



Henderson

Global Strategic Capital

Unit Trust

Annual Report
For the year ended 30 June 2012 (Audited)

Who are **Henderson Global Investors?**

Established in 1934 to administer the estates of Alexander Henderson, the first Lord Faringdon, Henderson Global Investors (Henderson) is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. With its principal place of business in London, Henderson is one of Europe's largest investment managers, with £63.6[†] billion assets under management (as at 30 June 2012) and employs around 1,000 people worldwide.

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

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

What do we do?

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

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

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

[†] Source: Henderson Global Investors.

Contents

Manager's report*	Page 1
Authorised status*	Page 1
Comparative tables	Page 4
Risk and reward profile*	Page 6
Portfolio statement*	Page 7
Statement of Manager's responsibilities	Page 10
Report of the Trustee to unitholders	Page 10
Independent Auditor's report to the unitholders	Page 11
Financial statements	
Statement of total return	Page 12
Statement of change in unitholders' funds	Page 12
Balance sheet	Page 13
Certification of financial statements by Directors of the Manager	Page 13
Notes to the financial statements	Page 14

*These collectively comprise the Authorised Manager's Report.

Manager's report

Authorised status

The Henderson Global Strategic Capital Unit Trust is an authorised unit trust scheme under section 243 of FSMA 2000 Act, and is a non UCITS scheme complying with the investment and borrowing powers rules in chapter 5 of the Collective Investment Scheme sourcebook (COLL) issued by the Financial Services Authority.

Advisers

	Name	Address	Regulator
Manager and Dealing	Henderson Investment Funds Limited which is the Manager Member of IMA The ultimate controlling party is Henderson Group Plc.	Registered Office: 201 Bishopsgate, London EC2M 3AE. Registered in England No 2678531. Telephone - 020 7818 1818 Dealing - 0845 608 8703 Enquiries - 0800 832 832	Authorised and regulated by the Financial Services Authority.
Investment Adviser	Henderson Global Investors Limited The ultimate controlling party is Henderson Group Plc.	201 Bishopsgate, London EC2M 3AE	Authorised and regulated by the Financial Services Authority.
Registrar	International Financial Data Services (UK) Limited	IFDS House St. Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Services Authority.
Trustee	National Westminster Bank Plc	135 Bishopsgate London EC2M 3UR	Authorised and regulated by the Financial Services Authority
Auditor	KPMG Audit Plc	Saltire Court 20 Castle Terrace Edinburgh EH1 2EG	Institute of Chartered Accountants in England and Wales
Legal Adviser	Eversheds LLP	One Wood Street London EC2V 7WS	The Law Society

Henderson Global Strategic Capital Unit Trust

Manager's report

Fund Manager

Paul Craig

Investment objective and policy

To achieve capital growth.

The Fund will invest worldwide principally in a managed portfolio of investment trust shares and other closed-end vehicles.

The Fund may also invest in exchange traded funds, unregulated collective investment schemes (which include limited partnerships), money market instruments and deposits.

Discrete annual performance

	1 Jul 11 - 30 Jun 12	1 Jul 10 - 30 Jun 11	1 Jul 09 - 30 Jun 10	1 Jul 08 - 30 Jun 09	1 Jul 07 - 30 Jun 08
	%	%	%	%	%
Henderson Global Strategic Capital Unit Trust	(13.9)	23.0	33.2	(31.1)	(19.7)
Morningstar "Flexible Investment" Sector Average	(6.3)	17.1	19.1	(15.7)	(9.9)

Source: Morningstar, mid to mid, net income reinvested, net of fees, GBP.

Figures in brackets are negative.

Please note that as of 1 January 2012 the IMA Active Managed Sector Average changed its name to the IMA Mixed Flexible Investment Sector Average.

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

Significant portfolio changes for the year ended 30 June 2012

Purchases	£000	Sales	£000
Henderson Private Equity Investment Trust *	3,382	SR Europe	2,142
Rights & Issues	3,156	International Biotechnology	1,488
HG Capital	2,427	Utilico Emerging Markets	956
Worldwide Healthcare	2,100	Aseana Properties	350
North Atlantic Smaller Companies	1,831	Worldwide Healthcare	253
Montanaro UK Smaller Companies	1,776	Terra Capital	131
City Natural Resources High Yield	1,765	Montanaro UK Smaller Companies	90
Montanaro European Smaller Companies	1,718	Henderson Smaller Companies Investment Trust *	82
3i	1,528	Monks Investment Trust	82
Hansa 'A'	1,174	HG Capital	61

