

Henderson Opportunities Trust plc

Report and Accounts for the year ended 31 October 2007



Henderson Opportunities Trust plc

Background

Prior to 19 January 2007 the name of the Company was Henderson Strata Investments plc and its policy was to achieve above average capital growth from investment in a portfolio of UK micro cap companies. The name and investment policy were changed at an Extraordinary General Meeting of the Company held on 19 January 2007.

Objective

The Company's investment objective is to provide shareholders with higher than average growth of capital over the medium to long term from a portfolio of predominantly UK companies. The strategy is to invest in a concentrated portfolio of shares on an unconstrained basis across the whole range of market capitalisations. The investment portfolio is characterised by focus on growth, recovery and "special opportunities" company shares which the Portfolio Manager believes should achieve the investment objective.

Manager

Henderson Global Investors Limited

The appointed Portfolio Manager is James Henderson, assisted at Henderson Global Investors by Colin Hughes.

Benchmark

The FTSE All-Share Index

Financial Highlights

| | Year ended 31 October 2007 | Year ended 31 October 2006 |
|------------------------------------|----------------------------------|----------------------------------|
| Net asset value per ordinary share | 758.78p | 709.32p |
| Ordinary share price | 668.0p | 646.5p |
| Subscription share price | 139.0p | – |
| Discount | 12.0% | 8.9% |
| “Package” discount ^(A) | 8.3% | – |
| Revenue return per ordinary share | 7.08p | 5.29p |
| Dividend per ordinary share | 6.00p | nil |
| Gearing ^(B) | 9.1% | 15.2% |

^(A) Calculated, at 31 October 2007, on the “package” of five ordinary shares and one subscription share.

^(B) Defined here as the total market value of the investments less shareholders’ funds as a percentage of shareholders’ funds.

Performance

to 31 October 2007

| | 6 months | Since 19.01.07 | 1 year | 2 years | 3 years |
|--|----------|-------------------|--------|---------|---------|
| | % | % | % | % | % |
| Net asset value per share total return | (8.8) | (2.6) | 7.0 | 40.4 | 60.4 |
| FTSE All-Share Index total return ⁽¹⁾⁽²⁾ | 4.6 | 10.0 | 13.6 | 38.2 | 65.6 |
| FTSE Fledgling (excluding investment companies) Index total return ⁽¹⁾⁽³⁾ | (10.7) | (2.1) | 5.5 | 33.8 | 44.5 |
| Ordinary share price total return ⁽¹⁾ | (11.9) | (5.7) | 3.3 | 34.7 | 70.0 |

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

⁽¹⁾ Source: Datastream.

⁽²⁾ The Company’s benchmark from 19 January 2007.

⁽³⁾ The Company’s benchmark prior to 19 January 2007.

Chairman’s Comment

The Board believes that the strategy of investing in a concentrated portfolio of predominantly UK companies, unconstrained by market capitalisation, allows the Portfolio Manager to buy the shares of large, medium and small companies by taking up the best opportunities available to him. The lesson of this year has been that, at times when good opportunities cannot be found across the breadth of the market, we should not hesitate to hold larger cash balances. After the recent falls there are real opportunities to invest at attractive levels.

George Burnett, Chairman

Contents

A schedule of the contents of this Report and Accounts is set out on the inside back cover.

Chairman's Statement

Review of the year

The net asset value total return per ordinary share was 7.0% for the Company's year ended 31 October 2007. The equivalent return from the FTSE All-Share Index, which since 19 January 2007 has been the Company's benchmark, was 13.6%. For the period from 19 January 2007 to 31 October 2007, the net asset value total return per ordinary share was (2.6)% and the total return of the FTSE All-Share Index was 10.0%. These results are disappointing and reflect the poor share price performance of small companies, which have made up a substantial part of the portfolio. Since the Company's year end the market generally has declined, with sharp falls in the week immediately prior to the publishing of this report. The share prices of smaller companies have suffered in particular from the priority that investors have decided to give to seeking liquidity. The net asset value per ordinary share as at 24 January 2008 was 564.1p, a fall since the Company's year end of 26%. The Company's results are being reported later than usual to enable the position in respect of VAT on management fees to be established more clearly.

Background

Following the Extraordinary General Meeting on 19 January 2007, James Henderson became the Company's Portfolio Manager at Henderson with a brief to invest in the UK stockmarket on an unconstrained basis across the full range of market capitalisations. The Circular to shareholders of December 2006 stressed the focus that the Portfolio Manager would place on companies undervalued by the market. James Henderson saw particular attraction in the valuations given to many smaller companies but could find little value in bigger companies in 2007. Therefore he has kept with many of the companies that were held at 19 January 2007, believing them to be good long term investments. In the event, therefore, the early changes to the portfolio were to pay down the borrowings by reducing the number of holdings and to introduce a few companies with larger market capitalisations. For a short time the gearing was eliminated entirely but with hindsight too little was done. When the turmoil in the financial markets set in, many investors sold down holdings in smaller companies indiscriminately in their rush to move into liquid assets. The effects of this have hit the portfolio hard. The decision in January 2007 to change the strategy by moving to an unconstrained UK benchmark was the correct one and the modest reduction in smaller company holdings since then has been beneficial. However, recognition of the

lack of opportunities generally in bigger companies should have led us to a marked reduction in the exposure to equities and a willingness to hold cash. The belief remains that overall the companies held offer good value and will prove to be robust business franchises that will prosper in the longer term.

Share capital

Following the EGM in January 2007, a bonus issue of subscription shares was made to the ordinary shareholders on a one for five basis. The number of ordinary shares in issue has remained unchanged as none has been bought back. The discount, taking account of the value attributed to the subscription shares, narrowed earlier in 2007. In the current volatile market the discount at which the ordinary shares trade has widened but the Board is determined to see it reduced and is seeking to renew the buy-back authorities for both classes of shares at the Annual General Meeting.

Refund of VAT on management fees

HM Revenue & Customs has now accepted the judgement of the European Court of Justice, made in response to the test case initiated by the Association of Investment Companies (the "AIC"). As a result, investment management fees paid by investment trust companies are now exempt from VAT and in due course we shall receive, via Henderson Global Investors, refunds of some of the VAT borne in past years and up to

Chairman's Statement

continued

June 2007. To the extent that recovery is certain, we are required by the accounting rules to recognise the amount in the Income Statement and Balance Sheet. This we have done by including the amount that we are certain of receiving in respect of prior years as a negative cost, allocated between capital and revenue in the proportions in which it was originally expensed. Including the VAT borne on management fees in the year under review, we expect to receive in due course at least £348,000. Eventually the Company may recover more of the VAT borne in past years but there are currently many uncertainties and the timetable to conclusion of this issue will be a long one. Notes 5 and 22 to the accounts explain the position in more detail.

Dividends and earnings

The revenue return per ordinary share for the year was 7.08p, of which some 2.9p is attributable to the refund of VAT in respect of prior years. The Income Statement includes two exceptional items that will not recur: the benefit of the refund of VAT and the costs of the proposals that we put to the EGM in January. Without either item the revenue return per share would have been just over 8p, well ahead of the figure for 2006. The revenue account has benefited from the fact that a greater proportion of our investments now pay a dividend. We expect investment income to grow further, assisted by the addition to the portfolio of larger companies that typically have secure and higher dividend yields.

We are able to pay a dividend from the revenue earnings of the year, our first dividend payment for ten years. Accordingly, the Board proposes a final dividend of 6.00p per ordinary share which, subject to approval at the Annual General Meeting, will be paid on Wednesday 26 March 2008 to shareholders registered on Friday 29 February 2008. Although we expect the dividend to grow over time, the amount payable may vary from year to year. In any event, our focus will remain on total return.

The future

The current volatile financial markets have experienced a severe sell off, albeit after four years of strongly rising share prices. The share prices of smaller companies have been hit particularly hard. However, some of the falls will in time prove

to be irrational as share prices have been hit without regard for the prospects of individual companies. The policy of moving to an unconstrained benchmark should allow us to capture the benefits of small company investing without being wedded to it. James Henderson believes that the current portfolio comprises fundamentally sound companies that represent good value but he will continue to remain alert to opportunities across the UK market. Recently he has been adding top quality housebuilders and large property companies to the portfolio. These have been bought at substantial discounts to their reported asset values. These purchases have resulted in our moving the gearing up again, to 14% as at 24 January 2008.

The Board believes that the strategy of investing in a concentrated portfolio of predominantly UK companies, unconstrained by market capitalisation, allows the Portfolio Manager to buy the shares of large, medium and small companies by taking up the best opportunities available to him. The lesson of this year has been that, at times when good opportunities cannot be found across the breadth of the market, we should not hesitate to hold larger cash balances. After the recent falls there are real opportunities to invest at attractive levels. If or when the attractive opportunities are sufficient, we shall expect to increase the gearing towards our limit of 25% of net assets.

