Company less those borrowing costs and management fees that are allocated to revenue, together with all other administrative expenses. The difference between the totals of income and expenditure may vary from year to year because the Company's most significant costs are not closely related to the investment income. Since 1 November 2005, 80% of borrowing costs and management fees have been allocated to capital in order to reflect the significant proportion of these costs that relate to the maintenance or enhancement of the value of the Company's investments. Previously all such costs were allocated to revenue and in some years, primarily because of the gearing policy, they exceeded income.

## *Risks and uncertainties*

The principal risks and uncertainties facing the Company relate to the activity of investing in the shares of small companies. Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly, whether upwards or downwards, and it may not be possible to realise an investment at the Manager's assessment of its value. The companies in which

investments are made may operate unsuccessfully, or fail entirely, such that shareholder value is lost. The Company is also exposed to the operational risk that one of more of its suppliers may not provide the required level of service. A further risk is that the Company could become too small to remain viable, perhaps because of the reduction in the capital base as a result of share buy-backs. The Board considers regularly the principal risks facing the Company in order to mitigate them as far as practicable.

## **Directors**

The directors of the Company at the date of this report are listed on page 8. Further details about them are given below.

At the forthcoming annual general meeting, Mr R W Smith will retire by rotation in accordance with the Company's articles of association and, being eligible, offers himself for re-election. Mr G B Burnett and Mr R D H Bryce, both of whom have served as directors for more than nine years, will stand for re-election in accordance with The Combined Code on Corporate Governance.

Mr Smith was until 2005 an executive of Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") and in the prior year was remunerated by Henderson in respect of services provided to Henderson Strata Investments plc under the management agreement.

As indicated on page 8, the board considers Mr Burnett, Mr Bryce, Mr M R King and Mr P N J May to be independent directors. With the exception of Mr Smith, all the directors are independent of Henderson Global Investors ("the Manager").

The board considers that all the current directors contribute effectively and that all have skills and experience which is relevant to the leadership and direction of the Company. Mr Bryce and Mr Burnett have experience of various industrial and commercial sectors, with backgrounds in the management of smaller companies. Mr Burnett is a Chartered Accountant and has current business responsibilities in both the UK and North America. Mr King has wide experience of the investment management industry and is a Chartered Accountant. Mr Smith, also an investment manager, has particular experience in the UK



## Report of the Directors

continued

market, covering large and medium-sized companies as well as smaller ones. Mr May has a strong background in corporate finance and is a Chartered Accountant.

There were no 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 contract of service with the Company.

The number of full meetings during the year of the board and its committees, and the attendance of the individual directors, is shown in the table below. All the directors attended the Annual General Meeting.

	Board	Audit Committee
Number of meetings	4	3
R D H Bryce	4	3
G B Burnett	4	3
M R King	4	3
P N J May	4	3
R W Smith	4	*3

\*Not a member of the committee but in attendance by invitation.

### Directors' interests

The interests of the directors in the Company's ordinary share capital were as follows:

	31 October 2006	1 November 2005
<i>Beneficial interest:</i>		
R D H Bryce†	17,066	16,538
G B Burnett	8,507	8,507
M R King	1,000	1,000
P N J May	–	–
R W Smith	30,750	30,750
<i>Non-beneficial interest:</i>		
R W Smith	11,400	11,400

†Between the year end and the date of this report, Mr Bryce increased his holding to 17,103 shares by the regular purchase of shares through Itshenderson. No other changes to the directors' interests have been notified.

### Directors' fees

A report on the directors' remuneration is set out on pages 16 and 17.

### Directors' indemnity

Directors' and officers' liability insurance cover is in place in respect of the directors. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity out of the assets of the Company for every director or other officer of the Company against any liability which he or she may incur as a director or other officer of the Company in defending any proceedings (whether civil or criminal) in which judgement is given in his or her favour, or he or she is acquitted, or in connection with any application under the Companies Acts in which he or she is granted relief by the court.

### Corporate governance

A formal statement on corporate governance is set out on pages 18 to 20.

### Financial instruments and the management of risk

By its nature as an investment trust, the Company is exposed to market price risk, interest rate risk, liquidity risk and credit risk. The Company's policies for managing these risks are outlined in note 13 to the accounts on pages 33 and 34.

### Manager

Investment management, UK custodial, accounting, administrative and company secretarial services are provided to the Company by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") and by BNP Paribas Fund Services UK Limited (formerly Cogent Investment Operations Limited).

The management agreement between the Company and Henderson provides for the payment of a composite management fee which is calculated and paid quarterly in arrears. The fee is calculated as a percentage of the value of the Company's net chargeable assets as at the last day of each calendar quarter. (The net chargeable assets are defined as total assets less current liabilities before deducting prior charges; prior charges include any short term borrowings to be used for investment purposes). No management fees are borne by the Company in respect of its holding in Henderson Liquid Assets Fund plc. The values of any investments in other funds managed by Henderson are excluded from the management fee calculations.

# Report of the Directors

continued

The management fee is calculated as 0.85% per annum on the first £100 million of net chargeable assets and 0.5% per annum thereafter.

Changes to the management agreement were negotiated during the prior year and the current fee arrangements took effect from 10 February 2005. The fee arrangements are next subject to review by 31 October 2007; thereafter they will be reviewed every three years.

Prior to 10 February 2005 the fee was calculated as a percentage of the average value of the net chargeable assets as at the last day of the relevant quarter and the last day of the corresponding calendar quarter in the preceding year. The fee rates were 0.85% per annum on the first £200 million of net chargeable assets, 0.6% on the next £100 million and 0.4% thereafter. Therefore the percentage actually applicable throughout the year ended 31 October 2005 (the prior year) was 0.85%.

The arrangements for a performance fee, which were introduced with effect from 1 November 2000, were terminated with effect from 10 February 2005. In the event no performance fees were paid or payable under those arrangements during that period.

The management agreement may be terminated by either party but in certain circumstances the Company will be required to pay compensation to the Manager. If the termination is the result of the appointment by the Company of a replacement manager the compensation payable will be the equivalent of six months' management fees. If the Company is wound up voluntarily the compensation payable will be the equivalent of three months' management fees. If the Company is wound up voluntarily within four months of the continuation vote scheduled for 2008, and every third year thereafter, no compensation will be payable, although the Company would then be bound to negotiate with Henderson for the payment of a reasonable amount, in lieu of compensation otherwise payable, to cover expenses incurred in relation to matters likely to be involved following the start of the liquidation.

**In the opinion of the directors the continuing appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The main reasons for this opinion are the extensive investment management resources of the Manager and its experience in managing and administering investment trust companies. The Board considers that this opinion is supported by the ability of the Manager to provide the resources necessary to effect the proposals referred to in the Chairman's Statement on page 3.**

During the year under review the Manager used certain services which were paid for, or provided by, various brokers. In return it placed business, which may have included transactions relating to the Company, with such brokers. With effect from 1 January 2006 revised commission sharing arrangements have been put in place by the Manager in line with new regulations.