* A related party to the Fund

Market review

In the year under review, fear dominated the financial landscape fuelled by the chronic debt problem in Europe, fears of a hard landing in the emerging economies and political turmoil in the US, all of which conspired to pre-empt fears of a sharp slowdown in global economic activity. Furthermore, the headline numbers of the broader equity indices simply do not reflect the turmoil and disparity of returns during the period. To put this into context, the FTSE All-Share Index for example ended the year only around 3% lower with dividends reinvested. However, on a peak-to-trough basis the Index fell 19%, gained 15%, fell 10%, gained 17%, fell 12% then gained 6% to the period end, far from a benign outcome. For some indices, including emerging markets and Europe, the volatility of returns was even starker.

Fund review

Notwithstanding the tumultuous and challenging backdrop, it has been a disappointing and frustrating period for the Fund. In terms of overall performance, much, if not all the relative underperformance came in late November following a surge in a narrow selection of equities, notably large cap US and UK companies, an area where the Fund has little exposure. Compounding the short-term underperformance was the Fund's exposure to developing economies and cyclical sectors including Prosperity Voskhod, City Natural Resources and Geiger Counter, which fell sharply but did not enjoy a commensurate bounce. In addition, despite commendable portfolio performance some of the Fund's holding in closed-end funds saw a material widening in their discounts to net asset value, including Hg Capital, North Atlantic and Oryx International. The holding Hansa Trust suffered the ignominy of having a sizeable exposure to emerging markets, which performed poorly, and a widening in its discount to net asset value.

The period was bereft of positive news and highlights included a strong gain in the share price of Henderson Private Equity, Terra Capital and Worldwide Healthcare. To some degree this highlights the specialist nature of the Fund with a not insignificant amount of potential performance driven by news flow rather than general market movement. Despite this, absolute performance has been similar to the broader equity markets year-to-date, albeit with considerably less volatility.

Portfolio activity was muted during the period although we did take the opportunity to trim holdings that performed well in the first quarter of 2012 including, City Natural Resources, Edinburgh Worldwide and Utilico Emerging markets. In addition, we switched the holding in International Biotech into the larger and more diversified Worldwide Healthcare Trust. Last but by no means least, we added a holding in 3i Group following a substantial widening in the discount and Alcentra European Floating Rate Income, a new trust that hopes to capitalise from high and attractive yields from European corporate senior loans.

Outlook

The backdrop for financial markets highlighted above demonstrates the 'risk-on, risk-off' behaviour of investor's regarding 'ever-changing' expectations for the global economy, which is largely the by-product of the well-publicised Euro zone conundrum, or rather the absence of a persuasive solution to resolve it. Despite this headwind, corporate earnings have proved resilient and balance sheets robust while recent economic data has been more encouraging. More recently, investors have taken comfort from further monetary stimulus from the European Central Bank (ECB), the Bank of England and the People's Bank of China. All eyes are now on the US Federal Reserve.

Against this backdrop, we continue to believe the Fund's exposure to a broad selection of asset classes and investment strategies through closed-end funds, some of which stand at wide discounts to net asset value provide an attractive means to invest in financial markets. For example, the Fund's holdings in Aseana Property and ARC Capital stand at discounts in excess of 50% to their net asset value. Furthermore, we believe that our underlying managers are well positioned to capture a recovery in corporate earnings while discount contraction would provide the icing on the cake.

Comparative tables as at 30 June 2012

Net asset value per unit

	Net asset value of Fund (£)	Net asset value of units (£)	Number of units in issue	Net asset value per unit (pence)
Accumulation units				
30/06/2010	52,939,571	52,939,571	40,258,907	131.50
30/06/2011	51,854,542	51,854,542	32,716,633	158.50
30/06/2012	71,847,539	71,847,539	51,352,885	139.91

Performance record

Calendar Year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
Accumulation units			
2007	-	190.96	160.16
2008	-	179.10	83.33
2009	0.06	138.59	73.06
2010	-	166.24	124.55
2011	-	171.82	131.93
2012	- *	155.90 +	133.46 +

