Henderson Opportunities Trust plc

Report and Financial Statements for the year ended 31 October

2013

Chairman's Comment

It has been an outstanding year with the NAV total return rising 47.1% while the FTSE All-Share index, our benchmark, returned 22.8%. The consistently excellent performance over six months, one, three and five years has been recognised in a substantial reduction in the discount, resulting in a 68.4% increase in the share price.

I am pleased to report that the strong performance has continued into the new financial year.

Henderson Opportunities Trust plc

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 by Colin Hughes.

Benchmark

The FTSE All-Share Index

*Front cover image: Lewis Chessmen (AD1150 – 1200)

Financial Highlights

	Year ended 31 October 2013	Year ended 31 October 2012	Change %
Net asset value per ordinary share*	**884.3p**	608.8p	+45.3
Ordinary share price	**805.0p**	477.9p	+68.4
Subscription share price	**1.3p**	2.6p	-50.0
Discount*	**9.0%**	21.5%	
Return per ordinary share	**284.80p**	113.71p	N/A
Revenue return per ordinary share	**12.53p**	10.92p	+14.7
Dividends per ordinary share in respect of the year#	**10.5p**	9.0p	+16.7
Gearing*	**14.5%**	16.2%	N/A

*A glossary of the terms used can be found on page 58.

#2013 total dividend is subject to approval of the final dividend at the AGM.

Performance

to 31 October 2013

	6 months %	1 year %	3 years %	5 years %
Net asset value per share total return	21.2	47.1	72.8	212.3
FTSE All-Share Index total return	7.7	22.8	35.6	96.7
Ordinary share price total return	38.8	71.0	97.3	286.2

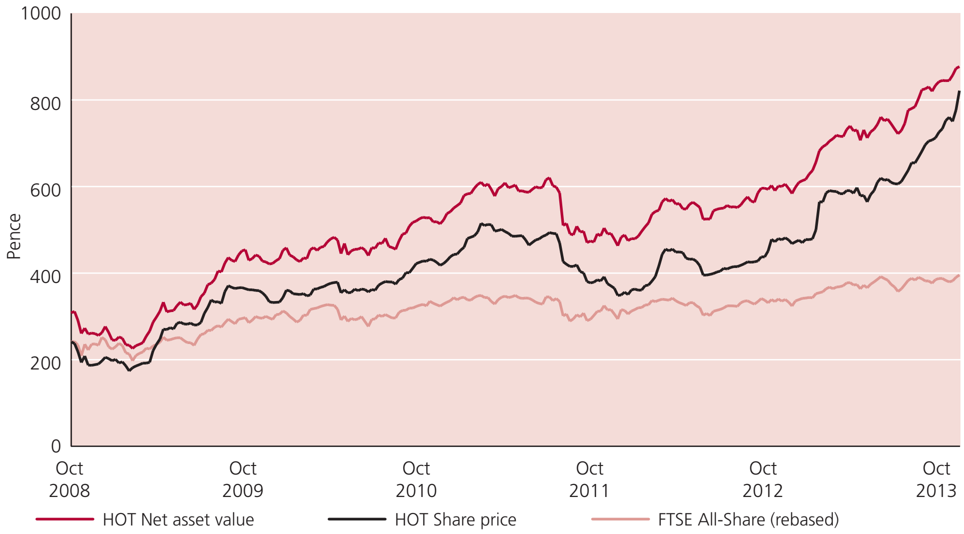
Total return assumes net dividends are reinvested and excludes transaction costs.

Source: Morningstar for the AIC, using cum income NAV.

Historical Performance

(Capital only)

5 years to 31 October 2013



Source: Henderson Global Investors Limited and Datastream.

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Financial Calendar

Financial period end	31 October 2013
Annual General Meeting	29 April 2014
Final dividend 2013	2 May 2014
Ex dividend	26 March 2014
Record date	28 March 2014
Interim dividend 2014	26 September 2014
Final dividend 2014	28 March 2015

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services). Mandate forms for this purpose are available on request from the Company's Registrars.

Directors

George Burnett (Chairman) retired as Chief Executive of Ashtead Group plc in 2006. Until 2008 he was Chairman of the Governors of the University for the Creative Arts. He joined the Board of the English Concert in March 2013. He is a Chartered Accountant (CA). He joined the Board in 1995 and became Chairman in 2004.

