Henderson
GLOBAL INVESTORS

Henderson

# Investment Funds Series V

**Annual Report & Accounts**
For the year ended 30 September 2012

Who are

# Henderson Global Investors?

**Established in 1934 to administer the estates of Alexander Henderson, the first Lord Faringdon, Henderson Global Investors (Henderson) is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. With its principal place of business in London, Henderson is one of Europe's largest investment managers, with £64.8† billion assets under management (as at 30 September 2012) and employs around 1,000 people worldwide.**

In Europe, Henderson has offices in Amsterdam, Frankfurt, Luxembourg, Madrid, Milan, Paris, Vienna, Zurich and London. Henderson has had a presence in North America since 1999, when it acquired US real estate investment manager Phoenix Realty Advisers, and has offices in Chicago and Hartford. In Asia, Henderson has offices in New Delhi, Singapore (Asia headquarters), Hong Kong, Tokyo and Sydney. Henderson Group plc acquired New Star Asset Management Group Plc in April 2009 and Gartmore Group Limited in April 2011.

With investment expertise across every asset class, Henderson's skillful investment managers invest in every major market around the globe. They are supported by a global team of researchers and economists who have a keen understanding of the economic forces driving the security markets and who undertake rigorous sector and theme analysis. Underpinning this process is a comprehensive risk-control framework to ensure that investment views are translated into portfolios managed in line with investors risk and return requirements.

### What do we do?

At Henderson Global Investors we do one thing and we do it really well – investment management. As a company, we are totally focused on this core activity and it underpins everything we do.

We do this by providing a range of investment products and services including:

- Open ended funds – offshore funds, unit trusts, OEICs
- Investment trusts
- Individual Savings Accounts
- Pension fund management
- Management of portfolios for UK and international institutional clients

† Source: Henderson Global Investors.

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# Authorised Corporate Director's (ACD) report

We are pleased to present the Annual Report and Accounts for Henderson Investment Funds Series V for the year ended 30 September 2012.

**Authorised status**

Henderson Investment Funds Series V (the "Company") is an open ended investment company ("OEIC") with variable capital authorised, under regulation 12 (Authorisation) of the OEIC regulations, by the Financial Services Authority on 19 August 2004. It is an umbrella company, comprising one sub-fund. The investment objective for the sub-fund and the policy for achieving that objective is given in the 'Investment Objective' section of the sub-fund's report. The investment activities of the sub-fund are given in the 'Activity' section of the sub-fund's report. Shareholders are not liable for the debts of the Company.

The Fund is a non-UCITS retail scheme.

**Other information**

On 12 August 2011, Gartmore MultiManager Cautious Fund merged into Henderson Multi-Manager Income & Growth Fund. The Fund terminated on 29 September 2012.

On 20 September 2012, Gartmore Long Term Balanced Fund merged into Henderson Diversified Growth Fund, a sub-fund of Henderson Multi-Manager Investment OEIC and the Gartmore Long Term Balanced Fund is now in the process of terminating.

# Authorised Corporate Director's (ACD) report (continued)

**Advisers**

| | Name | Address | Regulator |
|---|---|---|---|
| **Authorised Corporate Director** | **Henderson Investment Funds Limited**<br>Member of IMA<br>The ultimate controlling party is Henderson Group Plc. | Registered Office:<br>201 Bishopsgate, London EC2M 3AE.<br>Registered in England No 2678531.<br>Telephone – 020 7818 1818<br>Dealing – 0845 608 8703<br>Enquiries – 0800 832 832 | Authorised and regulated by the Financial Services Authority. |
| **Investment Manager** | **Henderson Global Investors Limited**<br>The ultimate controlling party is Henderson Group Plc. | 201 Bishopsgate,<br>London EC2M 3AE | Authorised and regulated by the Financial Services Authority. |
| **Registrar** | **International Financial Data Services (UK) Limited** | IFDS House<br>St Nicholas Lane<br>Basildon, Essex SS15 5FS | Authorised and regulated by the Financial Services Authority. |
| **Depositary** | **HSBC Bank plc** | 8 Canada Square,<br>Canary Wharf,<br>London E14 5HQ | Authorised and regulated by the Financial Services Authority. |
| **Independent Auditors** | **PricewaterhouseCoopers LLP** | 141 Bothwell Street,<br>Glasgow G2 7EQ | Institute of Chartered Accountants in England and Wales. |
| **Legal Advisor** | **Eversheds LLP** | One Wood Street,<br>London EC2V 7WS | The Law Society. |

# Market review for the year ended 30 September 2012

All market returns are from Thomson Reuters Datastream, in sterling total return terms, unless otherwise stated.

Global equity markets were volatile over the twelve months to 30 September 2012, as investors reacted to a generally confusing cycle of crisis, complacency, and policy response. The MSCI World Total Return Index finished the period up 18.0% over the period (27.6% in euros, 22.32% in US dollars). Peripheral European economies continued to struggle with high levels of government and private debt against the backdrop of a weak global recovery. Market participants became increasingly concerned that debt 'contagion' could spread to the larger economies of Spain and Italy. In order to stabilise capital markets, central banks took action. The US Federal Reserve launched Operation Twist in September 2011, and this was followed up with a third round of quantitative easing a year later. Meanwhile, the European Central Bank's (ECB) longer-term refinancing operations (LTROs) and outright monetary transactions (OMTs) in September, removed much of the tail risk in Europe, lifting investor sentiment and driving global equity markets higher.