* to 31 August

+ to 30 June

Total expense ratio

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

	2012	2011
	%	%
Accumulation units	1.50	1.50

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

Ongoing charge figure*

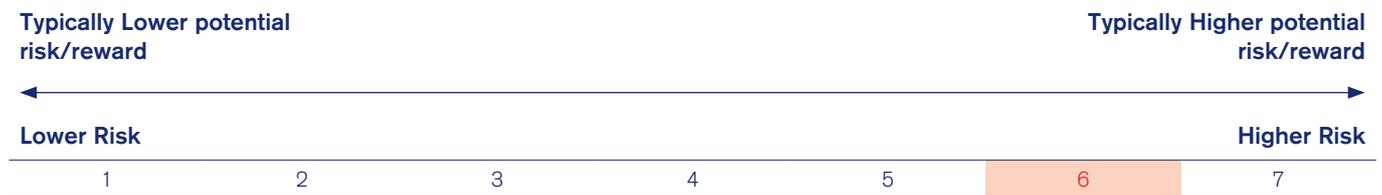
The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2012
	%
Accumulation units	1.50

*The OCF replaces the TER. It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITs. This Fund is a non-UCITS retail fund and we have adopted this disclosure to enable comparison across our fund range.

Risk and reward profile

The Fund currently has 1 unit class in issue; Accumulation. The risk and reward profile of this share class is as follows:



The value of an investment in the Fund can go up or down. When you sell your units they may be worth less than you paid for them.

The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- The Fund invests in a mix of different asset classes.
- Fluctuations in exchange rates may cause the value of your investment to rise or fall.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks.

Since the issue of the KIID there have been no changes to the risk ratings in the period. The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 30 June 2012

Holding	Investment	Market value £000	Percentage of total net assets %
Investment companies			
China 0.23% (2011: 0.82%)			
2,160,908	Vision Opportunity China	165	0.23
Emerging markets 7.49% (2011: 9.25%)			
2,000,000	Advance Frontier Markets	830	1.16
5,750,000	Evolve India	1,906	2.65
3,914,488	Prosperity Voskhod†	2,646	3.68
		<u>5,382</u>	<u>7.49</u>
Europe 5.96% (2011: 12.29%)			
183,902	JP Morgan European Fledgling	1,140	1.59
868,000	Montanaro European Smaller Companies	3,142	4.37
955,000	SR Europe (sub shares) +	-	-
		<u>4,282</u>	<u>5.96</u>
Global growth 4.55% (2011: 5.02%)			
875,000	Edinburgh Worldwide	2,384	3.32
275,000	Monks Investment Trust	881	1.23
		<u>3,265</u>	<u>4.55</u>
Japan 0.89% (2011: 1.20%)			
1,250,000	Prospect Japan	638	0.89
North America 8.71% (2011: 4.32%)			
396,000	North Atlantic Smaller Companies	4,178	5.81
1,000,000	Renn Universal Growth Investment Trust	2,080	2.90
1,200,000	Second London American***	-	-
		<u>6,258</u>	<u>8.71</u>
Private equity 24.32% (2011: 17.67%)			
746,157	3i	1,471	2.05
4,419,000	ARC Capital†	1,578	2.20
1,772,133	Henderson Private Equity Investment Trust*	5,937	8.26
475,000	HG Capital	4,280	5.96
16,312,500	Newmedia Spark†	1,427	1.99
2,250,000	Promethean†	720	1.00
372,313	Quorum Oil & Gas Technology Preference	1,365	1.90
1,528,851	Reconstruction Capital III†	693	0.96
		<u>17,471</u>	<u>24.32</u>
Property 8.53% (2011: 8.18%)			
5,520,000	Aseana Properties	1,461	2.03
1,000,000	Develica Deutschland	8	0.01
746,005	Raven Russia	430	0.60
526,265	Real Estate Opportunities	1	-