Annual General Meeting

I look forward to welcoming shareholders to our Annual General Meeting at 2.30 pm on Wednesday 19 March 2008 (for which notice is given on pages 42 to 44). There will be a continuation vote, in accordance with the three year cycle established in 2005. Your directors will be voting their shares in favour of the Company continuing as an investment trust and I encourage other shareholders to do the same. In addition to the formal business, James Henderson will give a presentation on the implementation of the investment policy and afternoon tea will be served.

G B Burnett

Chairman

28 January 2008

Portfolio Manager's Review

Review

On 19 January 2007 at the EGM a change to the investment approach was voted through. The objective was to broaden the investment remit so that the portfolio would not be confined solely to the very small quoted companies. The portfolio is moving towards encompassing a wider selection of stocks by market capitalisation. We did not move fast enough. The "credit crunch" of the summer was initially a financial markets hiatus inspired by ill disciplined lending in the US to home owners. It came out of relatively clear skies for many non-financial orientated UK smaller companies. We were concerned about the valuation of some UK assets as low interest rates were leading to increasing levels of leverage, but the companies in the portfolio were overall producing better than expected results. It was focusing on them rather than the broader picture that led us to be overly committed to equities. Colin Hughes and I will continue working together on the small companies in the portfolio and their merits will come to be appreciated. The sell off in some areas of the stockmarket in large companies has been overdone. Certain property companies, with good quality portfolios and that add value through astute management, are on substantial discounts to conservative asset values. For instance **St Modwen** and **Great Portland** have, after the period end, been added to the portfolio as they fall into this category. The gearing was reduced earlier in the year, when there was a lack of value to be found, but has subsequently been increased as the falls in share prices have created opportunities. The buying has predominantly been in property companies and housebuilders.

Portfolio activity during the financial year

As a long term investor we like to find good companies and good management teams and back them for a number of years (particularly in the small company area where short term changes are constrained by market liquidity issues). You will note that our top ten holdings at the end of this year (see page 6 for details) were all present in the portfolio at the previous year end too. For instance, our largest holding, **Fidessa**, has been represented in the portfolio since it first listed on the stock market in 1997. Some of last year's top ten are no longer held whilst the fortune of others has waned somewhat and needs time to recover.

In the case of **Fidessa** (previously called **royalblue**) it has been another successful year, with profits growing strongly and the company making its first major acquisition, namely that of **LatentZero**. This adds to Fidessa's existing suite of products targeted at the "sell" side broking community with a

complementary range focused on the "buy" side fund management community.

From last year's top ten we no longer hold **Datamonitor**, the market research specialist, as this was acquired by Informa in a recommended cash offer at 650p – in excess of five times our average acquisition price. Other M & A activity from which we benefited last year included **Blooms of Bressingham**, the garden centre group, which accepted a cash bid from the new owners of competitor Wyevale; **La Tasca**, the Spanish themed restaurant operator, which was acquired by Tchenguiz family backed funds to merge with their existing operations in UK restaurants after fighting off interest from private equity player Blackstone; **ICM Computer**, the business continuity specialist, succumbed to a cash and shares bid from **Phoenix IT** after a bidding war with the incumbent management team; and **Theratase**, a producer of enzyme based diagnostic tests, was acquired by BBI Holdings which also operates in the testing market. All in all an active year, if not quite on the scale of last year.

Within our top ten, particularly strong performance both in share price and profits was seen from **Axon**, the SAP based business transformation specialist. One sector that enjoyed very strong trading and upgrades throughout the year, and for which prospects remain very good, was the built environment engineering consultancy where our holdings in **WSP**, **Hyder** and **Waterman** all performed very well. Also **Kenmare Resources**, the mineral sands mining company operating in Mozambique, brought its project on stream and **Goals Soccer Centres**, in the five-a-side game in the UK, went from strength to strength.

As in life not everything worked well. In particular **Carter & Carter**, the training company, saw a catastrophic collapse. Very sadly this started with the untimely death of the founder and his son in a helicopter accident. The business was not as soundly based as we had thought and the shares are currently suspended pending clarification of its financial position. It is of small consolation that we sold prior to this time sufficient shares to book cash profits in excess of our remaining book cost. In addition **ClinPhone**, the technology provider to clinical trials and an IPO we backed in 2006, performed very poorly; however, we have retained our initial investment and believe that with patience better times will return. Last year we referred to **eServGlobal**, the telecom billings company, which had a poor year in 2006 but which we believed would recover strongly; this year it has fulfilled our optimism and we remain convinced that this is an investment we should continue to back.

Portfolio Manager's Review

continued

During the year we disposed of a number of holdings. These included the air conditioning installer **Worthington Nicholls**, an IPO from 2006, where we booked significant profits; **Powerleague**, with a business in five-a-side football; **Land of Leather**, in furniture retailing; and **Orchid Developments**, the Bulgarian property developer. We also sold out of **Mice**, albeit at a small loss, some months before the administrator was appointed.

Elsewhere we saw a very strong year from **Velosi**, a 2006 IPO in the global oil & gas safety inspection market which rose by some 80%; and **AssetCo**, a service and equipment provider to the UK fire and rescue services, for which we have high hopes for the future. More recently we have supported **Concateno**, which provides drug and alcohol testing services, in its acquisition of Cozart, a complementary business, which is a growing area of concern for both government and business.

Outlook

The UK economy will grow slowly over the coming year. This will make the operating environment difficult for many companies. Generally UK companies are going into this in a strong position. The companies in the portfolio have strong balance sheets with many of them being in a position of having net cash. They will surprise by their robust operating performance. The valuations do not reflect the underlying strength and prospects of the companies. The sell down in smaller companies has been inspired by concerns over the macro picture of the UK economy. However, it is not a proxy for the UK economy that a shareholder in Henderson Opportunities Trust owns but a portfolio of individual companies that have sound business models and good growth prospects. Managements have retained discipline and the return on capital achieved by many companies is impressive. The intention is that this type of small company will remain central to the overall portfolio. The mix of these with well managed larger companies, purchased opportunistically when they are good value, will be a desirable recipe for portfolio performance in the coming year.

James Henderson

Portfolio Manager
28 January 2008

Analysis of the portfolio by sector at 31 October 2007

| | % | % |
|------------------------|-------|--------------------|
| Oil & Gas | | 3.56 |
| Basic Materials | | 5.16 |
| Industrials | | 34.34 |
| including: Electronics | 5.76 | |
| Support Services | 20.27 | |
| Consumer Goods | | 6.31 |
| Healthcare | | 4.13 |
| Consumer Services | | 14.60 |
| including: Media | 6.42 | |
| Telecommunications | | 3.04 |
| Utilities | | – |
| Financials | | 6.60 |
| Technology | | 22.26 |
| | | <hr/> 100.00 <hr/> |

Analysis of the portfolio by market index at 31 October 2007

| | % |
|----------------------|-------------------|
| FTSE 100 Index | 4.5 |
| FTSE 250 Index | 9.6 |
| FTSE SmallCap Index | 27.5 |
| FTSE Fledgling Index | 12.2 |
| FTSE AIM Index | 37.7 |
| other Official List | 2.7 |
| other AIM | 5.8 |
| | <hr/> 100.0 <hr/> |