**UK**

The UK economy entered a double-dip recession for the first time since the 1970s. According to data released by the Office for National Statistics, Britain's economic output collapsed by 0.5% quarter-on-quarter in Q2 2012, with across-the-board weakness in manufacturing and construction. Hard-up consumers were relieved to see prices easing, as inflation fell sharply from a high of 5.2% in September 2011 to 2.4% in June 2012, nearer to the Bank of England's 2% target. However, inflation unexpectedly inched up again in July. Meanwhile, given evidence that the recession is deepening, the Bank of England cut UK growth forecasts for 2012 to zero at the end of the period.

While investors have been mindful of the challenges that the UK economy faces, sentiment has generally been supported by the Bank of England's commitment to quantitative easing, and by the Treasury's 'funding for lending scheme', launched in July to boost lending by banks to companies and individuals. Another positive for the UK was the news that the economy finally moved out of recession, with the preliminary Q3 GDP growth estimate coming at 1% compared to the previous quarter. UK equities, as represented by the FTSE All-Share Index rose 17.3% over the twelve-month period.

**US**

US markets started the period strongly in response to buoyant retail sales and news that the US economy had expanded 2.5% annualised in the third quarter of 2011. Squabbling over the US fiscal budget, however, unsettled markets in November, but decent manufacturing survey data and a rise in consumer confidence acted as a salve. The labour market also began to show a marked improvement, the monthly increase in non-farm payrolls breached the 200,000 mark in December, helping the unemployment rate to decline.

US equities also found support from a good set of corporate results for the first quarter of 2012 and tests that showed that the majority of US banks were strong enough to survive in the event of another financial crisis. While economic releases produced generally positive surprises, economic momentum appeared to be stalling towards the end of the period. In response, the Federal Reserve (Fed) slashed its growth forecasts and announced it would be extending its 'Operation Twist' programme by US$267bn (£170bn); this will see the central bank selling short-term securities to buy longer-term ones in a move that should help to keep US longer-term borrowing costs down. The pledge of interest rates kept at record lows until mid-2015 also offered hope that it will be able to sustain economic recovery. At the end of the period, the Fed announced further stimulus in the form of a third round of quantitative easing (QE3), dubbed 'QE infinity' as the Fed said it will persist with the policy until the outlook for the job market improves "substantially". The S&P 500 Index rose 25.6% over the review period.

**Europe**

European equities bounced in the run-up to and after the late October European Union summit when progress was made concerning the Greek debt writedowns, European Financial Stability Facility (EFSF) leverage, and European bank recapitalisations. Similarly, when market liquidity was drying up in late November, six major central banks stepped in to ease dollar funding pressures. And at the end of December, the first of the ECB's longer-term refinancing operations (LTROs), which provided cheap loans to European banks, sparked a market rally that lasted into March 2012. But political uncertainty in Greece, a Spanish banking crisis, and evidence of slowing momentum in US and Chinese growth raised anxiety levels once again during the second quarter of 2012.

**Europe (continued)**

Whilst June's European Union summit resulted in some tentative steps towards a compromise on banking bailouts and banking union, what was lacking was something more concrete from the ECB; markets needed decisive policy action to break the 'vicious circle' of rising levels of borrowing costs putting further stresses on indebted economies, which had been increasing the chances of a euro exit. ECB president Mario Draghi's pledge to do "whatever it takes to save the euro" at the end of July raised market expectations that that the ECB would finally unleash a far greater bond buying programme. At the start of September the ECB announced it would be engaging in "outright monetary transactions" (OMTs), a bond-buying programme designed to help lower peripheral European countries' borrowing costs. This was received very positively by the markets as helping to mitigate some of the serious tail risks associated with the eurozone debt crisis. The FTSE World Europe excluding UK Index rose 12.6% over the period.

**Japan**

The Japanese equity market lagged other developed markets at the start of the period, largely because it had been relatively defensive during the steep equity market falls of late summer. In October, the Bank of Japan intervened in the currency markets to try and weaken the strong yen and help the country's export sector. The Japanese economy rose by 6.0% annualised in the third quarter of 2011 but economic momentum appeared to fade in the final quarter. In February, the Bank of Japan surprised markets by announcing a ¥10 trillion extension to its asset purchase programme and the setting of a 1% target inflation rate. Both actions are seen as helping in the country's fight against deflation. Fears over Europe were compounded by bouts of yen strength, which threatened to hurt the important Japanese export market. By September 2012, Japan was struggling due to yen appreciation following the US QE3 announcement and the decision to boost its own QE programme which unfortunately did not inspire the market. Furthermore, a strong yen, weak domestic growth and disputes with China over the sovereignty of a group of islands in the East China Sea were all causes for concern. The FTSE Japan Index fell 5.2% over the period.

**Emerging Markets & Pacific Rim**

Asia Pacific equities started the period strongly, buoyed by the return of risk appetite in global markets. There were, however, fears that growth in China might moderate too sharply and a slowdown in the pace of inflation paved the way for the Chinese authorities to loosen monetary policy by cutting the reserve requirement ratio for banks. Australia also cut its key interest rate in response to signs of a slowing economy. However, China's announcement in January that its economy had grown by 8.9% year-on-year in the final quarter of 2011, down from 9.1% the previous quarter, eased fears of an economic hard landing. Inflation concerns led to the Reserve Bank of India lifting its key interest rate, although in Brazil, the key policy rate was cut to assist the economy.