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Property (continued)			
600,000	Rutley Russia Property**	157	0.22
2,500,000	Speymill Deutsche Immobilien+	-	-
6,000,000	Terra Capital	3,060	4.26
2,664,286	The Ottoman Fund	1,012	1.41
		<u>6,129</u>	<u>8.53</u>
United Kingdom equities 3.82% (2011: 0.00%)			
1,571,685	Battersea Power Station**	-	-
10,750,000	London Asia Chinese Capital+	310	0.43
5,318,728	Renewable Energy Generation	2,420	3.37
1,450,000	Speymill	15	0.02
		<u>2,745</u>	<u>3.82</u>
United Kingdom general 9.42% (2011: 7.26%)			
205,000	Fidelity Special Values	1,043	1.45
314,217	Finsbury Growth & Income Trust	1,098	1.53
333,627	Hansa 'A'	2,402	3.34
2,000,000	Henderson Financial Opportunities*+	-	-
198,717	Henderson UK Equity Income*	274	0.38
2,500,000	Jupiter Dividend & Growth	87	0.12
2,977,407	Jupiter Second Split Trust	1,005	1.40
300,000	Manchester & London Investment Trust	863	1.20
		<u>6,772</u>	<u>9.42</u>
United Kingdom smaller companies 15.65% (2011: 5.42%)			
587,500	Henderson Smaller Companies Investment Trust*	1,765	2.46
975,000	Montanaro UK Smaller Companies	3,300	4.59
782,230	Oryx International Growth	1,518	2.11
188,500	Rights & Issues	4,665	6.49
		<u>11,248</u>	<u>15.65</u>
Warrants 0.00% (2011: 0.00%)			
1,179,633	Battersea Power Station 29/05/2015**	-	-
Other 13.33% (2011: 27.86%)			
1,674,941	City Natural Resources High Yield	3,618	5.04
575,000	Worldwide Healthcare	4,689	6.53
3,250,000	Geiger Counter	1,267	1.76
		<u>9,574</u>	<u>13.33</u>
Fixed income			
Corporate bonds 1.10% (2011: 2.94%)			
800,000	Alcentra European Floating Rate Income	792	1.10

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Investment assets	74,721	104.00
	Net other liabilities	(2,874)	(4.00)
	Net assets	71,847	100.00

Unless otherwise stated, all investments are listed securities.

† Listed on Alternative Investment Market (AIM).

* A related party

** Unlisted

*** Suspended

+ Delisted

Statement of Manager's responsibilities

The Financial Services Authority's Collective Investment Schemes Sourcebook requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial affairs of the Fund and of its revenue for the period. In preparing the financial statements the Manager is required to:

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

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, Prospectus and the Regulations. The Manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of the Henderson Global Strategic Capital Unit Trust ('the Fund')

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

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL), the Fund's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the Fund; the application of income of the Fund; and the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us as the explanations provided, that in all material aspects the Fund, acting through the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the COLL and the Trust Deed and Prospectus, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Fund.

National Westminster Bank Plc
London
30 August 2012

Independent Auditor's report to the unitholders of Henderson Global Strategic Capital Unit Trust ('the Fund')

We have audited the financial statements of the Fund for the year ended 30 June 2012 set out on pages 12 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Services Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Manager (Henderson Investment Funds Limited) and Auditor

As explained more fully in the Statement of Manager's Responsibilities set out on page 10 the Manager is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Fund as at 30 June 2012 and of the net expense and the net capital losses on the property of the Fund for the year then ended;
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the COLL Rules.

Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Manager's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of our audit.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

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

Gareth Horner for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh
30 August 2012

Statement of total return for the year ended 30 June 2012

		2012		2011	
	Notes	£000	£000	£000	£000
Income					
Net capital (losses)/gains	4		(7,105)		10,354
Revenue	6	724		478	
Expenses	7	(748)		(802)	
Finance costs: Interest	9	(13)		(18)	
Net expense before taxation		(37)		(342)	
Taxation	8	-		-	
Net expense after taxation			(37)		(342)
Total return before distributions			(7,142)		10,012
Finance costs: Distributions	9		-		-
Change in unitholders' funds from investment activities			(7,142)		10,012

Statement of change in unitholders' funds for the year ended 30 June 2012

		2012		2011	
		£000	£000	£000	£000
Opening net assets					
			51,855		52,940
Amounts receivable on issue of units		197		356	
Amounts receivable on mergers *		34,370		-	
Amounts payable on cancellation of units		(7,429)		(11,446)	
			27,138		(11,090)
Stamp duty reserve tax			(4)		(7)
Change in unitholders' funds from investment activities			(7,142)		10,012
Closing net assets			71,847		51,855

* Relating to the merger of the Henderson UK Strategic Capital Unit Trust on 4 May 2012

Balance sheet as at 30 June 2012

		2012		2011	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			74,721		53,009
Debtors	10	435		306	
Cash and bank balances	11	-		405	
Total other assets			435		711
Total assets			<u>75,156</u>		<u>53,720</u>
Liabilities					
Creditors	12	204		196	
Bank overdrafts		3,105		1,669	
Total other liabilities			3,309		1,865
Total liabilities			3,309		1,865
Net assets			<u>71,847</u>		<u>51,855</u>
Unitholders' funds			<u>71,847</u>		<u>51,855</u>

Certification of financial statements by Directors of the Manager

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



Andrew Formica
(Chief Executive)



David Jacob
(Chief Investment Officer)

30 August 2012

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010.