## Substantial share interests

As at 14 December 2006 (and, for comparison, as at 31 October 2006) the following shareholders had notified the Company of interests comprising 3% or more of the Company's issued ordinary share capital:

	14 December 2006	31 October 2006
	%	%
Lowland Investment Company plc	<b>3.51</b>	–
Witan Investment Trust plc	–	21.48
Other discretionary managed clients of Henderson Global Investors Limited and its associated companies	<b>7.52</b>	7.98
	<b>11.03</b>	29.46
M&G Investment Management Limited	<b>7.31</b>	7.31
East Riding of Yorkshire Council	–	5.54
Apollo Fund plc	<b>3.05</b>	–

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued share capital as at 14 December 2006.

## Report of the Directors

continued

The board is aware that, as at 31 October 2006, 33.6% of the issued share capital was held on behalf of participants in Itshenderson and participants in other Henderson PEPs and ISAs. The participants in these plans are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company; but if the participants choose not to do so the voting rights are not exercised.

### Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the directors to determine their remuneration, will be proposed at the annual general meeting.

### Directors' statement as to the disclosure of information to the auditors

The directors who were members of the Board at the time of approving this Report are listed on page 12. Each of those directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which the Company's auditors are unaware; and
- he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### Issues of new shares

The directors have not used the powers granted to them at the annual general meeting in February 2006 to allot new ordinary shares for cash on a non pre-emptive basis. The directors wish to renew these powers at the forthcoming annual general meeting. Accordingly, resolutions to give the Board authority to allot shares for cash, whether from treasury or otherwise, on a non pre-emptive basis will be proposed and are set out in full in the Notice of Annual General Meeting on pages 38 and 39.

The resolutions, if passed, will give the directors authority to issue ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £102,603 (equivalent to 410,412 ordinary shares of 25p each and five per cent of the Company's existing issued ordinary share capital, excluding shares held in treasury, as at the date of this report). The directors intend to use the authority to issue ordinary shares only if or when they believe it to be advantageous to the Company's existing shareholders to do so. In particular, shares, whether new ordinary shares or ordinary shares held in treasury, will never be allotted or sold at other than a premium to the net asset value per ordinary share. The authority will lapse unless renewed at the annual general meeting in 2008.

### Share buy-back facility

The Company's articles of association permit the Company to purchase its own shares and to fund any such purchases from its accumulated realised capital profits.

During the year ended 31 October 2006 the Company purchased for cancellation a total of 3,052,121 of its own issued ordinary shares and cancelled a further 904,246 of its own issued ordinary shares that were held in treasury. These purchases, which represented in aggregate 27.1% of the ordinary shares in issue (excluding treasury shares) at 31 October 2005, cost £17,989,000 excluding stamp duty and were funded from the realised capital reserve.

At the annual general meeting in February 2006 a special resolution was passed giving the Company authority, until the conclusion of the annual general meeting in 2007, to make market purchases, either for cancellation or to hold in treasury, of the Company's own ordinary shares up to a maximum of 1,627,526 shares (being 14.99% of the issued ordinary share capital (excluding treasury shares) as at 9 February 2006). Between 9 February 2006 and 4 October 2006 a total of 1,627,526 shares were bought back for cancellation. On 4 October 2006, at an Extraordinary General Meeting of the Company, authority was given to make market purchases of up to 1,383,560 ordinary shares. Between 4 October 2006 and 31 October 2006 a total of 1,021,595 shares were bought back for cancellation.

# Report of the Directors

continued

Accordingly, as at 31 October 2006 the Company had valid authority, outstanding until the conclusion of the annual general meeting in 2007, to make market purchases for cancellation of 361,965 shares. No shares were bought back for cancellation between the year end and the date of this report. No shares were held in treasury at the year end.

The Board considers that the Company should continue to have authority to make market purchases of its own ordinary shares, either for cancellation or to hold in treasury with a view to possible re-issue in the future. Accordingly, a special resolution will be proposed at the forthcoming annual general meeting to authorise the Company to make market purchases, either for cancellation or to hold in treasury, of up to 14.99% of the ordinary shares in issue, excluding treasury shares, at the date of the annual general meeting (equivalent to 1,230,423 ordinary shares if there is no change in the issued ordinary share capital, excluding treasury shares, between the date of this report and the annual general meeting). Under the Listing Rules of the UK Listing Authority, this is the maximum percentage of its equity share capital that a company may purchase through the market pursuant to such authority.

The directors do not intend to use this authority unless to do so would result in an increase in the net asset value per share and would be in the best interests of shareholders generally. Shares will not be bought at a price that is less than 25p (the nominal value) or more than 5% above the average middle market price of the shares over the preceding five business days. The directors intend to seek a fresh authority at the annual general meeting in 2008.

## **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. At 31 October 2006 the Company had no trade creditors.

## **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 that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

By order of the Board

G S Rice  
For and on behalf of  
Henderson Secretarial Services Limited,  
Secretary

14 December 2006

## Directors' Remuneration Report

### Introduction

The Directors' Remuneration Report ("the Report") is prepared in accordance with Schedule 7A of the Companies Act 1985 ("the Act") in respect of the year ended 31 October 2006. An ordinary resolution to approve the Report will be put to the Annual General Meeting on 15 February 2007. The Act requires the auditors to report to the Company's members on certain parts of the Report and to state whether in their opinion those parts of the Report have been properly prepared in accordance with the Act. Therefore the Report has been divided into separate sections for audited and unaudited information.

#### UNAUDITED INFORMATION

### Consideration by the directors of matters relating to directors' remuneration

The Board as a whole considered the directors' remuneration. The Board has not appointed a committee to consider matters relating to the directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration (although the directors expect from time to time to review the fees paid to the boards of directors of other investment trust companies, as it did during 2006).

### Statement of the Company's policy on directors' remuneration

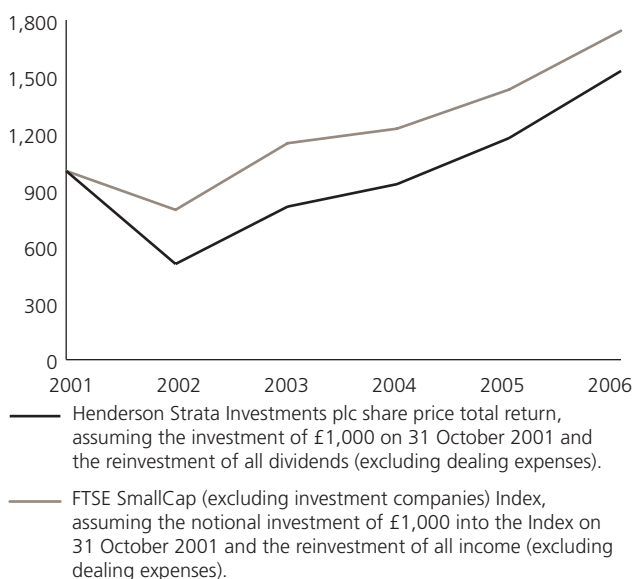
The Board consists entirely of non-executive directors who meet at least four times a year to deal with the important aspects of the Company's affairs. Directors' appointments are reviewed formally every three years by the Board as a whole. None of the directors has a contract of service or a contract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

The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Board's Audit Committee to be paid higher fees than the other directors in recognition of their more onerous roles.