Investment Portfolio

at 31 October 2007

| | | Valuation as at 31 October 2006 £'000* | Valuation as at 31 October 2007 £'000 | % of portfolio |
|--------------------------------|-------------------------------------|--|---|-------------------|
| Fidessa | financial software | 2,638 | 2,646 | 3.90 |
| WSP | engineering consultancy | 1,350 | 2,299 | 3.38 |
| Axon | business transformation | 1,439 | 2,208 | 3.25 |
| Hyder Consulting | infrastructure consultancy | 1,351 | 2,134 | 3.14 |
| Kenmare Resources | mineral sands producer | 1,198 | 1,930 | 2.84 |
| Hampson Industries | aerospace components | 1,283 | 1,705 | 2.51 |
| *Zetar | confectionery and snack foods | 1,224 | 1,518 | 2.23 |
| *Goals Soccer Centres | five-a-side soccer centres | 990 | 1,424 | 2.10 |
| *Murgitroyd | patent attorney | 1,157 | 1,395 | 2.05 |
| e2v | electronic components | 1,765 | 1,320 | 1.94 |
| <i>10 largest</i> | | | 18,579 | 27.34 |
| Waterman | engineering consultancy | | 1,306 | 1.92 |
| Latchways | safety products | | 1,266 | 1.86 |
| *Velosi | oil & gas quality control services | | 1,111 | 1.64 |
| *eServGlobal | telephony infrastructure | | 1,080 | 1.59 |
| AssetCo | managed services to fire brigades | | 1,035 | 1.52 |
| *Majestic Wine | wine warehouse | | 1,029 | 1.52 |
| *Coda | financial software | | 1,028 | 1.51 |
| Carclo | technical plastic components | | 1,027 | 1.51 |
| MTL Instruments | electronic safety devices | | 1,026 | 1.51 |
| *Beggies Traynor | corporate insolvency | | 1,010 | 1.49 |
| <i>20 largest</i> | | | 29,497 | 43.41 |
| *Redstone | IT and communication solutions | | 986 | 1.45 |
| Hill & Smith | galvanised steel products | | 985 | 1.45 |
| DICOM Group | electronic document capture | | 960 | 1.41 |
| Phoenix IT | IT services and business recovery | | 945 | 1.39 |
| BP | oil | | 938 | 1.38 |
| T Clarke | electrical contractor | | 929 | 1.37 |
| Kewill Systems | logistics software and services | | 910 | 1.34 |
| Entertainment Rights | children's media content | | 903 | 1.33 |
| *Ideal Shopping Direct | TV shopping channel | | 901 | 1.33 |
| *Dealogic | financial software and data | | 862 | 1.27 |
| <i>30 largest</i> | | | 38,816 | 57.13 |
| Trifast | industrial fastenings | | 809 | 1.19 |
| SDL International | software and translation services | | 803 | 1.18 |
| *Concateno | drug testing systems | | 779 | 1.15 |
| Next | clothing retailer | | 773 | 1.14 |
| *MicroEmissive Displays | light emitting polymers | | 770 | 1.13 |
| Ricardo | automotive consultancy | | 769 | 1.13 |
| Alterian | database software | | 751 | 1.11 |
| *Oakdene Homes | housing developer | | 749 | 1.10 |
| †Henderson Liquid Assets Fund | deposit fund | | 733 | 1.08 |
| *Genetix | life science research equipment | | 712 | 1.05 |
| <i>40 largest</i> | | | 46,464 | 68.39 |
| *IBS OPENSsystems | public sector IT services | | 711 | 1.05 |
| Pinewood Shepperton | film studios | | 682 | 1.00 |
| Tribal | education and health services | | 670 | 0.99 |
| Senior | aerospace and automotive components | | 651 | 0.96 |
| *IQE | compound semiconductors | | 640 | 0.94 |
| International Personal Finance | emerging markets consumer finance | | 618 | 0.91 |
| *RDF Media | independent TV producer | | 605 | 0.89 |
| Shire | pharmaceuticals | | 601 | 0.89 |
| *Alternative Networks | telecommunications service provider | | 595 | 0.88 |
| XP Power | electrical power supplies | | 586 | 0.86 |
| <i>50 largest</i> | | | 52,823 | 77.76 |

*The ten largest holdings at 31 October 2007 were all constituents of the portfolio at 31 October 2006 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 2007 £'000 | % of portfolio |
|-------------------------------|-----------------------------------|---|----------------------|
| *Vertu Motors | motor retailer | 586 | 0.86 |
| *Heritage Underwriting Agency | insurance underwriter and agent | 582 | 0.86 |
| Creston | marketing services | 570 | 0.84 |
| Havelock Europa | education and retail interiors | 568 | 0.83 |
| *Carluccio's | Italian style restaurant and deli | 561 | 0.83 |
| *Thomson Intermedia | media monitoring | 549 | 0.81 |
| *Discover Leisure | caravan retailer | 520 | 0.77 |
| *Clerkenwell Ventures | leisure sector consolidator | 514 | 0.76 |
| *Brulines | liquid control systems | 512 | 0.75 |
| Cardpoint | cash machine operator | 504 | 0.74 |
| <i>60 largest</i> | | <u>58,289</u> | <u>85.81</u> |
| Bovis Homes | housing developer | 498 | 0.73 |
| St Modwen Properties | property developer | 491 | 0.72 |
| Dialight | LED systems | 474 | 0.70 |
| *WIN | mobile telephone services | 468 | 0.69 |
| SEGRO | property investment | 467 | 0.69 |
| Yell | yellow pages | 455 | 0.67 |
| *Serabi Mining | Brazilian gold miner | 428 | 0.63 |
| Macfarlane | packaging distribution | 426 | 0.63 |
| Ardana | reproductive health products | 412 | 0.61 |
| *Armour | home and auto electrical products | 400 | 0.59 |
| <i>70 largest</i> | | <u>62,808</u> | <u>92.47</u> |
| Alliance & Leicester | retail bank | 395 | 0.58 |
| *SDI | warehouse systems | 374 | 0.55 |
| *Datong Electronics | covert surveillance products | 354 | 0.52 |
| *Faroe Petroleum | oil and gas exploration | 352 | 0.52 |
| Abacus | electronic component distributor | 336 | 0.49 |
| *Electric Word | niche newsletter publisher | 333 | 0.49 |
| RWS | patent translation services | 327 | 0.48 |
| AutoLogic | automotive logistics | 312 | 0.46 |
| *IDOX | information management software | 299 | 0.44 |
| UTV Media | TV & radio broadcaster | 289 | 0.43 |
| <i>80 largest</i> | | <u>66,179</u> | <u>97.43</u> |
| *Imprint | recruitment | 273 | 0.40 |
| *Alliance Pharma | pharmaceuticals | 248 | 0.37 |
| Adamind | cash shell | 247 | 0.36 |
| *Driver | construction dispute resolution | 203 | 0.30 |
| *Neptune Minerals | sub-sea mineral exploration | 189 | 0.28 |
| *Accuma | debt solutions | 144 | 0.21 |
| ClinPhone | medical trials services | 136 | 0.20 |
| *SciSys | IT services to government | 116 | 0.17 |
| *Angle | technology commercialisation | 90 | 0.13 |
| *Widney | automotive parts | 74 | 0.11 |
| <i>90 largest</i> | | <u>67,899</u> | <u>99.96</u> |
| *Cobra Biomanufacturing | biopharmaceuticals manufacturer | 26 | 0.04 |
| | | <u>67,925</u> | <u>100.00</u> |

* Quoted on the Alternative Investment Market

† Overseas quoted cash fund

There were no convertible or fixed interest securities at either 31 October 2007 or 31 October 2006. All holdings are equity shares, or warrants to invest in equity shares, with the exception of the cash fund (which provides an efficient means of holding short term deposits).

Directors

George Burnett†** (age 61) retired as Chief Executive of Ashtead Group plc 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.

Peter May†** (age 53) 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 Deputy Chairman of Nirah Holdings Limited and Chairman of MacArthur & Co. Limited.

Hamish Bryce* (age 66) is a former Chairman of TLG plc, Heywood Williams plc and Norcros plc and the former Chairman of the Business Committee of the London Resilience Forum. He is the Chairman of IndependentAge. He joined the Board in 1993.

Richard Smith (age 56) is a senior investment consultant with Smith & Williamson Financial Services Limited and a non-executive director of Nirah Holdings 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.

Malcolm King†** (known as Max, age 50) was appointed to the Board in June 2005. He has 24 years' experience in fund management, including investment in UK smaller companies. He works currently at Investec Asset Management, is a consultant at Eden Financial and also writes on investment and personal finance matters.

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

†Member of the Audit 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 12 and 13.

Management Team

James Henderson became Portfolio manager on 19 January 2007. He joined Henderson Global Investors in 1984 and has been involved with investment trusts throughout his career. He has been the Portfolio Manager of Lowland Investment Company plc since 1990 and has been responsible for the investment portfolio of The Law Debenture Corporation p.l.c. since 2003. He also manages the Henderson UK Equity Income Fund.

Colin Hughes has been involved in the management of the Company's UK portfolio since 2002, becoming the sole fund manager in February 2005 when the investment policy was changed to focus on UK micro cap companies. Since January 2007 he has assisted James Henderson with the management of the small company investments. 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.

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 2007.

Activities and business review

A review of the business is given in the Chairman's Statement on pages 2 and 3, in the Portfolio Manager's Review on pages 4 and 5 and in the business review below.

Change of Name

On 19 January 2007 the name of the Company was changed from Henderson Strata Investments plc to Henderson Opportunities Trust plc.

Bonus Issue of Subscription Shares

On 19 January 2007 the Company issued 1,641,547 subscription shares of 1p each to the Company's ordinary shareholders, as a bonus issue, on a one for five basis. The subscription shares are convertible into ordinary shares, at the option of the holder, in any of the years 2009 to 2014 inclusive at a conversion price of 936p per subscription share.

Status

Henderson Opportunities Trust 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 2006, 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.

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.

Accordingly, a resolution that the Company continue as an investment trust will be put to the annual general meeting to be held on 19 March 2008.

Business review

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

Investment Policy

The Company's investment objective is to provide shareholders with higher than average growth of capital over the medium to long term from a portfolio of predominantly UK companies. The strategy is to invest in a concentrated portfolio of shares on an unconstrained basis across the whole range of market capitalisations. The investment portfolio is characterised by focus on growth, recovery and "special opportunities" company shares which the Portfolio Manager believes should achieve the investment objective.