Although Europe was the main focus during most of the period, investors became increasingly concerned about the Chinese economy. Annual growth slowed to 7.6% in the second quarter. At the end of the period, the main planning agency in China approved proposals to build rail, roads, and urban infrastructure, as part of an ambitious RMB 1 trillion (US$157bn) investment programme, which was viewed positively by investors. China's economy expanded 7.4% in the third quarter from a year earlier, marking the seventh consecutive quarter of slowing annual growth. Premier Wen Jiabao was reported as saying that the government was confident of achieving its goal of 7.5% growth in 2012. The FTSE World Asia Pacific ex-Japan Index rose 18.7% over the twelve-month period.

**Fixed Income**

In fixed income markets, fears for a possible fragmentation of the euro area, fragile global growth, and increasing risk aversion saw investors seeking 'safe havens' for their money. This led to falling yields (rising prices) in the government bond markets of the UK, the US and Germany (perceived as the 'safe' core), while the yields in peripheral European countries' government bonds rose. UK, US and German 10-year bond yields fell to historically low levels, while Italian and Spanish yields rose to what were widely accepted to be unsustainable highs (above the 7% level). During a low yield environment for core government bonds, corporate bonds (supported by their companies' strong balance sheets) performed well as the asset class was favoured by investors for its relatively attractive yields. September 2012 marked a turning point in the thinking of both European and US central banks, as a result of the European Central Bank's conditional bond buying support programme and the Fed's latest attempt at open-ended (by size and time) quantitative easing. The JP Morgan Global Government Bond Index fell 0.3% over the period while corporate bonds as represented by the Barclays Global Aggregate Corporate Bond Index rose by 2.2%.

# Statement of Authorised Corporate Director's responsibilities

The Financial Services Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Company and net revenue of the Company for the period. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the OEIC Regulations. The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Statement of Depositary's responsibilities and report of the Depositary to the shareholders of the Henderson Investment Funds Series V ("the Company") for the year ended 30 September 2012

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Scheme Sourcebook ("the Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Sourcebook and, where applicable, the OEIC Regulations, the instrument of incorporation and Prospectus of the Company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC Bank plc
London
28 November 2012

# Independent Auditors' report to the shareholders of Henderson Investment Funds Series V

for the year ended 30 September 2012

We have audited the financial statements of Henderson Investment Funds Series V (the "Company") for the year ended 30 September 2012 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for the Company's sub-fund, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

### Respective responsibilities of the Director and Auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and the sub-fund at 30 September 2012 and of the net revenue and the net gains of the scheme property of the Company and the sub-fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

### Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Emphasis of matter

We draw your attention to note 1a, which explains that the Gartmore Long Term Balanced Fund merged into the Henderson Diversified Growth Fund, a sub-fund of Henderson Multi-Manager Investment OEIC on 20 September 2012 and the Gartmore Long Term Balanced Fund is in the process of being terminated. Accordingly, the going concern basis of accounting is no longer appropriate. No adjustments have been made in these financial statements to provide for liabilities arising from the decision as it is intended that the ACD will bear these costs. Our opinion is not qualified in this respect.

# Independent Auditors' report to the shareholders of Henderson Investment Funds Series V

(continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Glasgow
28 November 2012

**Notes:**

(a) The maintenance and integrity of the Henderson Global Investors website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Aggregated statement of total return for the year ended 30 September 2012

| | Notes | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital gains/(losses) | **4** | | 4,364 | | (4,577) |
| Revenue | **6** | 948 | | 3,090 | |
| Expenses | **7** | (287) | | (1,251) | |
| Net revenue before taxation | | 661 | | 1,839 | |
| Taxation | **8** | (44) | | (87) | |
| Net revenue after taxation | | | 617 | | 1,752 |
| **Total return/(expense) before distributions** | | | 4,981 | | (2,825) |
| Finance costs: Distributions | **9** | | (636) | | (2,398) |
| **Change in net assets/(liabilities) attributable to shareholders from investment activities** | | | **4,345** | | **(5,223)** |

## Aggregated statement of change in net assets attributable to shareholders

for the year ended 30 September 2012

| | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **45,478** | | **128,585** |
| Amounts receivable on issue of shares | 959 | | 3,116 | |
| Amounts payable on merger* | (13,561) | | (27,011) | |
| Amounts payable on cancellation of shares | (37,539) | | (55,375) | |
| | | (50,141) | | (79,270) |
| Stamp duty reserve tax | | (2) | | (16) |
| Change in net assets/(liabilities) attributable to shareholders from investment activities (see above) | | 4,345 | | (5,223) |
| Retained distribution on accumulation shares | | 320 | | 1,402 |
| **Closing net assets attributable to shareholders** | | **–** | | **45,478** |

* Details of merger can be found in the financial statements of the sub-fund.

# Aggregated balance sheet as at 30 September 2012

| | Notes | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | – | | 42,591 |
| Debtors | **10** | 22 | | 556 | |
| Cash and bank balances | **11** | 301 | | 2,717 | |
| Total other assets | | | 323 | | 3,273 |
| **Total assets** | | | 323 | | 45,864 |
| **Liabilities** | | | | | |
| Bank overdraft | | (231) | | – | |
| Creditors | **12** | (92) | | (348) | |
| Distribution payable on income shares | | – | | (38) | |
| Total other liabilities | | | (323) | | (386) |
| **Total liabilities** | | | (323) | | (386) |
| **Net assets attributable to shareholders** | | | **–** | | **45,478** |

# Certification of financial statements by Directors of the ACD

In accordance with the requirements of the Financial Services Authority's Collective Investment Schemes Sourcebook, we hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.