The Company's articles of association limit the total fees payable to the directors to £75,000 per annum. The directors' fees were increased, with effect from 1 July 2006, as follows: the Chairman from £12,500 to £15,000 per annum, the Chairman of the Audit Committee (a position until March 2006 held by the Chairman) from £8,000 to £12,500 per annum and the other directors from £8,000 to £10,000 per annum. The policy is to review these rates from time to time, although such review will not necessarily result in any change to the rates.

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

### Performance graph



Source: Datastream

The FTSE SmallCap (excluding investment companies) Index is selected because it was the Company's benchmark for over three years of the five year period covered by the graph.



# Directors' Remuneration Report

continued

## AUDITED INFORMATION

### Amount of each director's emoluments

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

	2006	2005
	£	£
R D H Bryce	8,667	8,000
G B Burnett	13,333	12,500
M R King (i)	8,667	2,996
P N J May (ii)	9,500	8,000
R W Smith (iii)	8,667	8,000
S R Burley	–	2,244
E T Whitley	–	5,333
<b>TOTAL</b>	<b>48,834</b>	<b>47,073</b>

Notes:

- (i) Mr King was appointed to the Board on 16 June 2005.
- (ii) Mr May was appointed Chairman of the Audit Committee on 16 March 2006.
- (iii) Mr Smith was employed by a subsidiary of Henderson Group plc ("Henderson Global Investors") during the prior year. His fees for the six months ended 30 April 2005 (amounting to £4,000) were paid to Henderson Global Investors. The Company was informed that emoluments totalling £17,000 were paid by Henderson Global Investors to Mr Smith in respect of his services to the Company during the year ended 31 October 2005. In addition, Henderson paid pension contributions of £1,000 in respect of Mr Smith's services to the Company for that year.
- (iv) No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors.

By order of the Board

G S Rice

For and on behalf of

Henderson Secretarial Services Limited,  
Secretary

14 December 2006

# 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 on Corporate Governance ("the Code").

Throughout the year under review the Code in force was the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003. In addition, the AITC Code of Corporate Governance, issued by the Association of Investment Trust Companies (now the Association of Investment Companies) in July 2003 ("the AITC Code") applies to the Company.

## Statement of compliance

The directors consider that the Company has complied during the year ended 31 October 2006 with all the relevant provisions set out in the Code, with the exception that the Board has not appointed a senior independent director. The directors consider that the Company has complied throughout the year ended 31 October 2006 with the AITC Code.

## Application of the Principles of the Code

The Company is committed to high standards of corporate governance and the Board attaches importance to the matters set out in the Code and applies its principles. However, as an investment trust company, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus not all of the provisions of the Code are directly applicable to the Company.

## The Board of directors

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board is responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and others are understood and met. The Board sets the Company's strategic aims (subject to the Company's memorandum and articles of association, and to such approval of the shareholders in general meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board currently consists of five non-executive directors, four of whom are independent of the Company's Manager (Henderson Global Investors Limited). Their biographical details, set out on page 8 and expanded on pages 11 and 12, demonstrate a breadth of investment, industrial, commercial and professional experience with an international perspective.

The Board meets at least four times a year and deals with the important aspects of the Company's affairs, including

the setting of parameters for and the monitoring of investment strategy and the review of investment performance. The Board sets limits on the size and concentration of new investments, on the use of derivatives and on the extent to which borrowings may be used. The application of these and other restrictions, including those which govern the Company's tax status as an investment trust, are reviewed regularly at meetings of the Board. The Manager takes decisions as to the purchase and sale of individual investments and is responsible for effecting those decisions on the best available terms. The Chairman is responsible for leading the Board and for ensuring that it continues to deal effectively with all the aspects of its role. In particular, he ensures that the Manager provides the directors, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant. Representatives of the Manager attend each Board meeting, enabling the directors to seek clarification on specific issues or to probe further on matters of concern. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense. The directors have access to the advice and services of the corporate company secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed.

When a director is appointed he or she is offered a tailored introductory programme organised by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors are encouraged to attend suitable training courses on an ongoing basis at the Company's expense.

Directors are appointed for specified terms, subject to re-election and to the provisions of the Companies Act. In accordance with the Company's articles of association, new directors stand for election at the first annual general meeting following their appointment. The Board has agreed that every director will stand for re-election at intervals of not more than three years. In accordance with the Code, directors who serve for more than nine years stand for re-election annually.

The Board's tenure and succession policy seeks to ensure that the Board is well balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment, including in terms of time, to the Company. The Board is of the view, however, that length of

# Corporate Governance

continued

service does not of itself impair a director's ability to act independently. Rather, a long-serving director can offer a perspective that adds value to the deliberations of a well-balanced investment trust company board. Accordingly, the Board does not consider that directors lose their independence solely by virtue of length of service but the roles and contributions of long-serving directors will be subject to particularly rigorous review every year.

The Board's procedure in the current year for evaluating the performance of the Board, its Committees and the individual directors has been by means of discussion. The evaluation process is designed to show whether individual directors continue to contribute effectively to the Board and to clarify the strengths and weaknesses of the Board's composition and processes. The Chairman takes the lead in acting on the results of the evaluation process, mindful in the current context of the proposed changes to the Company's investment policy. In respect of the Chairman, a meeting of the directors was held, without the Chairman present, to evaluate his performance.

The Chairman of the Company is an independent director. A senior non-executive director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead when issues arise. Accordingly, concerns can be conveyed to the director most qualified to address the subject.

## Board committees

The Board has established Audit, Management Engagement and Nomination Committees with defined terms of reference and duties. All three committees comprise non-executive directors appointed by the Board; the Board also appoints the Chairmen. The membership of these Committees is set out on page 8. A record of the meetings held during the year is set out on page 12.

### *Audit Committee*

Three members of the Audit Committee are by profession chartered accountants and several of the directors, including the Chairman of the Audit Committee, have recent and relevant financial experience from their senior management roles elsewhere. The Audit Committee's programme is to meet at least twice a year, in advance of the publication of both the annual and the interim results.