The Company's portfolio is managed within a framework of investment limits and restrictions determined by the Board, the primary purpose of which is to spread and mitigate investment risk. It is intended that the Company will continue to be managed so as to satisfy each year the conditions for approval by HM Revenue & Customs as an investment trust.

The Company will borrow money for investment purposes, if the Board considers that the circumstances warrant this. Net borrowings are limited to a maximum of 25 per cent of the Company's net assets, calculated on a fully diluted basis. Other than in exceptional circumstances the exposure to equity investments will not be taken to below 70 per cent of net assets.

The Company will not invest more than 15 per cent of its gross assets in the shares of other listed investment companies, including investment trusts. The Company will not invest more than 5 per cent of its net assets, calculated

Report of the Directors

continued

at the time of investment, in the securities of any one issuer and will not hold more than 10 per cent of the issued share capital of any one company unless, exceptionally, the Board gives approval to the Manager to do otherwise. The portfolio will comprise not less than 50 investments.

During the year the Company invested its assets with a view to spreading investment risk. Since the change of investment policy on 19 January 2007, the Company has invested in accordance with its investment policy as set out above. In particular it has maintained a diversified portfolio, of which the analyses on pages 5 to 7 provide illustration. The portfolio has been actively managed by the Manager, which provides regular reports on investment activity and portfolio construction to the directors at and between Board meetings.

Objective and principal activity

The Company's objective is to achieve above average capital growth from investment in a portfolio of UK 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. The principal activity remained unchanged throughout the year ended 31 October 2007. The objective was approved by the shareholders on 19 January 2007 (prior to which date the Company had invested in UK micro cap companies only).

Strategy

The Company has appointed Henderson Global Investors Limited ("Henderson") to manage the investments and to 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 21 December 2006) 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 25% of total net assets. In the event that the investment outlook becomes unfavourable, the Board may reduce the gearing to nil; indeed, it may hold net cash balances. However, it expects most of the shareholders' funds to remain invested in equities in all but unusual circumstances.

Capital

At 31 October 2007 the Company had in issue 8,208,293 ordinary shares of 25p each. The market price per share at that date was 668.0p, giving the Company a market capitalisation of £54.8 million. Equity shareholders' funds totalled £62.3 million, the net asset value per share at that date being 758.8p per share (inclusive of revenue for the year). Accordingly, the market price per share stood at a discount of 12.0% 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. During the year the Company did not buy back any of either its ordinary shares or its subscription shares.

Performance

The Company had a disappointing year in terms of relative performance. The stockmarket rose over the year but, despite some use of gearing, the Company did not outperform its new benchmark, the FTSE All-Share Index on a total return basis (although this was not adopted until 19 January 2007, in the third month of the year). The following table sets out, with comparatives, key indicators of performance:

| | At 31 October 2007 | At 31 October 2006 | % |
|------------------------------------|---|----------------------------------|--------|
| | | | Change |
| Shareholders' funds | £62,283,000 | £58,223,000 | +7.0% |
| Net asset value per ordinary share | 758.8p | 709.3p | +7.0% |
| Market price per ordinary share | 668.0p | 646.5p | +3.3% |
| | Year ended 31 October 2007 | Year ended 31 October 2006 | |
| Revenue return per ordinary share | 7.08p | 5.29p | |
| Capital return per ordinary share | 42.38p | 142.74p | |
| Total return per ordinary share | 49.46p | 148.03p | |

Report of the Directors

continued

On a total return basis the benchmark index returned 13.6% over the year ended 31 October 2007. By comparison, based on the audited accounts for the year, including retained revenue, the Company's net asset value total return was 7.0%. The figures for the period since the adoption of the benchmark were 10.0% and (2.6)% respectively.

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

Assets

The Company's net assets increased during the year from £58.2 million to £62.3 million. The net asset value per ordinary share increased during the year from 709.3p to 758.8p. The main reason for this increase was the rise in the market value of the Company's investments.

Costs

The Company's most significant items of recurring 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 £274,000, the management fee totalled £450,000 and other expenses totalled £502,000, including £320,000 in respect of the proposals put to shareholders at the Extraordinary General Meeting on 19 January 2007. These figures included VAT where applicable. Included in the Income Statement as a negative cost is the sum of £298,000, being the amount in respect of prior years which, in the opinion of the directors, is certain of recovery as a result of the decision of HM Revenue & Customs to accept the judgement of the European Court of Justice that investment management services provided to investment trust companies are exempt from VAT. The transaction costs, which include stamp duty and totalled £94,000, are included within the purchase costs or the sales proceeds of investments.

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. For the year ended 31 October 2007 the TER was 1.09% (2006: 1.55%). The main reasons for this decrease are the lower management fee (and the absence of a performance fee) and the anticipated recovery of VAT borne in past years, offset by the costs of the proposals put to shareholders at the Extraordinary General Meeting on 19 January 2007.

Revenue and dividend

The Company's investment income and other revenue totalled £991,000 (2006: £978,000). After deducting expenses the net revenue profit for the year was £581,000 (2006: £560,000).

On 28 February 2007, by Order of the High Court of Justice consequent to the resolution of the shareholders in general meeting on 19 January 2007, the Company's share premium account was reduced by £1,958,000, being the negative balance on the revenue reserve as at 31 October 2006. The Board proposes a dividend of 6.00p per ordinary share in respect of the year ended 31 October 2007. If approved at the Annual General Meeting on 19 March 2008, the dividend will be paid on 26 March 2008 to shareholders on the register at close of business on 29 February 2008. 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 companies that are listed (or quoted) in the United Kingdom, including small companies. Although the Company invests almost entirely in securities that are

Report of the Directors

continued

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 or 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 P N J May 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, Mr R D H Bryce and Mr R W Smith, all 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 prior years was remunerated by Henderson in respect of services provided to Henderson Opportunities Trust plc under the management agreement.

As indicated on page 8, the Board considers Mr Burnett, Mr Bryce, Mr King and Mr 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 until recently had 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 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 | 8 | 4 |
| R D H Bryce ⁽ⁱ⁾ | 8 | 4 |
| G B Burnett | 8 | 4 |
| M R King | 7 | 4 |
| P N J May | 7 | 4 |
| R W Smith ⁽ⁱⁱ⁾ | 8 | 4 |

⁽ⁱ⁾ Mr Bryce stood down from the audit committee on 17 January 2008.

⁽ⁱⁱ⁾ 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 2007 | 1 November 2006 |
|---------------------------------|-----------------|-----------------|
| <i>Beneficial interest:</i> | | |
| R D H Bryce [†] | 17,489 | 17,066 |
| G B Burnett | 8,507 | 8,507 |
| M R King | 1,000 | 1,000 |
| P N J May | — | — |
| R W Smith | 27,050 | 30,750 |
| <i>Non-beneficial interest:</i> | | |
| R W Smith | 15,100 | 11,400 |

[†]Between the year end and the date of this report, Mr Bryce increased his holding to 17,634 ordinary shares by the regular purchase of shares through Ithenderson. No other changes to the directors' interests have been notified.

Report of the Directors

continued

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

| | 31 October 2007 | 1 November 2006 |
|---------------------------------|----------------------------|--------------------|
| <i>Beneficial interest:</i> | | |
| R D H Bryce | 3,490 | – |
| G B Burnett | 1,701 | – |
| M R King | 200 | – |
| P N J May | – | – |
| R W Smith | 5,410 | – |
| <i>Non-beneficial interest:</i> | | |
| R W Smith | 3,020 | – |

No changes to these directors' interests have been notified.

Directors' fees

A report on the directors' remuneration is set out on pages 17 and 18.

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 19 to 21.

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 14 to the accounts on pages 35 to 37.

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. In October 2007 the Board appointed JPMorgan Chase Bank N.A. as the Company's global custodian, in place of BNP Paribas Fund Services UK 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). The Company's holding in Henderson Liquid Assets Fund plc is made through a class of shares that does not bear management fees. With the exception of Henderson Liquid Assets Fund plc, the values of any investments in funds managed by Henderson are excluded from the management fee calculations by deducting them from the total of net chargeable assets.

Changes to the management agreement were negotiated during the year and the current fee arrangements took effect from 19 January 2007. The fee arrangements are next subject to review by 31 October 2008; thereafter they will be reviewed every three years.

The management fee is calculated as 0.60% per annum on the first £100 million of net chargeable assets and as 0.50% per annum thereafter. Prior to 19 January 2007 the rate was 0.85% per annum on the first £100 million. The percentage actually applicable throughout the year ended 31 October 2006 (the prior year) was 0.85%.