(b) Basis of valuation of investments

The valuation of listed investments has been based on the bid prices, excluding any accrued interest in the case of fixed interest securities, at close of business on the last valuation day of the accounting period in accordance with the provisions of the scheme particulars.

Unlisted or suspended securities are valued by the Manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

(c) Exchange rates

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

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

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

(d) Revenue recognition

Dividends receivable from quoted equity and non equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Overseas dividends are grossed up at the appropriate rate of withholding tax and the tax consequences are shown within the tax charge.

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

Bank interest, interest on margin and revenue earned on other securities are recognised on an accruals basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the Fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission received is deducted from the cost of the relevant shares.

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

(e) Treatment of stock and special dividends

The ordinary elements of stocks received in lieu of a cash dividend are recognised as revenue. Any enhancement above the cash dividend is treated as capital gains on investments.

Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(f) Treatment of zero dividend preference shares

Returns on zero dividend preference shares are recognised as capital gains on investments.

(g) Treatment of expenses (including Manager's expenses)

All expenses (other than those relating to the purchase and sales of investments and stamp duty reserve tax arising on sales and repurchase of units in the Fund) are charged against revenue on an accruals basis. The distribution currently payable reflects this treatment together with any associated tax effect.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

(g) Treatment of expenses (including Manager's expenses) (continued)

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

General administrative charge

All fees with the exception of the Annual Management Charge, Trustee and Safe Custody fees were replaced by a single ad valorem charge, the General Administrative Charge (GAC) which was introduced in January 2010. The Manager believes that the GAC will create more efficiency and transparency around the charging process than more traditional methods.

For further details please refer to the prospectus.

(h) Taxation

Provision is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. 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.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

(i) Cash flow statement

After analysis of the Fund, there is no requirement to produce a cash flow statement.

2 Distribution policy

The distribution policy of the Fund is to distribute/accumulate all available revenue, after deduction of expenses properly chargeable against revenue.

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

The policy of the Fund is to make accumulation distributions to unit holders on 31 August each year.

Where revenue from investments exceeds the expenses, an accumulation distribution will be made. Should expenses exceed revenue there will be no accumulation distribution and the shortfall will be transferred from capital.

3 Risk

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

(a) Market risk

Market risk is the risk that the value of the Fund's investments or the benefits arising thereon will fluctuate as a result of changes in market prices. Market risks comprise three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

Notes to the financial statements (continued)

3 Risk (continued)

(a) Market risk (continued)

Where a proportion of the net assets of the Fund are denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. The foreign currency profile for the Fund is shown in note 16 to the financial statements.

Interest rate risk

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

Other price risk

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

Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

(b) Liquidity risk

The primary source of this risk to the Fund is the liability to unitholders for any cancellation of units. This risk is minimised by holding cash, readily realisable securities and access to overdraft facilities.

All of the Fund's financial assets are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded. In general, the Fund Manager manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

(c) Credit and counterparty risk

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

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

The Fund's assets held with banks and with the trustee are also exposed to credit risk. Assets held with the trustee are ring fenced. The banks used by the Fund and the Manager are subject to regular reviews.

Notes to the financial statements (continued)

4 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

	2012	2011
	£000	£000
Non-derivative securities	(7,109)	10,364
Other currency gains/(losses)	6	(8)
Transaction costs	(2)	(2)
Net capital (losses)/gains	(7,105)	10,354

5 Portfolio transaction costs

	2012	2011
	£000	£000
Purchases in year before transaction costs	39,044	1,876
Commissions	4	-
Taxes	12	-
Total purchase transaction costs*	16	-
Purchases including transaction costs	39,060	1,876

Sales in year before transaction costs	10,241	12,937
Commissions	(8)	(9)
Total sale transaction costs*	(8)	(9)
Sales net of transaction costs	10,233	12,928

Transaction handling charges*	2	2
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* These amounts have been deducted in determining net capital (losses)/gains.

6 Revenue

	2012	2011
	£000	£000
Interest on debt securities	-	61
Overseas dividends	250	133
UK dividends	474	284
Total revenue	724	478

Notes to the financial statements (continued)

7 Expenses

	2012	2011
	£000	£000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	622	676
General administration charge*	119	120
	<u>741</u>	<u>796</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fees	5	4
Safe custody fees	2	2
	<u>7</u>	<u>6</u>
Total expenses	<u>748</u>	<u>802</u>

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee is £5,900 (2011: £5,900). The audit fee levied through the GAC charge is £5,900 (2011: £5,900).