The role of the Audit Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the auditors. The Audit Committee is responsible for the review of the annual report and the interim report and for monitoring the integrity of the Company's financial statements generally, including consideration of the

Company's accounting policies and significant financial reporting judgements. It reviews the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. It also monitors the auditors' independence and objectivity and the effectiveness of the audit process. It meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It is responsible to the Board for monitoring the Company's internal control and risk management procedures. The Audit Committee met three times during the year to carry out these duties.

### *Management Engagement Committee*

The Management Engagement Committee is responsible for the regular review of the terms of the management contract with the Manager. The Committee did not meet formally during the year.

### *Nomination Committee*

The Nomination Committee is responsible for making recommendations on the appointment of new directors. Each director is invited to submit nominations and external advisers may be used to identify potential candidates. The nominations list is considered by the Board as a whole in accordance with its agreed procedures, although the Chairman would not expect to be involved in the selection of his successor. The Board has determined that a majority of the members of the Nomination Committee should be independent non-executive directors. The Committee did not meet formally during the year.

## Directors' remuneration

The Board as a whole considers the directors' remuneration; therefore it has not appointed a separate remuneration committee for this purpose. Because the Company is an investment trust company and all its directors are non-executive, the Company is not required to comply with the provisions of the Code in respect of the remuneration of executive directors. The directors' fees are detailed in the Directors' Remuneration Report on pages 16 and 17.

## Relations with shareholders

It is the Chairman's role to ensure effective communication with the Company's shareholders and it is the responsibility of the Board to ensure that satisfactory dialogue takes place, based on the mutual understanding of objectives.

The Board seeks to develop an understanding of the views of the major shareholders by receiving reports from the Manager on meetings it has with shareholders and analysts and from the Company's stockbrokers on contact it has with

## Corporate Governance

continued

shareholders and with potential investors. The Chairman, and other members of the Board if requested, are available to talk to major shareholders if asked to do so.

The Board considers that the annual general meeting should provide an effective forum for individual investors to communicate with the directors. The annual general meeting is chaired by the Chairman of the Board who is also the Chairman of the Management Engagement and Nomination Committees. The Chairman of the Audit Committee also attends. Details of the proxy votes received in respect of each resolution are made available to shareholders. Representatives of the Manager make a presentation to the meeting. The Company has adopted a nominee share code which is set out on page 40.

### Accountability and audit

The directors' statement of responsibilities in respect of the accounts is set out on page 21. The responsibilities of the independent auditors are set out on page 22. The directors' report that the business is a going concern is set out on page 15.

The Board has delegated contractually to external agents, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, either the Chairman or another director attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

### Internal control

The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Manager's internal audit and compliance and risk departments on an ongoing basis.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Turnbull guidance. The process was fully in place during the year under review and up to the date of this annual report. In addition, the

Board has conducted its annual review of the effectiveness of the Company's system of internal control, covering all the controls, including financial, operational and compliance controls and risk management systems. This review took into account points raised during the year in the Board's regular appraisal of specific areas of risk. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objective and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted originally by the Manager, undertook a full review of the Company's business risks and these are analysed and recorded in a risk map. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls (a "FRAG 21" report) which includes a report from the Manager's auditors on the control policies and procedures in operation.

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. Accordingly, in practice the Board must place reliance on the Manager and its other contractors to ensure that they operate effective internal audit functions. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors review at least annually whether a function equivalent to an internal audit is needed.

### Environmental and human rights policy and the exercise of voting powers

The Code emphasises that the way in which institutional investors use their power to influence the standards of corporate governance is of fundamental importance and their readiness to do this turns on the degree to which they see it as their responsibility as owners, and in the interest of those whose money they are investing, to bring about changes in companies when necessary.

In this regard, the Company's Manager follows a responsible investment policy covering the UK requirements of the Code in full. The Manager votes with this policy in mind and enjoys the benefits of having its own socially responsible investment and corporate engagement teams. The Board has approved a corporate governance voting policy for the United Kingdom which accords with current best practice whilst maintaining a primary focus on financial returns.

## Statement of Directors' Responsibilities

in respect of the Accounts

Company law requires the directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practices which give a true and fair view of the state of affairs of the Company and of the net return of the Company 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the [www.itshenderson.com](http://www.itshenderson.com) website, which is a website maintained by the Company's Manager, Henderson Global Investors Limited ("Henderson"). The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.



# Independent Auditors' Report

to the members of Henderson Strata Investments plc

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

## Respective responsibilities of directors and auditors

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

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

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts.

The other information comprises only the Chairman's Statement, the Financial Highlights, the Performance Statement, the Fund Manager's Review, the Investment Portfolio, the Report of the Directors, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

## Basis of audit opinion

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

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

## Opinion

In our opinion:

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

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

14 December 2006



# Henderson Strata Investments plc

## Reconciliation of Movements in Shareholders' Funds

for the year ended 31 October 2006

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Year ended 31 October 2006</b>						
At 31 October 2005	3,041	16,479	1,365	42,473	(2,518)	60,840
Adjustment to bid valuation (see note 1d)	–	–	–	(209)	–	(209)
Net return from ordinary activities after taxation	–	–	–	15,110	560	15,670
Purchase of own shares for cancellation	(763)	–	763	(18,078)	–	(18,078)
Cancellation of treasury shares	(226)	–	226	–	–	–
<b>At 31 October 2006</b>	<b>2,052</b>	<b>16,479</b>	<b>2,354</b>	<b>39,296</b>	<b>(1,958)</b>	<b>58,223</b>

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Year ended 31 October 2005</b>						
At 31 October 2004	4,276	16,479	130	62,705	(2,711)	80,879
Net return from ordinary activities after taxation	–	–	–	8,068	193	8,261
Purchase of own shares for cancellation	(1,235)	–	1,235	(24,012)	–	(24,012)
Purchase of own shares into treasury	–	–	–	(4,288)	–	(4,288)
At 31 October 2005	3,041	16,479	1,365	42,473	(2,518)	60,840

# Henderson Strata Investments plc

## Balance Sheet

at 31 October 2006

Notes	2006 £'000	2005 £'000
10	<b>Investments held at fair value through profit or loss</b>	
	Listed investments at market value: United Kingdom	34,747
		<u>34,747</u>
	AIM investments at market value	30,636
	Overseas quoted cash fund	37
	Unquoted investments at directors' valuation	47
		<u>65,467</u>
	<b>Current assets</b>	
11	Debtors	196
	Cash at bank	1,407
		<u>1,603</u>
12	<b>Creditors: amounts falling due within one year</b>	(6,230)
	<b>Net current liabilities</b>	<u>(4,627)</u>
	<b>Total net assets</b>	<u>60,840</u>
	<b>Capital and reserves</b>	
14	Called up share capital	3,041
15	Share premium account	16,479
15	Capital redemption reserve	1,365
15	Capital reserve – realised	36,977
15	Capital reserve – unrealised	5,496
15	Revenue reserve	(2,518)
	<b>Equity shareholders' funds</b>	<u>60,840</u>
16	<b>Net asset value per ordinary share</b>	<u>540.30p</u>

These accounts were approved by the board of directors on 14 December 2006 and were signed on their behalf by:

G B Burnett

The notes on pages 27 to 36 form part of these accounts.