Arrangements for a performance fee were introduced with effect from 19 January 2007. The performance fee is calculated as 15% of any outperformance of the benchmark, on a net asset value total return fully diluted basis, over the Company's accounting year, subject to a limit on the total management fees payable in any one year of 1.65% of the average value of the net assets during the year. No performance fee will be payable if on the last day of the Company's accounting year the Company's share price is lower than the share price as at the preceding year end. If on the last day of the Company's accounting year

Report of the Directors

continued

the net asset value per share, calculated in accordance with the Company's accounting policies, net of costs (including any performance fee), is equal to or lower than the net asset value per share as at the preceding year end, the performance fee payable will be restricted to such amount, if any, as will result in the net asset value per share being higher than the net asset value per share at the preceding year end. Any underperformance relative to the benchmark, or any unrewarded outperformance (for example, as a result of the cap), will be carried forward and set against any outperformance or underperformance respectively in subsequent years. The first period covered by these arrangements began on 19 January 2007, at which date the opening net asset value per share was 779.44p. No performance fees were paid or payable under these arrangements in respect of the period ended 31 October 2007.

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.

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. Since 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 28 January 2008 the following shareholders had notified the Company of interests comprising 3% or more of the Company's issued ordinary share capital:

| | 31 October 2007 % | 31 October 2006 % |
|--|-------------------------|-------------------------|
| Lowland Investment Company plc | 3.51 | – |
| Witan Investment Trust plc | – | 21.48 |
| Other discretionary managed clients of Henderson Global Investors Limited and its associated companies | <u>10.04</u> | <u>7.98</u> |
| | 13.55 | 29.46 |
| M&G Investment Management Limited | 7.31 | 7.31 |
| East Riding of Yorkshire Council | – | 5.54 |
| Apollo Fund plc | 3.05 | – |

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued ordinary share capital as at 28 January 2008.

The Board is aware that, as at 31 October 2007, 29.2% of the issued ordinary 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. In accordance with the terms and conditions of Itshenderson, Henderson has stated that it will instruct its nominee company to exercise the voting rights of any shares held through Itshenderson that have not been exercised by the individual participants in Itshenderson. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Report of the Directors

continued

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 8. 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 2007 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 42 to 44.

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 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 2009.

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 2007 the Company did not purchase for cancellation any of its own issued shares.

Ordinary shares

At the annual general meeting in February 2007 a special resolution was passed giving the Company authority, until the conclusion of the annual general meeting in 2008, to make market purchases, either for cancellation or to hold in treasury, of the Company's own ordinary shares up to a maximum of 1,230,423 shares (being 14.99% of the issued ordinary share capital as at 15 February 2007). This authority has not been used.

Accordingly, as at 31 October 2007 the Company had valid authority, outstanding until the conclusion of the annual general meeting in 2008, to make market purchases of 1,230,423 shares. No shares were bought back 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-allotment 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.

Report of the Directors

continued

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 the 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 2009.

Subscription shares

At the extraordinary general meeting in January 2007 a special resolution was passed giving the Company authority, until the conclusion of the annual general meeting in 2008, to make market purchases for cancellation of the Company's own subscription shares up to a maximum of 14.99% of those in issue following their admission to the Official List and to trading on the London Stock Exchange. This authority has not been used.

Accordingly, as at 31 October 2007 the Company had valid authority, outstanding until the conclusion of the annual general meeting in 2008, to make market purchases for cancellation of 246,067 subscription shares. No subscription shares were bought back between the year end and the date of this report.

The Board considers that the Company should continue to have authority to make market purchases of its own subscription shares for cancellation. Accordingly, a special resolution will be proposed at the forthcoming annual general meeting to authorise the Company to make market purchases for cancellation of up to 14.99% of the subscription shares in issue at the date of the annual general meeting (equivalent to 246,067 subscription shares if there is no change in the issued subscription share capital between the date of this report and the annual general meeting).

The directors do not intend to use this authority unless, in their view, to do so would be in the best interests of the shareholders generally. Shares will not be bought back at a price that is less than 1p (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 2009.

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 2007 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

28 January 2008

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 2007. An ordinary resolution to approve the Report will be put to the Annual General Meeting on 19 March 2008. 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

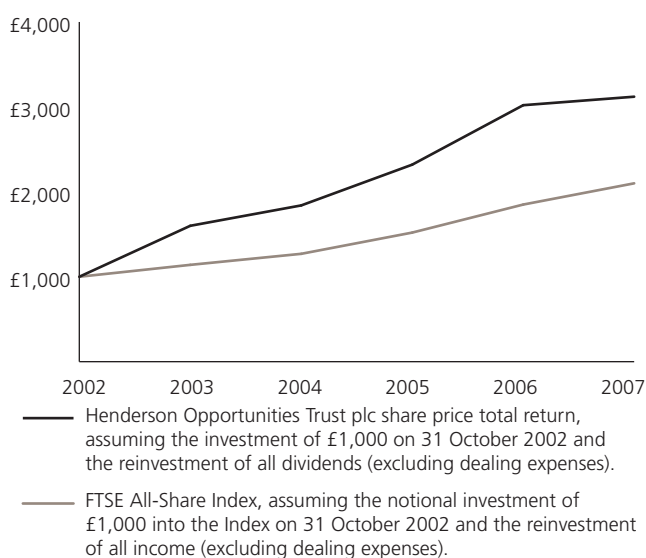
The Board consists entirely of non-executive directors who meet at least four times a year to deal with the important aspects of the Company's affairs. Directors' appointments are reviewed formally every three years by the Board as a whole. None of the directors has a contract of service or a contract 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 last 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 All-Share Index has been selected because it is the Company's current benchmark.

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 2006, were as follows:

| | 2007 | 2006 |
|---------------|---------------|---------------|
| | £ | £ |
| R D H Bryce | 10,000 | 8,667 |
| G B Burnett | 15,000 | 13,333 |
| M R King | 10,000 | 8,667 |
| P N J May (i) | 12,500 | 9,500 |
| R W Smith | 10,000 | 8,667 |
| | <hr/> | <hr/> |
| TOTAL | 57,500 | 48,834 |

Notes:

- (i) Mr May was appointed Chairman of the Audit Committee on 16 March 2006.
- (ii) 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
 28 January 2008

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 June 2006. In addition, the AIC Code of Corporate Governance, issued by the Association of Investment Companies in May 2007 ("the AIC Code") applies to the Company.

Statement of compliance

The directors consider that the Company has complied during the year ended 31 October 2007 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 2007 with the AIC 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 12 and 13, 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 service does not of itself impair a director's ability to act

Corporate Governance

continued

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 expects to appoint a new director in the coming 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 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 (copies of which are available from the Manager's website www.itshenderson.com or on request from the Company Secretary). 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

The 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 half year 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 half year 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 four 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 17 and 18.

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 shareholders and with potential investors. The Chairman,

Corporate Governance

continued

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 46.

Accountability and audit

The directors' statement of responsibilities in respect of the accounts is set out on page 22. The responsibilities of the independent auditors are set out on page 23. The directors' report that the business is a going concern is set out on page 16.

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 Practice 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 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 Opportunities Trust plc

We have audited the accounts of Henderson Opportunities Trust plc for the year ended 31 October 2007 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, the Directors' Remuneration 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.

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.

In addition, we 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 2006 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 Financial Highlights, the Performance Statement, the Chairman's Statement, the Portfolio Manager's Review, the Investment Portfolio, the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the Historical Record. 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 2007 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
29 January 2008

Henderson Opportunities Trust plc

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 October 2007

| | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|--|--|--------------------------------------|---|------------------------------|-----------------------------|----------------|
| Year ended 31 October 2007 | | | | | | |
| At 31 October 2006 | 2,052 | 16,479 | 2,354 | 39,296 | (1,958) | 58,223 |
| Issue of subscription shares | 16 | (16) | – | – | – | – |
| Cancellation of revenue deficit | – | (1,958) | – | – | 1,958 | – |
| Net return on ordinary activities after taxation | – | – | – | 3,479 | 581 | 4,060 |
| At 31 October 2007 | 2,068 | 14,505 | 2,354 | 42,775 | 581 | 62,283 |

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

Henderson Opportunities Trust plc

Balance Sheet

at 31 October 2007

| Notes | 2007 £'000 | 2006 £'000 |
|-------|--|----------------|
| 11 | Investments held at fair value through profit or loss | |
| | Listed investments at market value: United Kingdom | 35,796 |
| | | <u>35,796</u> |
| | AIM investments at market value | 31,091 |
| | Overseas quoted cash fund | 128 |
| | Unquoted investments at directors' valuation | 36 |
| | | <u>67,051</u> |
| | Current assets | |
| 12 | Debtors | 1,110 |
| | Cash at bank | 6 |
| | | <u>1,116</u> |
| | Current liabilities | |
| 13 | Creditors: amounts falling due within one year | (9,944) |
| | | <u>(9,944)</u> |
| | Net current liabilities | <u>(8,828)</u> |
| | Total net assets | <u>58,223</u> |
| | Capital and reserves | |
| 15 | Called up share capital | 2,052 |
| 16 | Share premium account | 16,479 |
| 16 | Capital redemption reserve | 2,354 |
| 16 | Capital reserve – realised | 25,191 |
| 16 | Capital reserve – unrealised | 14,105 |
| 16 | Revenue reserve | (1,958) |
| | | <u>58,223</u> |
| | Equity shareholders' funds | <u>58,223</u> |
| 17 | Net asset value per ordinary share | <u>709.32p</u> |
| | | <u>758.78p</u> |