L Cairney

Lesley Cairney
(Director)

28 November 2012

# Aggregated notes to the financial statements as at 30 September 2012

## 1 Accounting policies

### (a) Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Investment Management Association (IMA) in October 2010.

As explained in the ACD's Report, Gartmore Long Term Balanced Fund merged into Henderson Diversified Growth Fund, a sub-fund of Henderson Multi-Manager Investment OEIC on 20 September 2012 and the Gartmore Long Term Balanced Fund is in the process of terminating. Therefore the accounts are prepared on a breakup basis. However, there is no impact on the carrying value of the assets of the Fund of preparing under this basis and in preparing under the historical cost convention that was previously used. Costs incurred in winding up the Fund will be met by the ACD.

### (b) Basis of valuation of investments

The valuation of the Company's listed investments, for the purposes of preparing this report, has been based at market value, excluding any accrued interest in the case of fixed interest and floating rate securities, at the close of business valuation point of the last day of the accounting period in accordance with the provisions of the Prospectus.

Market value is defined by the SORP as fair value which is generally the bid value of each stock.

Unquoted securities are shown at a valuation determined by the ACD based upon, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

### (c) Recognition of revenue

Distributions from Collective Investment Schemes are recognised as revenue and included in the amount available for distribution.

Interest on debt securities has been accounted for on an effective yield basis. Effective yield is a calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

Management fee rebates received from the managers of Collective Investment Schemes are recognised on an accruals basis, and will be either capital or income depending on the nature of the underlying Fund's fee structure.

Bank interest and revenue earned on other securities is recognised on an accruals basis.

Distributions from offshore funds are recognised as revenue and added to the bookcost of holding when they are declared.

If any revenue receivable at the balance sheet date is not considered recoverable, provision is made for the relevant amount.

### (d) Treatment of expenses (including ACD expenses)

All expenses (other than those relating to the purchase and sales of investments and stamp duty reserve tax arising on sales and repurchase of shares in the Fund) are charged against revenue on an accruals basis.

The ACD's periodic charge is calculated daily on the total net assets by Henderson Investment Funds Limited.

### General Administration Charge

All fees with the exception of the ACD's periodic charge, Depositary and Safe Custody fees, have been replaced by a single ad valorem charge, the General Administration Charge (GAC) which was introduced on 11 July 2011. The ACD believes that the GAC creates more efficiency around the charging process than more traditional methods.

For further details please refer to the Prospectus.

# Aggregated notes to the financial statements (continued)

## 1 Accounting policies (continued)

**(e) Allocation of revenue and expenses to multiple share classes**

With the exception of the ACD's periodic charge and GAC, which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share class on the day that the revenue or expense is incurred.

**(f) Exchange rates**

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting period.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

**(g) Taxation**

Provision for corporation tax is based, as appropriate, on the excess of taxable revenue over allowable expenses.

Deferred tax is provided for at a rate which taxation is likely to become payable in respect of all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax assets are not discounted to reflect the time value of money.

Stamp Duty Reserve Tax, if any, suffered on surrender of shares is deducted from capital.

**(h) Aggregation**

During the year the Gartmore MultiManager Cautious Fund terminated on 29 September 2012. This Fund has been excluded from the long report of the ongoing umbrella company for the current accounting year.

The aggregation for the accounting year does not include amounts for the final period of account of the terminated Fund.
The comparative figures for the aggregation have not been adjusted.

The aggregated accounts for the current year represent the sum of the continuing Fund within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statement of the individual Fund.

## 2 Distribution policy

The distribution policy of each Fund is to distribute/accumulate all available revenue, after deduction of expenses properly chargeable against revenue, subject to any of the ACD's periodic charge or other expense which may currently be transferred to capital.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

## 2 Distribution policy (continued)

For all the Funds, the policy of the Company is to make dividend distributions on a half yearly basis with an interim and a final distribution being made for each financial year. The ACD reserves the right not to make interim distributions from low yielding sub-funds.

Income equalisation currently applies to all Funds.

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 3 Risk

In pursuing its investment objective, each Fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Funds operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue. The Fund may also enter into derivative transactions. The purpose of these financial instruments is efficient portfolio management. The main risks arising from financial instruments are market, liquidity and credit risks.

### (a) Market risk

Market risk is the risk that the value of the Funds' investments or the benefits arising thereon will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk, and other price risk.

### Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investments will fluctuate as a result of changes in foreign currency exchange rates. The Fund's investments are mainly denominated in Sterling, the Fund's functional currency. Therefore the Funds' are not subject to any significant risk of currency movements, this is consistent with the exposure in the prior year.

### Interest rate risk

The Funds and underlying funds invest in debt securities. The revenue of the Funds and underlying funds may be affected by changes to interest rates relevant to particular securities or as a result of the Fund Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future.

The majority of the sub-funds' financial assets are units in collective investment schemes and other investments which neither pay interest nor have a maturity date. Therefore, the Funds' exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.10% on credit balances (2011: 0.10%) and 1.50% on overdraft balances (2011: 1.50%).

### Other price risk

Other price risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Other price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements. The Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD in pursuance of their investment objectives and policies as set out in the Prospectus.

### 3 Risk (continued)

**(b) Liquidity risk**

Liquidity risk is the risk that the Funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Funds will remain close to fully invested. However, where circumstances require: for example because of illiquid securities markets or high levels of redemptions in the Funds, the Funds may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of units.

The ACD manages the Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Funds portfolio in order to meet redemption requests. Funds' cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Funds may borrow up to 10% of their value to ensure settlement. All of the Funds' financial liabilities are payable on demand or in less than one year.

**(c) Credit risk**

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments there is the possibility of default of the issuer and default in the underlying assets meaning the Funds may not receive back the full principal originally invested. Thirdly, there is settlement risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Funds have fulfilled their responsibilities, which could result in the Funds suffering a loss.