# Henderson Strata Investments plc

## Cash Flow Statement

for the year ended 31 October 2006

Notes	2006 £'000	2006 £'000	2005 £'000	2005 £'000
17	<b>Net cash (outflow)/inflow from operating activities</b>			678
	<b>Servicing of finance</b>			
	Interest paid	(294)	(75)	
	<b>Net cash outflow from servicing of finance</b>	<b>(294)</b>		(75)
	<b>Taxation</b>			
	Tax recovered	7	11	
	<b>Net tax recovered</b>	<b>7</b>		11
	<b>Financial investment</b>			
	Purchases of investments	(25,131)	(64,358)	
	Sales of investments	38,078	87,559	
	<b>Net cash inflow from financial investment</b>	<b>12,947</b>		23,201
	<b>Net cash inflow before financing</b>	<b>12,539</b>		23,815
	<b>Financing</b>			
	Drawdown of short term loans	4,100	4,000	
	Purchases of own shares	(16,594)	(28,300)	
	<b>Net cash outflow from financing</b>	<b>(12,494)</b>		(24,300)
	<b>Increase/(decrease) in cash</b>	<b>45</b>		(485)
	<b>Reconciliation of net cash flow to movement in net debt</b>			
	Increase/(decrease) in cash as above	45		(485)
	Net cash inflow from increase in loans	(4,100)		(4,000)
	Movements relating to cash flows	(4,055)		(4,485)
	Exchange movements	(1)		67
	Movement in net (debt)/funds	(4,056)		(4,418)
	Net (debt)/funds at 1 November	(4,038)		380
18	<b>Net debt at 31 October</b>	<b>(8,094)</b>		(4,038)

The notes on pages 27 to 36 form part of these accounts.



# Notes to the Accounts

## 1 Accounting policies

### a) Basis of accounting

The accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, and in accordance with the Companies Act 1985, Accounting Standards applicable in the United Kingdom and the Revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies dated December 2005 (the “Revised SORP”). All of the Company’s operations are of a continuing nature.

### b) Changes in presentation

The Company has adopted the provisions of the Revised SORP which has resulted in some changes to the presentation of the Company’s accounts.

The Statement of Total Return is now called the Income Statement. The Reconciliation of Movements in Shareholders’ Funds is now presented as a primary statement (see page 24).

### c) Changes in accounting policy

The Company has changed its accounting policy for the valuation of investments in accordance with the provisions of FRS 26 – Financial Instruments: Recognition and Measurement (“FRS 26”). This change in policy and the associated impact on the results of the Company are referred to below.

### d) Valuation of fixed asset investments

Prior to 1 November 2005, quoted investments were valued at middle market prices. Following the adoption of FRS 26, quoted investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid market prices or the last trade price depending on the convention of the exchange on which the investment is quoted. In accordance with the exemption conferred by FRS 26, comparatives have not been restated for this change in accounting policy and therefore quoted investments shown at 31 October 2005 are stated at middle market prices. The adoption of bid prices at 1 November 2005 decreased the value of quoted investments by £209,000. The effect of this change in accounting policy is to decrease the value of investments at 31 October 2006 by £713,000 and decrease the net return on ordinary activities after taxation for the year then ended by £504,000.

Unquoted investments have also been designated by the Board as held at fair value through profit or loss and are valued by the directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot reliably be measured, the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as “gains or losses on investments held at fair value through profit or loss”. All purchases and sales are accounted for on a trade date basis.

### e) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional currency and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year 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.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital return or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

# Notes to the Accounts

continued

## 1 Accounting policies (continued)

### f) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of directors, the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares is recognised using the effective interest rate method in accordance with the Revised SORP. Bank interest is accounted for on an accruals basis.

### g) Management fees, administrative expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. With effect from 1 November 2005 the Board determined that the capital return should reflect the indirect costs of earning capital returns. Accordingly from 1 November 2005, on the basis of the Board's expected long-term split of returns in the form of capital gains and income of 80% and 20% respectively, the Company charges 80% of its finance charges and management fees to the capital return shown in the Income Statement. Previously, all such expenses were charged to the revenue return. The impact of this change in allocation is to increase net revenue return after taxation by £806,000 and decrease net capital return after taxation by the same amount. Expenses which are incidental to the purchase or sale of an investment are included within the cost or deducted from the proceeds of the investment.

### h) Taxation

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

In line with the recommendations of the Revised SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

### i) Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including interest payable, premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## 2 Total gains from investments designated as held at fair value through profit or loss

	2006 £'000	2005 £'000
Realised gains based on historical cost	7,099	7,436
Less: amount recognised as unrealised in the previous year	(595)	(3,225)
Realised gains based on carrying value at the previous balance sheet date	6,504	4,211
Net movement in unrealised appreciation	9,413	3,790
Net (loss)/gain on foreign exchange	(1)	67
	<b>15,916</b>	<b>8,068</b>

# Notes to the Accounts

continued

<b>3</b>	<b>Income from investments held at fair value through profit or loss</b>	<b>2006</b> <b>£'000</b>	2005 £'000
	Franked:		
	Dividends from listed investments	<b>698</b>	769
	Dividends from AIM investments	<b>185</b>	105
	Special dividends from AIM investments	<b>63</b>	–
		<b>946</b>	874
	Unfranked:		
	Dividends from listed investments	<b>6</b>	142
	Interest from unquoted investments	<b>9</b>	7
		<b>15</b>	149
		<b>961</b>	1,023

<b>4</b>	<b>Other interest receivable and similar income</b>	<b>2006</b> <b>£'000</b>	2005 £'000
	Deposit interest	<b>17</b>	99
		<b>17</b>	99

<b>5</b>	<b>Management fee</b>	<b>Revenue return 2006 £'000</b>	<b>Capital return 2006 £'000</b>	<b>Total 2006 £'000</b>	Revenue return 2005 £'000	Capital return 2005 £'000	Total 2005 £'000
	Management fee	<b>121</b>	<b>482</b>	<b>603</b>	584	–	584
	Irrecoverable VAT	<b>20</b>	<b>84</b>	<b>104</b>	78	–	78
		<b>141</b>	<b>566</b>	<b>707</b>	662	–	662

The allocation between revenue return and capital return is explained in note 1g on page 28.

<b>6</b>	<b>Other administrative expenses</b> (all charged to revenue)	<b>2006</b> <b>£'000</b>	2005 £'000
	Auditors' remuneration for audit services	<b>19</b>	16
	Directors' fees (see the directors' remuneration report on pages 16 and 17)	<b>49</b>	47
	Other expenses payable to the management company*	<b>22</b>	17
	Other expenses	<b>127</b>	103
		<b>217</b>	183

\*Other expenses payable to the management company relate to the marketing and administration of the Henderson Investment Trust Share Plan.