These accounts were approved by the board of directors on 28 January 2008 and were signed on their behalf by:

G B Burnett

Notes to the Accounts

1 Accounting policies

a) Basis of accounting

The accounts are prepared on a going concern basis and 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").

b) Going concern

The Company's articles of association require that at the annual general meeting of the Company to be held in 2008 an ordinary resolution be put to approve the continuation of the Company. The directors are recommending the Company's shareholders to vote in favour of the resolution that will be put to the annual general meeting in March 2008. The directors believe that the Company has adequate resources to continue in existence for the foreseeable future. For these reasons the Board has agreed that it is appropriate for the accounts to be prepared on a going concern basis.

c) Valuation of fixed asset investments

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.

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.

d) Foreign currency

The results and financial position of the Company are expressed in 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.

e) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of the 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.

Notes to the Accounts

continued

1 Accounting policies (continued)

f) Management fees, administrative expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. The Board has 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. 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.

g) 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.

h) 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 held at fair value through profit or loss

| | 2007 £'000 | 2006 £'000 |
|---|----------------|---------------|
| Realised gains based on historical cost | 5,108 | 7,099 |
| Less: amount recognised as unrealised in the previous year | <u>(3,036)</u> | <u>(595)</u> |
| Realised gains based on carrying value at the previous balance sheet date | 2,072 | 6,504 |
| Net movement in unrealised appreciation | 1,925 | 9,413 |
| Net loss on foreign exchange | - | (1) |
| | <u>3,997</u> | <u>15,916</u> |

Notes to the Accounts

continued

| 3 | Income from investments held at fair value through profit or loss | 2007 £'000 | 2006 £'000 |
|----------|--|-----------------------------|---------------|
| | Franked: | | |
| | Dividends from listed investments | 609 | 698 |
| | Special dividends | 36 | – |
| | Dividends from AIM investments | 262 | 185 |
| | Special dividends from AIM investments | – | 63 |
| | | 907 | 946 |
| | Unfranked: | | |
| | Dividends from listed investments | 33 | 6 |
| | Interest from unquoted investments | 31 | 9 |
| | Property income dividends | 8 | – |
| | | 72 | 15 |
| | | 979 | 961 |

| 4 | Other interest receivable and similar income | 2007 £'000 | 2006 £'000 |
|----------|---|-----------------------------|---------------|
| | Deposit interest | 4 | 17 |
| | Underwriting commission | 7 | – |
| | Other income | 1 | – |
| | | 12 | 17 |

| 5 | Management fee | Revenue return 2007 £'000 | Capital return 2007 £'000 | Total 2007 £'000 | Revenue return 2006 £'000 | Capital return 2006 £'000 | Total 2006 £'000 |
|----------|-----------------------------------|--|--|---------------------------------|------------------------------------|------------------------------------|------------------------|
| | Management fee | 90 | 360 | 450 | 121 | 482 | 603 |
| | Irrecoverable VAT | – | – | – | 20 | 84 | 104 |
| | Write-back of prior years' VAT | (237) | (61) | (298) | – | – | – |
| | | (147) | 299 | 152 | 141 | 566 | 707 |

- (i) The allocation between revenue return and capital return is explained in note 1f on page 29.
- (ii) The background to the write-back of VAT is explained in note 22 on page 40.

Notes to the Accounts

continued

| 6 Other administrative expenses (all charged to revenue) | 2007 £'000 | 2006 £'000 |
|---|-----------------------------|---------------|
| Auditors' remuneration for audit services [†] | 19 | 19 |
| Directors' fees (see the directors' remuneration report on pages 17 and 18) | 58 | 49 |
| Other expenses payable to the management company* | 15 | 22 |
| Project HOT expenses [†] | 320 | – |
| Other expenses | 90 | 127 |
| | 502 | 217 |

[†]Project HOT comprised the proposals set out in the Circular to shareholders dated 21 December 2006. The Project HOT expenses totalled £420,000, of which £100,000 was borne by Henderson Global Investors Limited. They included fees to the auditors for non-audit services in respect of assurance work of £32,900 (including VAT).

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

| 7 Finance charges | Revenue return 2007 £'000 | Capital return 2007 £'000 | Total 2007 £'000 | Revenue return 2006 £'000 | Capital return 2006 £'000 | Total 2006 £'000 |
|--|--|--|---------------------------------|------------------------------------|------------------------------------|------------------------|
| On bank loans and overdrafts repayable within one year | 55 | 219 | 274 | 60 | 240 | 300 |

The allocation between revenue return and capital return is explained in note 1f on page 29.

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 £3,140,000 (2006: £2,984,000), arising as a result of unrelieved management expenses and business charges, and £156,000 (2006: £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 £4,060,000 (2006: £15,670,000) and on 8,208,293 ordinary shares (2006: 10,585,584) being the weighted average number of shares in issue during the year.

The total return can be further analysed as follows:

| | 2007 £'000 | 2006 £'000 |
|--|----------------------|----------------|
| Revenue return | 581 | 560 |
| Capital return | 3,479 | 15,110 |
| Total return | <u>4,060</u> | <u>15,670</u> |
| Weighted average number of ordinary shares | 8,208,293 | 10,585,584 |
| Revenue return per ordinary share | 7.08p | 5.29p |
| Capital return per ordinary share | 42.38p | 142.74p |
| Total return per ordinary share | <u>49.46p</u> | <u>148.03p</u> |

The Company has in issue 1,641,547 subscription shares which are convertible into ordinary shares at a conversion price of 936p per share in any of the years 2009 to 2014 inclusive. The subscription shares were issued on 19 January 2007. There was no dilution of the return per ordinary share in respect of the conversion rights attaching to the subscription shares (year ended 31 October 2006: no dilution).

Notes to the Accounts

continued

10 Dividends

No amounts have been recognised as distributions to equity holders in the year.

Subject to approval at the annual general meeting, the proposed final dividend of 6.00p per ordinary share will be paid on 26 March 2008 to shareholders on the register of members at the close of business on 29 February 2008.

No provision has been made for the final dividend in these accounts. Under the current Financial Reporting Standards, the final dividend is not recognised until approved by the shareholders. Previously dividends were recognised in respect of the period to which they related.

The total dividends payable in respect of the financial year, which form the basis of the test under section 842 of the Income and Corporation Taxes Act 1988, are set out below:

| | Year ended 31 October 2007 £'000 |
|---|---|
| Revenue available for distribution by way of dividends for the year | 581 |
| Proposed final dividend for the year ended 31 October 2007: 6.00p (based on the 8,208,293 ordinary shares in issue at 28 January 2008) | (492) |
| Undistributed revenue for section 842 purposes* | <u>89</u> |

*Undistributed revenue comprises 9.1% of the income from investments of £979,000 (see note 3)

11 Investments held at fair value through profit or loss

£'000

| | |
|--|----------------------|
| Valuation at 1 November 2006 | 67,051 |
| Unrealised appreciation | (14,105) |
| Cost at 1 November 2006 | 52,946 |
| Purchases at cost | 37,158 |
| Sales proceeds | (40,281) |
| Gains on disposals | 5,108 |
| Cost at 31 October 2007 | 54,931 |
| Unrealised appreciation | 12,994 |
| Valuation of investments at 31 October 2007 | <u>67,925</u> |

Purchase transaction costs for the year ended 31 October 2007 were £68,000 (year ended 31 October 2006: £39,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the year ended 31 October 2007 were £26,000 (year ended 31 October 2006: £43,000). These comprise mainly commissions.

Notes to the Accounts

continued

| 12 Debtors | 2007 £'000 | 2006 £'000 |
|--------------------------------|-----------------------------|---------------|
| Sales for future settlement | 43 | 1,029 |
| Prepayments and accrued income | 90 | 77 |
| Taxation recoverable | 6 | 4 |
| VAT recoverable | 348 | – |
| | 487 | 1,110 |

| 13 Creditors: amounts falling due within one year | 2007 £'000 | 2006 £'000 |
|--|-----------------------------|---------------|
| Unsecured sterling loans and overdrafts | 5,955 | 8,100 |
| Share buy-backs awaiting settlement | – | 1,484 |
| Purchases for future settlement | 60 | 51 |
| Other creditors | 114 | 309 |
| | 6,129 | 9,944 |

14 Derivatives and other financial instruments

The policies described below applied in both the year ended 31 October 2007 and the year ended 31 October 2006.