In order to manage credit risk the Funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the Funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed by the Henderson Credit Risk Committee along with set limits and new counterparty approval.

A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the Financial Services Authority (FSA) Register or whose Home State authorisation, permits it to enter into the transaction as a principal off-exchange.

The OEIC adheres to investment guidelines and to investment and borrowing powers set out in the instrument of incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook. This mitigates the risk of excessive exposure to any particular type of security or issuer.

## 4 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Derivative securities | – | (41) |
| Management fee rebates | 101 | 163 |
| Non-derivative securities | 4,267 | (4,693) |
| Other currency losses | – | (1) |
| Transaction costs | (4) | (5) |
| **Net capital gains/(losses)** | **4,364** | **(4,577)** |

## 5 Portfolio transaction costs

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Purchases in year before transaction costs | 8,400 | 50,843 |
| **Total purchases including transaction costs** | **8,400** | **50,843** |
| Sales in year before transaction costs | 55,750 | 122,396 |
| Commissions | – | (2) |
| Total sale transaction costs* | – | (2) |
| **Sales net of transaction costs** | **55,750** | **122,394** |
| **Transaction handling charges*** | **4** | **5** |

*These amounts have been deducted in determining net capital gains/(losses)

# Aggregated notes to the financial statements (continued)

## 6 Revenue

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Bank interest | – | 6 |
| Distributions from regulated collective investment schemes: | | |
| Franked investment income | 522 | 1,243 |
| Interest distributions | 65 | 1,017 |
| Unfranked investment income | 54 | 89 |
| Interest distributions | 39 | 19 |
| Management fee rebates | 268 | 511 |
| Revenue from offshore funds | – | 205 |
| **Total revenue** | **948** | **3,090** |

## 7 Expenses

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 217 | 1,034 |
| Administration fee | 43 | 138 |
| General administration charge (see note 1d)* | 18 | 22 |
| | **278** | **1,194** |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fee | 7 | 18 |
| Safe custody fee | 2 | 5 |
| | **9** | **23** |
| **Other expenses:** | | |
| Audit fee | – | 20 |
| Price publication fee | – | 4 |
| Report & accounts fee | – | 9 |
| Tax agent charge | – | 1 |
| | **–** | **34** |
| **Total expenses** | **287** | **1,251** |

* The current year audit fee is £7,200 (2011: £23,040). The audit fee levied through the GAC charge is £7,200 (2011: £5,176).

## 8 Taxation

### (a) Analysis of charge in year

The tax charge comprises:

| | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| Corporation Tax | 44 | 80 |
| Irrecoverabe overseas tax | – | 7 |
| **Total current tax for year (Note 8b)** | 44 | 87 |
| Deffered tax (Note 8c) | – | – |
| **Total taxation** | **44** | **87** |

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for funds of authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

| | 2012<br>£000 | 2011<br>£000 |
|---|---|---|
| Net revenue before taxation | 661 | 1,839 |
| Corporation tax at 20% (2011: 20%) | 132 | 368 |
| Effects of: | | |
| Taxable revenue in capital | – | 8 |
| Irrecoverable overseas tax | – | 7 |
| Revenue not subject to taxation | (88) | (296) |
| **Current tax charge for year (Note 8a)** | **44** | **87** |

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

### (c) Deferred tax

There is no provision required for deferred taxation at the balance sheet date (2011: £nil).

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

There is no unrecognised deferred tax asset (2011: £nil).

## 9 Finance costs

**Distributions and interest**

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Interim Accumulation Dividend Distribution | 320 | 335 |
| Interim Income Dividend Distribution | – | 671 |
| Final Accumulation Dividend Distribution | – | 1,067 |
| Final Income Dividend Distribution | – | 38 |
| | 320 | 2,111 |
| Amounts deducted on cancellation of shares | 324 | 308 |
| Amounts received on issue of shares | (8) | (21) |
| Finance costs: Distributions | 636 | 2,398 |
| Finance costs: Interest | – | – |
| **Total finance costs** | **636** | **2,398** |
| Net revenue after taxation | 617 | 1,752 |
| ACD's charge borne by the capital account | – | 766 |
| Tax relief on ACD's charge borne by the capital account | – | (144) |
| Tax relief on management fee rebates borne by the capital account | 19 | 24 |
| **Finance costs: Distributions** | **636** | **2,398** |

## 10 Debtors

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Accrued revenue | – | 245 |
| Corporation tax recoverable | – | 1 |
| Income tax recoverable | – | 113 |
| Management fee rebate receivable | 22 | 195 |
| Overseas tax recoverable | – | 2 |
| **Total debtors** | **22** | **556** |

## 11 Cash and bank balances

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Cash and bank balances | 301 | 2,717 |
| **Total cash and bank balances** | **301** | **2,717** |

## 12 Creditors

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Accrued ACD periodic charge | 7 | 63 |
| Accrued expenses | 21 | 48 |
| Amounts payable for cancellation of shares | – | 13 |
| Amounts payable on merger | 49 | 224 |
| Corporation tax payable | 15 | – |
| **Total creditors** | **92** | **348** |

## 13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

## 14 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party.

All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 8 and 9 and notes 7, 10 and 12 on pages 15 to 18 including all creations and cancellations where the ACD acted as principal.

Henderson Investment funds Limited, as ACD to the Fund is a related party. The ultimate controlling party of Henderson Investment Funds Limited is Henderson Group plc. Aggregate value of purchases and sales transactions in Henderson Group plc and its subsidiaries for the year amounts to £63,555,000 (2011: £36,338,506). Revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £641,000.