## Notes to the Accounts

continued

<b>7 Finance charges</b>	<b>Revenue return 2006 £'000</b>	<b>Capital return 2006 £'000</b>	<b>Total 2006 £'000</b>	Revenue return 2005 £'000	Capital return 2005 £'000	Total 2005 £'000
On bank loans and overdrafts repayable within one year	60	240	300	77	–	77
	<u>60</u>	<u>240</u>	<u>300</u>	<u>77</u>	<u>–</u>	<u>77</u>

The allocation between revenue return and capital return is explained in note 1g on page 28.

<b>8 Taxation on net return on ordinary activities</b>	<b>Revenue return 2006 £'000</b>	<b>Capital return 2006 £'000</b>	<b>Total 2006 £'000</b>	Revenue return 2005 £'000	Capital return 2005 £'000	Total 2005 £'000
<b>(a) Analysis of the charge for the year</b>						
UK corporation tax at 30% (2005: 30%)	–	–	–	–	–	–
Foreign withholding taxes	–	–	–	7	–	7
Taxation on net return on ordinary activities (note 8(b))	–	–	–	7	–	7
	<u>–</u>	<u>–</u>	<u>–</u>	<u>7</u>	<u>–</u>	<u>7</u>

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	<b>Revenue return 2006 £'000</b>	<b>Capital return 2006 £'000</b>	<b>Total 2006 £'000</b>	Revenue return 2005 £'000	Capital return 2005 £'000	Total 2005 £'000
Net return on ordinary activities before taxation	560	15,110	15,670	200	8,068	8,268
Corporation tax at 30% (2005: 30%)	168	4,533	4,701	60	2,420	2,480
Non-taxable UK dividends	(284)	–	(284)	(262)	–	(262)
Expenses not utilised in the year	108	–	108	183	–	183
Income taxable in different years	–	–	–	14	–	14
Overseas withholding tax suffered	–	–	–	7	–	7
Expenses not deductible for tax purposes	8	–	8	5	–	5
Capital gains not subject to tax	–	(4,533)	(4,533)	–	(2,420)	(2,420)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>7</u>	<u>–</u>	<u>7</u>

# Notes to the Accounts

continued

## 8 Taxation on net return on ordinary activities (continued)

### (c) Provision for deferred taxation

Because of the Company's status as an investment trust, and the intention that it will continue to meet the conditions required to obtain approval as such in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

### (d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £2,984,000 (2005: £2,635,000), arising as a result of unrelieved management expenses and business charges, and £157,000 (2005: £157,000), arising as a result of eligible unrelieved foreign tax. These expenses could only be utilised if the Company were to generate taxable profits in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

## 9 Return per ordinary share

The total return per ordinary share is based on the net return attributable to the ordinary shares of £15,670,000 (2005: £8,261,000) and on 10,585,584 ordinary shares (2005: 13,073,684) being the weighted average number of shares in issue during the year.

The total return can be further analysed as follows:

	2006 £'000	2005 £'000
Revenue return	560	193
Capital return	15,110	8,068
Total	<u>15,670</u>	<u>8,261</u>
Weighted average number of ordinary shares	<b>10,585,584</b>	13,073,684
Revenue return per ordinary share	<b>5.29p</b>	1.48p
Capital return per ordinary share	<b>142.74p</b>	61.71p
Total return per ordinary share	<b><u>148.03p</u></b>	<u>63.19p</u>

The Company does not have any dilutive securities.

# Notes to the Accounts

continued

<b>10 Investments held at fair value through profit or loss</b>	<b>£'000</b>
Valuation at 1 November 2005 using mid market values	65,467
Less: adjustment for bid valuation (see note 1d)	(209)
Valuation at 1 November 2005 using bid market values	65,258
Unrealised appreciation	(5,287)
Cost at 1 November 2005	59,971
Purchases at cost	24,983
Sales proceeds	(39,107)
Gains on disposals	7,099
Cost at 31 October 2006	52,946
Unrealised appreciation	14,105
<b>Valuation of investments at 31 October 2006</b>	<b>67,051</b>

Purchase transaction costs for the year to 31 October 2006 were £39,000 (year ended 31 October 2005: £164,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the year to 31 October 2006 were £43,000 (year ended 31 October 2005: £119,000).

<b>11 Debtors</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Sales for future settlement	<b>1,029</b>	–
Prepayments and accrued income	<b>77</b>	177
Taxation recoverable	<b>4</b>	11
Other debtors	–	8
	<b>1,110</b>	196

<b>12 Creditors: amounts falling due within one year</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Unsecured sterling loans and overdrafts	<b>8,100</b>	5,445
Share buy-backs awaiting settlement	<b>1,484</b>	–
Purchases for future settlement	<b>51</b>	199
Other creditors	<b>309</b>	586
	<b>9,944</b>	6,230



# Notes to the Accounts

continued

## 13 Derivatives and other financial instruments

The policies described below applied in both the year ended 31 October 2006 and the year ended 31 October 2005.

### (a) Management of risk

The Company's financial instruments may comprise:

- equity shares that are held in accordance with the Company's investment objective as set out on the inside front cover;
- sterling term loans used as a cost effective method of financing the Company's investments; and
- cash and short term debtors and creditors that arise from the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are market price risk and interest risk. There may also be risks due to a shortage of liquid funds, leaving the Company unable to meet funding commitments. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained constant throughout the year under review.

#### *Market price risk*

An investment trust company is exposed to risk due to fluctuations in the market prices of the investments held in its portfolio. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular holding or to a particular sector. New investments are selected from a range of small companies, including companies which, although quoted in London, operate internationally. The Fund Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy.

#### *Interest rate risk*

The Company may use term loans and bank overdrafts to provide finance for its operations. The Board sets borrowing limits to ensure that gearing levels are appropriate to the Company and reviews these on a regular basis.

The Company used its banking facility to draw down sterling loans during the year; there were loans of £8,100,000 outstanding at the year end (2005: £4,000,000). The loans were all made on a short term basis and therefore the Company was not exposed to any material risk due to interest rate fluctuations.

#### *Liquidity risk*

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

#### *Credit risk*

The Company places funds with authorised deposit takers from time to time and is therefore potentially at risk from the failure of any such institution of which it is a creditor. The Company expects to place any deposits on a short term basis only.

#### *Foreign currency risk*

The Company's total return and balance sheet can be affected by fluctuations in foreign currency exchange rates as a small proportion of the Company's assets may be denominated in currencies other than sterling. From time to time the Company will hold foreign currency cash balances as well as foreign currency balances due to and receivable from brokers. These assets and liabilities arise from the Company's investing activities. This exposure is short term and not significant.