8 Taxation

(a) Analysis of charge in the year

There is no tax charge for year.

(b) Factors affecting current tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for an authorised unit trust of 20% (2011: 20%). The differences are explained below.

	2012	2011
	£000	£000
Net revenue before taxation	<u>(37)</u>	<u>(342)</u>
Corporation tax at 20% (2011: 20%)	(7)	(68)
Effects of:		
Non-taxable overseas dividends **	(50)	(27)
UK dividends*	(95)	(57)
Unused management expenses	152	152
Current tax charge for the year (note 8a)	<u>-</u>	<u>-</u>

* As an authorised unit trust this item is not subject to corporation tax.

** Overseas dividends have not been subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009. Unit trusts are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

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

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £1,117,000 (2011: £965,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

9 Finance costs

Distributions and interest

	2012	2011
	£000	£000
Finance costs: Distributions	-	-
Finance costs: Interest	(13)	(18)
	<u>(13)</u>	<u>(18)</u>

There has been no accumulation distribution year on year.

Net expense after taxation	(37)	(342)
Revenue shortfall	37	342
Finance costs: Distributions	<u>-</u>	<u>-</u>

10 Debtors

	2012	2011
	£000	£000
Accrued revenue	423	69
Amounts receivable for issue of units	-	2
Income tax recoverable	12	12
Sales awaiting settlement	-	223
Total debtors	<u>435</u>	<u>306</u>

11 Cash and bank balances

	2012	2011
	£000	£000
Cash and bank balances	-	405
Total cash and bank balances	<u>-</u>	<u>405</u>

12 Creditors

	2012	2011
	£000	£000
Accrued Manager's periodic charge	73	53
Accrued Trustee's fee	1	1
Accrued other expenses	18	13
Amounts payable for cancellation of units	112	129
Total creditors	<u>204</u>	<u>196</u>

Notes to the financial statements (continued)

13 Contingent liabilities and commitments

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

14 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the Manager and the Trustee are deemed to be related parties. All transactions and balances associated with the Manager and the Trustee are disclosed within the 'Statement of total return', 'Statement of change in unitholders' funds and the 'Balance sheet' on pages 12 and 13 and notes 7, 10 and 12 on pages 18 and 19 including all creations and cancellations where the Manager acted as principal.

Henderson Investment Funds Limited, as Manager to the Fund is a related party. The ultimate controlling party of Henderson Investment Funds Limited is Henderson Group plc. Aggregate value of purchases and sales transactions in, and revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £5,284,000 (2011: £15,000).

Natwest, as Trustee is a related party. Aggregate value of purchase and sales transactions in and revenue receivable from Natwest for the year amounts to £nil (2011: £nil).

The aggregated value of investments held with Henderson Group plc and related entities at 30 June 2012 are £7,977,000 (2011: £4,155,000). Aggregated value of investments held with Natwest and related entities at 30 June 2012 are £nil (2011: £nil).

A material unitholder, is a related party due to the extent that they are in a position to control the Fund. Material unitholders as at year end; Cofunds Nominees Limited, with a 9.47% (2011: 12.86%) unit holding and FIL (Luxembourg) SA, with a 9.11% (2011: 10.53%) unit holding. Material transactions throughout the year such as creations and cancellations for these unitholders are included within the Statement of change in unitholders' funds.

15 Unitholder funds

The Fund currently has 1 unit class available; Accumulation units. The annual management charge on this unit class is as follows:

Accumulation units 1.25%

The net asset value, the net asset value per unit and the number of units in issue are given in the comparative table on page 4.

The Fund launched a new unit class on 1 August 2012; I Accumulation. The annual management charge in this unit class is as follows:

I Accumulation units 0.625%

Notes to the financial statements (continued)

16 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 3 of the financial statements on pages 15-16.

Net currency monetary assets and liabilities consist of:

	Investment assets	Net other assets /(liabilities)	Total
	£000	£000	£000
Currency 2012			
Euro	701	-	701
UK sterling	61,045	(2,874)	58,171
US dollar	12,975	-	12,975
Total	74,721	(2,874)	71,847
Currency 2011			
Euro	1,095	-	1,095
UK sterling	40,749	(1,559)	39,190
US dollar	11,165	405	11,570
Total	53,009	(1,154)	51,855

Interest rate risk profile of financial assets and financial liabilities

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Unitholder enquiries

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

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

The following lines are also available:

Investor Services: 0800 832 832

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

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



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