Aggregate value of investments held with Henderson Group plc and related entities are £nil (2011: £41,892,494).

# Gartmore Long Term Balanced Fund
# Manager's report

### Fund Manager

William Edgar

### Investment objective and policy

The Fund aimed to achieve a long-term return, in excess of the long-term return that is typically achieved from a balanced portfolio of UK and global investments by investing in collective investment schemes, fixed interest securities, other transferable securities, money market instruments, warrants, cash and deposits.

The Fund would use derivatives for the purposes of efficient portfolio management.

On 20 September 2012, Gartmore Long Term Balanced Fund merged into Henderson Diversified Growth Fund, a sub-fund of Henderson Multi-Manager Investment OEIC and the Gartmore Long Term Balanced Fund is now in the process of terminating.

### Performance summary

| | 1 Oct 11-<br>19 Sep 12<br>% | 1 Oct 10-<br>30 Sep 11<br>% | 1 Oct 09-<br>30 Sep 10<br>% | 1 Oct 08-<br>30 Sep 09<br>% | 1 Oct 07-<br>30 Sep 08<br>% |
|---|---|---|---|---|---|
| **Gartmore Long Term Balanced Fund** | 12.9 | (4.4) | 7.6 | 7.3 | (18.4) |
| **MStar Mixed Investment 40-85% Shares** | 12.3 | (3.4) | 9.1 | 10.2 | (16.3) |

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

# Significant portfolio changes for the year ended 30 September 2012

| **Purchases*** | **£000** |
|---|---|
| Henderson High Alpha UK Equity Fund (Accumulation) | 6,750 |
| Henderson Cautious Managed Fund (Accumulation) | 1,000 |
| Henderson Long Dated Gilt Fund (Accumulation) | 650 |

| **Sales** | **£000** |
|---|---|
| Henderson US Growth Fund (Accumulation) | 8,079 |
| Henderson Global Equity Income Fund (Income) | 7,917 |
| Henderson High Alpha UK Equity Fund (Accumulation) | 7,145 |
| Henderson UK Alpha Fund (Accumulation) | 5,937 |
| Henderson European Selected Opportunities Fund (Accumulation) | 5,471 |
| Henderson Cautious Managed Fund (Accumulation) | 5,015 |
| Henderson Money Market Fund (Accumulation) | 4,324 |
| Henderson Asia Pacific Capital Growth Fund (Accumulation) | 2,738 |
| Henderson Enhanced Japan Equity Fund (Accumulation) | 2,317 |
| Henderson Long Dated Gilt Fund (Accumulation) | 2,120 |

* All purchases have been included.

# Manager's report

**Economic and Market Background**

At the start of the period under review, most equity markets delivered positive returns over the final quarter of 2011, although it remained a volatile period. Markets continued to be driven more by the actions and words of politicians, central bankers and ratings agencies than the evidence of material change in corporate fundamentals. The key turnaround for markets came in mid-December as the European Central Bank (ECB) attempted to ease tight credit conditions in the eurozone by lending 489 billion euros over three years at an interest rate of 1%. Many believe that the ECB's longer-term refinancing operations averted a major credit crunch. Most regions registered gains over the quarter, the key exception being Japan, as the economy was hampered by the strong yen and floods in Thailand affecting its exporters.

The first quarter of 2012 started off strongly thanks to a general increase in risk appetite among investors. In addition to the market welcoming the actions of the ECB, this reflected more positive US economic data, particularly in terms of the labour market and housing. Adding to the improved sentiment were generally strong corporate earnings and positive banking stress test results in the US. Monetary policy in the UK and US continued to be highly accommodative, whilst the Bank of China made it easier for banks to lend. In addition, the Bank of Japan decided to further ease monetary policy by increasing its asset purchasing plan and also setting a 1% inflation target. All major equity markets rose over the quarter although the bullishness started to fade in March. The uprising in Syria and the ongoing tensions between Israel and Iran saw oil prices rise.

The optimism faded in the second quarter. Initially there were sharp falls in equity markets prompted by further worries about Europe following the inconclusive result of the Greek election and the rise of extremist political parties vowing to tear up the terms of the EU/IMF bailout deal making a Greek exit from the euro a real possibility. The defeat of Nicholas Sarkozy in the French Presidential election together with losses for the ruling coalition in the German local elections were interpreted as voters rejecting the austerity medicine. In addition, worries about bad debts within the Spanish banking system surfaced leading to speculation about the need for a bailout from the eurozone/IMF. Equity markets recovered some of the lost ground in June after a second Greek election delivered a more decisive result with a victory for a coalition of parties prepared to accept austerity as the price for continued membership of the euro. In addition, at the end of Q2 there was an unexpectedly successful Eurozone Summit as leaders agreed to stabilise the region's debt markets and recapitalise its banks easing the funding strains on Spain and Italy.

After an initial bout of volatility the third quarter of 2012 was a very positive quarter for most equity markets, the main exception again being Japan. Investor sentiment improved as a number of central banks announced details of monetary policy stimuli. After an earlier pledge to do "whatever it takes" to preserve the euro, ECB President Mario Draghi announced the outright monetary transactions (OMT) programme under which the ECB would buy troubled government debt in unlimited quantities in the secondary market. However, any bond purchases were conditional on governments requesting help from the European Stability Mechanism (ESM) and agreeing to its terms. In addition, the Federal Reserve (Fed) Chairman Ben Bernanke announced another round of quantitative easing (QE3) in an effort to stimulate economic growth and bring down the stubbornly high unemployment rate. The Fed said it would buy $40bn of mortgage-backed securities every month until the labour market improved significantly. Finally, the Bank of Japan (BoJ) also extended its asset purchasing programme to avert the slowdown in economic growth as global demand wanes. During the quarter, economic data continued to point to a slowdown in global growth. German business sentiment fell for the fifth month in a row; in the US non-farm payrolls rose by a lower than expected 96,000 in August and second quarter US GDP growth was revised down from 1.7% to 1.3%.