# Notes to the Accounts

continued

## 13 Derivatives and other financial instruments (continued)

### (b) Interest rate risk profile of the financial assets and financial liabilities

#### Financial assets

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

#### Financial liabilities

The financial liabilities of the Company at 31 October 2006 comprised short term sterling bank loans of £8,100,000 and overdrafts of £nil (2005: loans of £4,000,000 and overdrafts of £1,445,000) that bore interest at rates based on the lending banks' floating interest rate.

The short term bank loan of £8,100,000 (2005: £4,000,000) carried an interest rate of 5.275% (2005: 4.885%) per annum and was repayable on 1 November 2006.

### (c) Maturity profile of the Company's financial liabilities

All of the Company's financial liabilities at 31 October 2006 mature within one year (2005: within one year).

As at 31 October 2006 the Company had a committed multicurrency loan facility of £9 million (2005: £5 million). The terms of the facility are subject to annual review by the provider.

### (d) Currency exposure

Some of the Company's financial assets are denominated in currencies other than sterling with the effect that the balance sheet and the total return can be affected by currency movements.

Currency	Monetary	2006	Net monetary	Monetary	2005	Net monetary
	assets	Monetary	assets		Monetary	
	£'000	liabilities	assets	assets	liabilities	assets
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	4	–	4	6	–	6
Swiss francs	–	–	–	5	–	5
New Taiwan dollars	–	–	–	1	–	1
Total	4	–	4	12	–	12

### (e) Fair values of financial assets and financial liabilities

All of the Company's financial assets and financial liabilities are held at fair value.

## 14 Called up share capital

Authorised:

20,000,000 ordinary shares of 25p each (2005: 20,000,000)

Allotted, issued and fully paid:

8,208,293 ordinary shares of 25p each (2005: 12,164,660)

	2006	2005
	£'000	£'000
Authorised:		
20,000,000 ordinary shares of 25p each (2005: 20,000,000)	5,000	5,000
Allotted, issued and fully paid:		
8,208,293 ordinary shares of 25p each (2005: 12,164,660)	2,052	3,041

During the year the Company made market purchases for cancellation of 3,052,121 of its own issued ordinary shares of 25p each, representing 27.1% of the issued share capital as at 31 October 2005 (excluding treasury shares), for a total consideration of £18,078,000. The main reason for the purchases was to reduce the discount to net asset value.

The 904,246 shares held in treasury at 31 October 2005 were cancelled on 1 August 2006.

# Notes to the Accounts

continued

<b>15 Share premium account and reserves</b>	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
At 1 November 2005	16,479	1,365	36,977	5,496	(2,518)
Adjustment for bid valuation (see note 1d)	–	–	–	(209)	–
Transfer on disposal of assets	–	–	595	(595)	–
Net gains on investments	–	–	6,504	9,413	–
Net loss on foreign exchange	–	–	(1)	–	–
Expenses and finance charges charged to capital	–	–	(806)	–	–
Purchases of own shares for cancellation	–	763	(18,078)	–	–
Cancellation of treasury shares	–	226	–	–	–
Revenue return for the year	–	–	–	–	560
At 31 October 2006	<b>16,479</b>	<b>2,354</b>	<b>25,191</b>	<b>14,105</b>	<b>(1,958)</b>

## 16 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £58,223,000 (2005: £60,840,000) and on the 8,208,293 ordinary shares in issue at 31 October 2006 (2005: 11,260,414\*).

\*The number of shares has been adjusted for the shares held in treasury which, for this purpose, are not treated as being in issue.

The movements during the year of the assets attributable to the ordinary shares were as follows:

	£'000
Total net assets at 1 November 2005	60,840
Adjustment for bid valuation (see note 1d)	(209)
Adjusted net assets at 1 November 2005	60,631
Purchases of own shares	(18,078)
Total net gains	15,670
<b>Total net assets at 31 October 2006</b>	<b>58,223</b>

## 17 Reconciliation of operating revenue to net cash flow from operating activities

	2006 £'000	2005 £'000
Net total return before interest payable and taxation	<b>15,970</b>	8,345
Less: capital return before interest payable and taxation	<b>(15,350)</b>	(8,068)
Net revenue before interest payable and taxation	<b>620</b>	277
Decrease in accrued income	<b>100</b>	114
Decrease in other debtors	<b>8</b>	7
(Decrease)/increase in other creditors	<b>(283)</b>	287
Expenses charged to capital	<b>(566)</b>	–
Overseas withholding tax suffered	–	(7)
Net cash (outflow)/inflow from operating activities	<b>(121)</b>	678

## Notes to the Accounts

continued

<b>18 Analysis of changes in net debt</b>	1 November 2005 £'000	Cash Flow £'000	Exchange Movements £'000	<b>31 October 2006 £'000</b>
Cash at bank less bank overdrafts	(38)	45	(1)	<b>6</b>
Debt:				
Debts falling due within one year	(4,000)	(4,100)	–	<b>(8,100)</b>
Net debt	<u>(4,038)</u>	<u>(4,055)</u>	<u>(1)</u>	<b><u>(8,094)</u></b>

### **19 Contingent liabilities and capital commitments**

There were no contingent liabilities in respect of underwriting commitments at 31 October 2006 (2005: £nil). There were no capital commitments in respect of securities not fully paid up (2005: £nil).

### **20 Transactions with the Manager**

Under the terms of the management agreement, the Company has appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, administrative and company secretarial services and BNP Paribas Fund Services UK Limited (formerly Cogent Investment Operations Limited) to provide UK custodial services. Henderson has contracted with BNP Paribas Fund Services UK Limited to provide accounting and administrative services.

Details of the fee arrangements for these services are given on pages 12 and 13 in the report of the directors. The total of the fees payable under this agreement to Henderson in respect of the year ended 31 October 2006 was £603,000, excluding VAT, (2005: £584,000), of which £192,000 was outstanding at 31 October 2006 (2005: £468,000).

In addition to the above services, Henderson has provided the Company with share plan marketing and administration services during the year. The total fees payable for these services for the year ended 31 October 2006 amounted to £20,000, excluding VAT, (2005: £15,000) of which £7,000 was outstanding at 31 October 2006 (2005: £5,000).