(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 rate 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 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.

Notes to the Accounts

continued

14 Derivatives and other financial instruments (continued)

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 with The Royal Bank of Scotland plc to draw down sterling loans during the year; there were loans of £5,911,000 outstanding at the year end (2006: £8,100,000). 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.

(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 2007 comprised short term sterling bank loans of £5,911,000 and overdrafts of £44,000 (2006: loans of £8,100,000 and overdrafts of £nil) that bore interest at rates based on the lending banks' floating interest rates.

The short term bank loans of £3,208,000 and £2,703,000 (2006: £8,100,000) carried interest rates of 6.247% and 6.265% (2006: 5.275%) per annum and were repayable on 6 November 2007 and 1 November 2007 respectively.

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

All of the Company's financial liabilities at 31 October 2007 mature within one year (2006: within one year).

As at 31 October 2007 the Company had a committed multicurrency loan facility of £9 million (2006: £9 million). The terms of the facility are subject to annual review by the provider.

Notes to the Accounts

continued

14 Derivatives and other financial instruments (continued)

(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 | 2007 | | | Monetary assets £'000 | 2006 Monetary liabilities £'000 | Net monetary assets £'000 |
|----------|--------------------------|-------------------------------|------------------------------|--------------------------|---------------------------------------|------------------------------|
| | Monetary assets £'000 | Monetary liabilities £'000 | Net monetary assets £'000 | | | |
| Euro | 4 | – | 4 | 4 | – | 4 |
| Total | 4 | – | 4 | 4 | – | 4 |

(e) Fair values of financial assets and financial liabilities

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

15 Called up share capital

Authorised:

20,000,000 ordinary shares of 25p each (2006: 20,000,000)

1,641,658 subscription shares of 1p each (2006: nil)

2007
£'000

2006
£'000

5,000

5,000

16

–

5,016

5,000

Allotted, issued and fully paid:

8,208,293 ordinary shares of 25p each (2006: 8,208,293)

1,641,547 subscription shares of 1p each (2006: nil)

2,052

2,052

16

–

2,068

2,052

During the year the Company made no market purchases of its own issued shares (2006: 3,052,121 ordinary shares were purchased for cancellation for a total consideration of £18,078,000).

There were 1,641,547 subscription shares of 1p each in issue at 31 October 2007 (31 October 2006: nil). The subscription shares were issued, as a bonus issue to the ordinary shareholders, on 19 January 2007. They are convertible into ordinary shares at a conversion price of 936p in any of the years 2009 to 2014 inclusive.

Notes to the Accounts

continued

| 16 Share premium account and reserves | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve realised £'000 | Capital reserve unrealised £'000 | Revenue reserve £'000 |
|---|--------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|--------------------------|
| At 1 November 2006 | 16,479 | 2,354 | 25,191 | 14,105 | (1,958) |
| Issue of subscription shares | (16) | – | – | – | – |
| Cancellation of revenue deficit | (1,958) | – | – | – | 1,958 |
| Transfer on disposal of assets | – | – | 3,036 | (3,036) | – |
| Net gains on investments | – | – | 2,072 | 1,925 | – |
| Expenses and finance charges charged to capital | – | – | (518) | – | – |
| Revenue return for the year | – | – | – | – | 581 |
| At 31 October 2007 | 14,505 | 2,354 | 29,781 | 12,994 | 581 |

Included in the Prospectus issued by the Company on 21 December 2006 was a proposal to remove the negative balance on the revenue reserve by the transfer of £1,957,933 from the Company's share premium account. This was duly approved by the High Court on 28 February 2007.

17 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 £62,283,000 (2006: £58,223,000) and on the 8,208,293 ordinary shares in issue at 31 October 2007 (2006: 8,208,293). There was no dilution of the net asset value per ordinary share in respect of the conversion rights attaching to the subscription shares (31 October 2006: no dilution).

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

| | £'000 |
|--|---------------|
| Total net assets at 1 November 2006 | 58,223 |
| Total net gains | 4,060 |
| Total net assets at 31 October 2007 | 62,283 |

18 Reconciliation of operating revenue to net cash flow from operating activities

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Net total return before interest payable and taxation | 4,334 | 15,970 |
| Less: capital return before interest payable and taxation | (3,698) | (15,350) |
| Net revenue before interest payable and taxation | 636 | 620 |
| (Increase)/decrease in accrued income | (13) | 100 |
| (Increase)/decrease in other debtors | (348) | 8 |
| Decrease in other creditors | (192) | (283) |
| Expenses charged to capital | (299) | (566) |
| Overseas withholding tax suffered | (2) | – |
| Net cash outflow from operating activities | (218) | (121) |

Notes to the Accounts

continued

| 19 Analysis of changes in net debt | 1 November 2006 £'000 | Cash flow £'000 | Exchange movements £'000 | 31 October 2007 £'000 |
|---|-----------------------------|--------------------|--------------------------------|--------------------------------------|
| Cash at bank less bank overdrafts | 6 | (50) | – | (44) |
| Debt: | | | | |
| Debts falling due within one year | (8,100) | 2,189 | – | (5,911) |
| Net debt | <u>(8,094)</u> | <u>2,139</u> | <u>–</u> | <u>(5,955)</u> |

20 Contingent liabilities and capital commitments

There were no contingent liabilities in respect of underwriting commitments at 31 October 2007 (2006: £nil).
There were no capital commitments in respect of securities not fully paid up (2006: £nil).

21 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 to provide UK custodial services. Henderson has contracted with BNP Paribas Fund Services UK Limited to provide accounting and administrative services. During the year JPMorgan Chase Bank N.A. was appointed as the Company's global custodian and assumed most of the custodial responsibilities previously carried out by BNP Paribas Fund Services UK Limited.

Details of the fee arrangements with the Manager for these services are given on pages 13 and 14 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 2007 was £450,000, excluding VAT, (2006: £603,000), of which £34,000 was outstanding at 31 October 2007 (2006: £192,000).

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 2007 amounted to £15,000, excluding VAT, (2006: £20,000) of which £5,000 was outstanding at 31 October 2007 (2006: £7,000).

Notes to the Accounts

continued

22 Value Added Tax

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should have been charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgement on the case in favour of the AIC.

Since then HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies. The Manager (Henderson Global Investors Limited) will now be able to reclaim from HMRC the amount of VAT charged to the Company in respect of investment management services from 1 October 2000 to 30 June 2007, to the extent that such VAT was paid by the Manager to HMRC. VAT has not been applied to investment management fees invoiced in respect of periods since June 2007.

Accordingly, some of the VAT borne by the Company on investment management fees invoiced in the period from 1 October 2000 to 30 June 2007 has been written back, in accordance with a standstill agreement reached between the Manager and the Company. The Board is satisfied that an amount of £348,000 is certain to be recovered but considers that there are currently too many uncertainties to allow any reasonable estimate of the further amounts potentially recoverable to be calculated. Of the amount of £348,000 that has been recognised, £298,000 relates to the period from 1 October 2000 to 31 October 2006. The write-back has been allocated between revenue return and capital return according to the allocation of the amounts originally paid. The Company will receive from the Manager any interest paid by HMRC on the amounts eventually recovered.

The Company may be able to recover further amounts of the VAT charged on investment management fees in the years from 1990 to 2007 inclusive. For this purpose the years 1990 to 2007 fall into four distinct periods.

The Company may be able to reclaim VAT paid in respect of the period from 1 January 1990 to 4 December 1996, following the recent judgement of the House of Lords in a case concerning the time limits applicable to VAT claims. There may also be some possibility of recovering VAT paid in the period from then to 30 September 2000.

In respect of the period from 1 October 2000 to 31 December 2003, the Manager has undertaken to reclaim the VAT paid to it by the Company, to the extent that this was paid by the Manager to HMRC, and repay the money it receives to the Company. In the opinion of the Board, the Company is certain of receiving this amount to the extent that it has been borne by the Company. Accordingly, an amount of £81,000 has been recognised in respect of this period.

In respect of the period from 1 January 2004 to 30 June 2007, the Manager has undertaken to reclaim the VAT paid to it by the Company, to the extent that this was paid by the Manager to HMRC, and repay the money it receives to the Company. The Manager has undertaken also to repay to the Company the balance of the VAT paid to it by the Company in respect of this period. In the opinion of the Board, the Company is certain of receiving these amounts to the extent that they have been borne by the Company. Accordingly, an amount of £267,000 has been recognised in respect of this period.

See also note 5 on page 30.