**Performance and Activity**

The fund delivered a return of 12.9% over the 12-months to 30 September. All but one of the fund's holdings delivered positive returns over the period, but the best performing assets were the fund's holdings in the Henderson US Growth Fund, the Henderson European Selected Opportunities Fund, the Henderson Asia Pacific Capital Growth Fund and the combination of Henderson Higher Income Fund and the Henderson UK High Alpha Fund (the funds merged during the review period). The weakest performing asset in the fund was the Henderson Japan Enhanced Equity Fund. Throughout the period the fund was underweight fixed income and, in particular, underweight overseas government bonds. This proved beneficial as the latter asset class underperformed due partly to the appreciation of sterling. The fund targeted a broadly neutral position towards equities although there were some variations in the weightings to individual regions. The US remained our preferred equity market reflecting the view that its economy will continue to grow albeit moderately whilst our least favoured market was Continental Europe. Throughout the period, the fund had a zero weighting to property.

**Strategy & Outlook**

On 20 September 2012 the Gartmore Long Term Balanced Fund was merged into the Henderson Diversified Growth Fund.

# Comparative tables as at 30 September 2012

## Net asset value per share

| | Net asset value of Fund (£) | Number of shares in issue | Net asset value per share (pence) |
|---|---|---|---|
| **Class I accumulation** | | | |
| 30/09/2010 | 54,825,576 | 11,640,753 | 470.98 |
| 30/09/2011 | 45,478,278 | 10,069,478 | 451.64 |
| 30/09/2012 | – | – | – |

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class I accumulation** | | | |
| 2007 | 10.84 | 511.07 | 461.71 |
| 2008 | 13.52 | 504.41 | 348.24 |
| 2009 | 10.45 | 455.26 | 334.21 |
| 2010 | 7.73 | 509.22 | 426.73 |
| 2011 | 9.62 | 524.21 | 439.63 |
| 2012** | 12.06+ | 520.80* | 475.38* |

* to 20 September
** Merged into Henderson Diversified Income Fund on 20 September 2012
\+ to 31 October

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2012 | 2011 |
|---|---|---|
| | % | % |
| **Class I accumulation** | n/a | 0.72 |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

## Statement of total return for the year ended 30 September 2012

| | Notes | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital gains/(losses) | **2** | | 4,364 | | (2,448) |
| Revenue | **4** | 948 | | 1,372 | |
| Expenses | **5** | (287) | | (359) | |
| Net revenue before taxation | | 661 | | 1,013 | |
| Taxation | **6** | (44) | | (29) | |
| Net revenue after taxation | | | 617 | | 984 |
| **Total return before distributions** | | | 4,981 | | (1,464) |
| Finance costs: Distributions | **7** | | (636) | | (1,008) |
| **Change in net assets attributable to shareholders from investment activities** | | | **4,345** | | **(2,472)** |

## Statement of change in net assets attributable to shareholders for the year ended 30 September 2012

| | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **45,478** | | **54,826** |
| Amounts receivable on issue of shares | 959 | | 1,613 | |
| Amounts payable on merger cancellation* | (13,561) | | – | |
| Amounts payable on cancellation of shares | (37,539) | | (9,453) | |
| | | (50,141) | | (7,840) |
| Stamp duty reserve tax | | (2) | | (5) |
| Change in net assets attributable to shareholders from investment activities (see statement of total return above) | | 4,345 | | (2,472) |
| Retained distributions on accumulation shares | | 320 | | 969 |
| **Closing net assets attributable to shareholders** | | **–** | | **45,478** |

* Gartmore Long Term Balanced Fund Merged into Henderson Diversified Income Fund on 20 September 2012.

# Balance sheet as at 30 September 2012

| | Notes | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | – | | 42,591 |
| Debtors | **8** | 22 | | 302 | |
| Cash and bank balances | **9** | 301 | | 2,656 | |
| Total other assets | | | 323 | | 2,958 |
| **Total assets** | | | 323 | | 45,549 |
| **Liabilities** | | | | | |
| Bank overdraft | | (231) | | – | |
| Creditors | **10** | (92) | | (71) | |
| **Total liabilities** | | | (323) | | (71) |
| **Net assets attributable to shareholders** | | | **–** | | **45,478** |

# Notes to the financial statements as at 30 September 2012

## 1 Accounting policies

The accounting and distribution policies are set out in notes 1 and 2 of the aggregated financial statements on pages 10 to 12.

## 2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Management fee rebates in capital | 101 | 121 |
| Non-derivative securities | 4,267 | (2,568) |
| Transaction costs | (4) | (1) |
| **Net capital gains/(losses)** | **4,364** | **(2,448)** |

## 3 Portfolio transaction costs

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Purchases in year before transaction costs | 8,400 | 4,250 |
| **Purchases including transaction costs** | **8,400** | **4,250** |
| Sales in year before transaction costs | 55,750 | 12,596 |
| **Sales net of transaction costs** | **55,750** | **12,596** |
| **Transaction handling charges*** | **4** | **1** |

*These amounts have been deducted in determining net capital gains/(losses).