## Historical Record

Year ended 31 October	Total assets less current liabilities in £'000	Net asset value per ordinary share in pence <sup>(1)</sup>	Net asset value per warrant in pence	Revenue return/ (loss) per ordinary share in pence <sup>(5)</sup>	Dividend per ordinary share in pence
1986	20,729	133.1	33.1	1.90 <sup>(2)</sup>	0.50 <sup>(3)</sup>
1987	19,790	127.4	27.4	0.75	0.58
1988	22,371	142.8	42.8	1.11	0.70
1989	25,829	163.5	63.5	1.67	1.15
1990	21,089	135.2	35.2	1.83	1.32
1991	29,480	185.3	85.3	1.56	1.40
1992	29,736	186.3	86.3	1.45	1.40
1993	45,315	271.0	–	1.36	1.40
1994	47,492	284.0	–	1.00	0.50
1995 <sup>(4)</sup>	58,797	351.7	–	2.35	1.40
1996	78,255	453.8	–	1.72	1.40
1997	86,111	495.5	–	(0.43)	0.50
1998	86,596	492.8	–	(1.69)	nil
1999	125,696	715.3	–	(2.05)	nil
2000	179,499	1,021.5	–	(11.69)	nil
2001	85,645	486.0	–	(7.85)	nil
2002	53,499	308.2	–	(1.23)	nil
2003	76,002	442.2	–	2.61	nil
2004	80,879	472.9	–	3.41	nil
2005	60,840	540.3	–	1.48	nil
<b>2006</b>	<b>58,223</b>	<b>709.3</b>	<b>–</b>	<b>5.29</b>	<b>nil</b>

<sup>(1)</sup> Assuming full subscription of the warrants in issue between 16 October 1985 and 31 January 1993. All warrants had been exercised as at 31 January 1993.

<sup>(2)</sup> From commencement of business on 16 October 1985.

<sup>(3)</sup> A special dividend of 1.10p was also paid.

<sup>(4)</sup> Restated, where applicable, for the change in accounting policy made in the 1996 accounts in respect of the recognition of dividend income. Periods prior to 31 October 1995 have not been restated.

<sup>(5)</sup> The figures for the years 1986 to 2005 inclusive have not been adjusted for the change, with effect from 1 November 2005, in the allocation of management and finance costs.

## Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting of Henderson Strata Investments plc will be held at 4 Broadgate, London EC2M 2DA on Thursday 15 February 2007 at 2.00 pm for the transaction of the following:

### Ordinary Business

- 1 To receive the report of the directors and the audited accounts for the year ended 31 October 2006.
- 2 To approve the directors' remuneration report for the year ended 31 October 2006.
- 3 To re-elect Mr R W Smith as a director of the Company.
- 4 To re-elect Mr G B Burnett as a director of the Company.
- 5 To re-elect Mr R D H Bryce as a director of the Company.
- 6 To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
- 7 To authorise the directors to determine the remuneration of the auditors.

### Special Business

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

#### *as an Ordinary Resolution*

- 8 THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £102,603 (being 5% of the issued share capital, excluding shares held in treasury, at 14 December 2006) PROVIDED THAT this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

#### *as a Special Resolution*

- 9 THAT, subject to resolution 8 being passed, the Board be and it is hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act), and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the said Act, for cash pursuant to the authority conferred by resolution 8 as if sub-section (1) of section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:

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

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £102,603 (being 5% of the issued ordinary share capital, excluding shares held in treasury, at 14 December 2006); and

(c) to the allotment of equity securities at a price of no less than net asset value per share;

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



# Notice of Annual General Meeting

continued

as a *Special Resolution*

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

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 1,230,423 (representing approximately 14.99% of the Ordinary Shares, excluding treasury shares, at 14 December 2006, the date of this Notice of Annual General Meeting);
- (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 25p;
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time;
- (d) the authority hereby conferred will expire at the conclusion of the annual general meeting of the Company in 2008, 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
- (e) 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 provided that all Ordinary Shares purchased pursuant to the said authority shall be either

(ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 1985.

By order of the Board

G S Rice  
for and on behalf of  
Henderson Secretarial Services Limited,  
Secretary  
14 December 2006

## Notes

(i) Only those shareholders registered in the register of members of Henderson Strata Investments plc at close of business on Tuesday 13 February 2007 shall be entitled to attend and vote at the annual general meeting ("the meeting") in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after close of business on 13 February 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(ii) A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company.

(iii) A form of proxy is enclosed. To be valid the form of proxy must be completed and deposited at the office of the Registrar to the Company not less than 48 hours before the time appointed for holding the meeting. The return of the form of proxy duly completed will not preclude a member from attending and voting in person at the meeting. If shareholders so wish, the form of proxy may be returned in an envelope addressed to Computershare Investor Services PLC, FREEPOST SWB1002, PO Box 1075, Bristol, BS99 3FA.

(iv) The register of directors' interests, kept by the Company in accordance with the requirements of the Companies Act 1985, will be available for inspection at the annual general meeting.

(v) The attendance at the meeting of members and their proxies and representatives is understood by the Company to confirm their agreement to receive any communications made at the meeting.

*Registered Office:*  
4 Broadgate, London EC2M 2DA

(i) cancelled immediately upon completion of the purchase; or

## General Shareholder Information

### Release of results

Half year results are announced in June. Full year results are announced in December.

### AGM

The annual general meeting is held in London in February.

### Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times and in other leading newspapers. The Financial Times also shows figures for the estimated net asset value per share and for the discount.

### Internet

Details of the Company's share price and net asset value can be found on the Henderson website. The address is [www.itshenderson.com](http://www.itshenderson.com)

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via [www.computershare.com](http://www.computershare.com). Please note that to gain access to your details on the Computershare site you will need the holder reference number on the top left hand corner of your share certificate.

### SEDOL number

The SEDOL (Stock Exchange Daily Official List) number of the Company's shares is 0853657.

### Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Company's Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator, by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

### Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

# Directors and other Information

## **Directors**

G B Burnett (Chairman)  
R D H Bryce  
M R King  
P N J May (Chairman of the Audit Committee)  
R W Smith

## **Manager**

Henderson Global Investors Limited  
4 Broadgate  
London EC2M 2DA  
represented by C M Hughes

(Henderson Global Investors Limited is authorised and regulated by the Financial Services Authority)

## **Secretary**

Henderson Secretarial Services Limited,  
represented by G S Rice ACIS

## **Registered Office**

4 Broadgate  
London EC2M 2DA  
Telephone: 020 7638 5757

## **Registered Number**

Registered in England and Wales No. 1940906 as an investment company

## **Registrar**

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH  
Telephone: 0870 703 0194

## **Independent Auditors**

PricewaterhouseCoopers LLP  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

## **Stockbroker**

JPMorgan Cazenove Limited  
20 Moorgate  
London EC2R 6DA

## **Solicitors**

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY

## **Itshenderson**

*by post:*

PO Box 4605  
Worthing  
BN99 6QY

*by telephone:*

0845 712 5432  
between 8.00 am and 5.00 pm, Monday to Friday  
+44 131 527 3740  
if calling from abroad

*by fax:*

0870 242 4034

*by email:*

enquiries@itshenderson.com

*by textphone:*

0870 240 1847

## **Other Henderson ISAs and PEPs**

Henderson Investment Management Limited  
Block C, Western House  
Lynch Wood Business Park  
Peterborough PE2 6BP  
Telephone: 0800 832 832



The Association of  
Investment Companies



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