Historical Record

| Year ended 31 October | Total assets less current liabilities in £'000 | Net asset value per ordinary share in pence ⁽¹⁾ | Net asset value per warrant in pence ⁽²⁾ | Revenue return/ (loss) per ordinary share in pence ⁽⁶⁾ | Dividend per ordinary share in pence |
|--------------------------|--|--|---|---|--|
| 1986 | 20,729 | 133.1 | 33.1 | 1.90 ⁽³⁾ | 0.50 ⁽⁴⁾ |
| 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 ⁽⁵⁾ | 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 |
| 2006 | 58,223 | 709.3 | – | 5.29 | nil |
| 2007 | 62,283 | 758.8 | – | 7.08 | 6.00 |

⁽¹⁾ 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.

⁽²⁾ On 19 January 2007 the Company made, to the then ordinary shareholders, a bonus issue of subscription shares on a one for five basis. At 31 October 2007 the net asset value attributable to each subscription share was nil.

⁽³⁾ From commencement of business on 16 October 1985.

⁽⁴⁾ A special dividend of 1.10p was also paid.

⁽⁵⁾ 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.

⁽⁶⁾ 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-second Annual General Meeting of Henderson Opportunities Trust plc will be held at 4 Broadgate, London EC2M 2DA on Wednesday 19 March 2008 at 2.30 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 2007.
- 2 To approve the directors' remuneration report for the year ended 31 October 2007.
- 3 To approve a final dividend.
- 4 To re-elect Mr P N J May as a director of the Company.
- 5 To re-elect Mr G B Burnett as a director of the Company.
- 6 To re-elect Mr R D H Bryce as a director of the Company.
- 7 To re-elect Mr R W Smith as a director of the Company.
- 8 To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
- 9 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

- 10 THAT the Company continue as an investment trust.

as an Ordinary Resolution

- 11 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 28 January 2008) 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

- 12 THAT, subject to resolution 11 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 11 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 28 January 2008); 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.

as a Special Resolution

- 13 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(3) of the Act) of ordinary shares of 25p each in the

Notice of Annual General Meeting

continued

capital of the Company ("Ordinary Shares"), provided that:

(a) the maximum aggregate 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 28 January 2008, 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 (exclusive of expenses) 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 2009, 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

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

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

market purchases (within the meaning of section 163(3) of the Act) of subscription shares of 1p each in the capital of the Company ("Subscription Shares"), provided that:

(a) the maximum aggregate number of Subscription Shares hereby authorised to be purchased shall be 246,067 (representing approximately 14.99% of the Subscription Shares at 28 January 2008, the date of this Notice of Annual General Meeting);

(b) the minimum price (exclusive of expenses) which may be paid for a Subscription Share is 1p;

(c) the maximum price (exclusive of expenses) which may be paid for a Subscription Share is an amount equal to 105% of the average middle market quotations for a Subscription Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Subscription 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 2009, 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 Subscription 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 Subscription Shares pursuant to any such contract provided that all Subscription Shares purchased pursuant to the said authority shall be cancelled immediately upon completion of the purchase.

By order of the Board

G S Rice

for and on behalf of
Henderson Secretarial Services Limited,
Secretary
28 January 2008

as a *Special Resolution*

14 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

Notice of Annual General Meeting

continued

Notes

(i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of Henderson Opportunities Trust plc at close of business on Monday 17 March 2008 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 17 March 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(ii) Pursuant to section 324 of the Companies Act 2006 a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Company's Registrar not less than forty-eight hours before the time fixed for the meeting. This right does not apply to persons nominated to receive information rights pursuant to section 146 of the Companies Act 2006. Persons nominated to receive information rights under section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

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

(iv) The register of directors' interests will be available for inspection at the 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.

(vi) This notice is sent for information only to the subscription shareholders who are not entitled to attend or vote at the meeting.

Registered Office:
4 Broadgate, London EC2M 2DA

Total Voting Rights

As at 27 January 2008 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 8,208,293 ordinary shares of 25p each, carrying one vote each, and 1,641,547 subscription shares of 1p, which do not carry voting rights at general meetings of the Company. Therefore, the total voting rights in the Company as at 27 January 2008 were 8,208,293.

Notes on the Bonus Issue of Subscription Shares

The calculation of capital gains

The Company made a bonus issue of Subscription Shares of 1p each on 19 January 2007 to the holders of the Company's Ordinary Shares of 25p each as at close of business on 19 January 2007.

Dealings in the Subscription Shares began on 22 January 2007. At close of business on that day the middle market prices of the Ordinary Shares and the Subscription Shares were as follows:

| | |
|---------------------|------|
| Ordinary Shares | 708p |
| Subscription Shares | 101p |

Source: London Stock Exchange Daily Official List

Accordingly, an individual investor who on 19 January 2007 held five Ordinary Shares (or a multiple thereof) received a bonus issue of one Subscription Share (or the relevant multiple thereof) and will apportion the base cost of such existing holding 97.23% to the five Ordinary Shares (or the relevant multiple thereof) and 2.77% to the one Subscription Share (or the relevant multiple thereof).

Exercise

Each Subscription Share confers a right, exercisable by notice to the Company in the 30 days preceding the annual general meeting in any of the years 2009 to 2014 (inclusive) and upon payment of the conversion price, to convert on the date of the relevant annual general meeting into one Ordinary Share in the Company. The conversion price is 936p per Ordinary Share. The form of notice of exercise is set out on the reverse of the Subscription Share certificate (for those who hold Subscription Shares in certificated form). The rights attaching to the Subscription Shares are described in Part III of the Company's prospectus dated 21 December 2006 and are set out in the Articles of Association of the Company.

General Shareholder Information

Release of results

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

AGM

The annual general meeting is held in London in February or March.

Date of dividend payments

Ordinary shares: final dividend announced in December or January and paid in February or March.

Final dividend warrants and tax vouchers

Dividend warrants and tax vouchers for the 2007 final dividend will be posted on 20 March 2008 to shareholders on the register on 29 February 2008. The dividend will be paid on 26 March 2008, subject to approval at the AGM.

Payment of dividends

Dividends can be paid to shareholders by means of BACS; mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 48 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Information

The ordinary share price, net asset value, subscription share price and other information can be found on the Henderson website: www.itshenderson.com

The market price of the Company's ordinary shares is quoted in the Financial Times and other leading newspapers. The London Stock Exchange Daily Official List (SEDOL) Number is 0853657.

Shareholders who hold their shares on the register of members (whether or not in certificated form) can check their shareholding with the Registrar, Computershare Investor Services PLC, via www-uk.computershare.com/investor. Please note that to gain access to your details on the Computershare site you will need the shareholder reference number on the top left hand corner of your share certificate or on your tax voucher.

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.

For those who invest through the Itshenderson Dealing Account, ISA or PEP, a textphone telephone service is available on 0870 240 1847. This service is available during normal business hours.

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.

Those who invest through the Itshenderson Dealing Account, ISA or PEP, receive all shareholder communications. A form of instruction is provided to facilitate voting at general meetings of the Company.

General Shareholder Information

continued

History and background

The Company was incorporated on 21 August 1985 as Trushelfco (No 840) Limited. Its name was changed on 14 November 1985 to Strata Investments plc, on 28 January 1992 to Henderson Strata Investments plc and on 19 January 2007 to Henderson Opportunities Trust plc.

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. On 19 January 2007 the objective was changed to investment in shares on an unconstrained basis across the UK market and the benchmark was changed to the FTSE All-Share Index. At that date the ordinary shareholders received a bonus issue of one subscription share for every five ordinary shares. The Company is now a constituent of the UK Capital Growth sector. Shareholders have the opportunity to vote every three years on the continued life of the Company; the next vote is scheduled for March 2008.

Ordinary shareholder analysis

| | Number of ordinary shareholders | Number of ordinary shares held |
|--|------------------------------------|-----------------------------------|
| Individuals | 474 | 421,796 |
| Nominee companies and other corporate holders* | 287 | 7,786,497 |
| | 761 | 8,208,293 |

*includes investors through Itshenderson and other Henderson PEPs and ISAs.

Source: Computershare Investor Services PLC.

Warning to Shareholders

Over recent months many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on page 48.

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 J H Henderson and 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

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Registered Number

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

Registrar

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Bristol BS99 6ZZ
Telephone: 0870 703 0194

Independent Auditors

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London SE1 2RD

Stockbroker

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20 Moorgate
London EC2R 6DA

Solicitors

Slaughter and May
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London EC1Y 8YY

Itshenderson

Itshenderson is the savings platform, administered by Equiniti (formerly Lloyds TSB Registrars), which Henderson Global Investors established in 2006 to facilitate investment by individual investors. Itshenderson replaced the Investment Trust Share Plan, also administered by Equiniti, which Henderson had managed for many years. Some 4,000 investors in Henderson Opportunities Trust plc hold their shares through Itshenderson and the following contact details may be helpful to them.

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The Association of
Investment Companies

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