## 4 Revenue

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Distributions from regulated collective investment schemes: | | |
| Franked investment revenue | 522 | 832 |
| Interest distributions | 65 | 54 |
| Unfranked investment revenue | 54 | 70 |
| Interest distributions | 39 | 19 |
| Management fee rebates | 268 | 397 |
| **Total revenue** | **948** | **1,372** |

## 5 Expenses

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 217 | 268 |
| Administration fee | 43 | 58 |
| General administration charge (see note 1d)* | 18 | 11 |
| | **278** | **337** |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fee | 7 | 9 |
| Safe custody fee | 2 | 2 |
| | **9** | **11** |
| **Other expenses:** | | |
| Audit fee | – | 9 |
| Report & accounts fee | – | 1 |
| Tax agent charge | – | 1 |
| | **–** | **11** |
| **Total expenses** | **287** | **359** |

* The current year audit fee is £7,200 (2011: £11,520). The audit fee levied through the GAC charge is £7,200 (2011: £2,588).

## 6 Taxation

### (a) Analysis of charge in year

The tax charge comprises:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Corporation tax | 44 | 29 |
| **Total current tax for year (Note 6b)** | **44** | **29** |
| Deferred tax (Note 6c) | – | – |
| **Total taxation** | **44** | **29** |

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

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs) of 20%. The differences are explained below:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Net revenue before taxation | 661 | 1,013 |
| Corporation tax at 20% (2011: 20%) | 132 | 203 |
| Effects of: | | |
| Revenue not subject to taxation | (88) | (174) |
| **Current tax charge for year (Note 6a)** | **44** | **29** |

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

### (c) Deferred tax

There is no provision required for deferred taxation at the balance sheet date (2011: £nil).

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

There is no unrecognised deferred tax asset (2011: £nil).

## 7 Finance costs

**Distributions and interest**

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Interim Accumulation Dividend Distribution | 320 | – |
| Final Accumulation Dividend Distribution | – | 969 |
| | 320 | 969 |
| Amounts deducted on cancellation of shares | 324 | 53 |
| Amounts received on issue of shares | (8) | (14) |
| Finance costs: Distributions | 636 | 1,008 |
| Finance costs: Interest | – | – |
| **Total finance costs** | **636** | **1,008** |
| Net Revenue after taxation | 617 | 984 |
| Tax relief on management fee rebates borne by the capital account | 19 | 24 |
| **Finance costs: Distributions** | **636** | **1,008** |

## 8 Debtors

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Accrued revenue | – | 181 |
| Corporation tax recoverable | – | 1 |
| Management fee rebate receivable | 22 | 118 |
| Overseas tax recoverable | – | 2 |
| **Total debtors** | **22** | **302** |

## 9 Cash and bank balances

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Cash and bank balances | 301 | 2,656 |
| **Total cash and bank balances** | **301** | **2,656** |

## 10 Creditors

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Accrued ACD periodic charge | 7 | 39 |
| Accrued expenses | 21 | 19 |
| Amounts payable for cancellation of shares | – | 13 |
| Amounts payable on merger | 49 | – |
| Corporation tax payable | 15 | – |
| **Total creditors** | **92** | **71** |

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year or the prior year.

## 12 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party.
All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 23 and 24 and notes 5, 8 and 10 on pages 26 to 29 including all creations and cancellations where the ACD acted as principal.

Henderson Investment Funds Limited, as ACD to the Fund is a related party. The ultimate controlling party of Henderson Investment Funds Limited is Henderson Groupl plc. Aggregate value of purchases and sales transactions in, and revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £63,555,000 (2011: £16,435,000). Revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £641,000.

Aggregate value of investments held with Henderson Group plc and related entities are £nil (2011: £41,892,494).

## 13 Shareholder funds

The Fund currently has 1 share class, Class I (Institutional). The annual management charge on this share class is as follows:

Class I 0.50%

The net asset value of the share class, the net asset value per share and the number of shares in the share class are given in the comparative table on page 21. The distribution of the share class is given in the distribution table on page 30.

## 14 Risk disclosures

Risk policies relating to financial instruments held by the Fund are set out in note 3 of the aggregated financial statements on pages 12 and 13.

### Sensitivity analysis

A sensitivity analysis has not been provided as no derivative activity has been undertaken in the year.

## Distribution table for the year ended 30 September 2012 (in pence per share)

### Interim dividend distribution (accounting date 20 September 2012, paid on 31 October 2012)

Group 1: shares purchased prior to 1 April 2012

Group 2: shares purchased prior to 1 April 2012

| | Net revenue | Equalisation | Distribution paid 31/10/12 |
|---|---|---|---|
| **Class I accumulation** | | | |
| Group 1 | 12.063059 | – | 12.063059 |
| Group 2 | 7.797604 | 4.265455 | 12.063059 |

### Final dividend distribution (accounting date 1 October 2012, paid on 30 November 2012)

Group 1: shares purchased prior to 21 September 2012

Group 2: shares purchased on or after 21 September 2012

| | Net revenue | Equalisation | Distribution payable 30/11/12 | Distribution paid 30/11/11 |
|---|---|---|---|---|
| **Class I accumulation** | | | | |
| Group 1 | – | – | – | 9.624 |
| Group 2 | – | – | – | 9.624 |

# Further information

## Shareholder enquiries

If you have any queries about your Fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling units please telephone at local rate: **0845 608 8703**

The following line is also available:

Client Services: **0800 832 832**

or you can contact us via e-mail at **support@henderson.com**

We may record telephone calls for our mutual protection and to improve customer service.

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