Chris Hills was appointed to the Board in 2010. He is Chief Investment Officer of Investec Wealth and Investment, a position he has held (originally with Carr Sheppards) for seventeen years. He was formerly a director of Baring Fund Management. He is a non-executive director of Invesco Income Growth Trust plc.

Peter Jones was appointed to the Board on 12 December 2011. He was Chief Executive of Associated Ports for six years up to March 2013, and has served as the Chairman of the Port of Milford Haven since August 2013. He is also a non-executive director of SKIL Ports & Logistics Ltd.

Malcolm King (known as Max) was appointed to the Board in 2005. He has over 25 years' experience in fund management, including investment in UK smaller companies. He works at Investec Asset Management Limited as a fund manager and is a Chartered Accountant (ACA).

Peter May was appointed to the Board in 2004 and as Chairman of the Audit Committee in 2006. He is a Chartered Accountant (ACA). His background is in corporate finance, including 17 years spent at Charterhouse and 9 years at MacArthur.

All Directors are non-executive. All are members of the Audit Committee, chaired by Peter May, and the Management Engagement Committee and Nominations Committee, both chaired by George Burnett.

Further information on the Directors can be found on page 21.

Management Team

James Henderson became Portfolio Manager in 2007. He joined Henderson 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 plc since 2003. He also manages the Henderson UK Equity Income Fund.

Colin Hughes has been involved in the management of the Company's portfolio since 2002. Since January 2007 he has assisted James Henderson with the management of the small company investments. He joined Henderson in 1998 to manage UK smaller companies portfolios, prior to which he was with London Life and AMP Asset Management.

Rachel Peat ACIS is the authorised representative of Henderson Secretarial Services Limited, the Corporate Company Secretary.

Strategic Report
Chairman's Statement

Review of Performance

It has been an outstanding year with the Net Asset Value (NAV) total return (i.e. including income) rising 47.1%, while the FTSE All-Share, our benchmark, returned 22.8%. On page 10 we show the major stock contributors and detractors and how the twenty largest stocks performed. The Portfolio Managers' estimate of the overall performance attribution is shown in the table below.

	Year ended 31 October 2013 %
Net asset value per share total return	47.1
Less: Benchmark total return	22.8
Relative performance	**24.3**
Accounted for by:	
Stock selection	22.4
Gearing	2.9
Share buy-backs	–
Expenses	-1.0
	24.3

Source: Henderson Global Investors Limited

As the table demonstrates, maintaining our gearing level in a range of 10-15% has enhanced the total return.

While there has been a general rerating of investment trusts over the period as investor confidence has slowly returned, the significant narrowing from 21.5% to 9.0% in the discount to net asset value at which your Company's shares have been traded is also a recognition of its continued outperformance against its benchmark. The combined result was an increase in the share price of 68.4% in the year to 31 October 2013. In a recently published table, of all Investment Trusts in the country focusing on the UK market, Henderson Opportunities Trust was the best performing. I would draw your attention also to the Financial Highlights table on page 1 which demonstrates the Trust's consistently excellent performance over six months, one, three and five years.

Buyback of Shares

We have largely eschewed in recent times the buy back of the Company's share and so there were no buybacks in the period. While we will seek the right to do so as usual at the forthcoming Annual General Meeting in order to maintain maximum flexibility to act in shareholders' best interests, the Board believes it is a continuation of the levels of performance achieved over the last five years which will be the best means of attaining a low discount or indeed a premium.

Earnings and Dividends

The revenue return for the year was 12.53p, which compares with 10.92p last year. The final dividend, subject to shareholder approval, will be 7.2p making 10.5p for the year (9.0p last year), an increase of 16.7%. Many of the holdings in the portfolio are growing their dividends as they become more confident about their operating performance. Dividend cover is at historically high levels, cash generation is strong and corporate debt is low. Therefore although the dividend yield of the Company is relatively low, the dividends should continue to grow in a strong sustainable manner.

Expenses

The Ongoing Charge (previously Total Expense Ratio) for 2013 was 1.00% of the daily average net assets over the year compared with 1.12% in 2012.

Continuation Vote

The triennial continuation vote for the Company will be put to the Annual General Meeting on 29 April 2014. From the last continuation vote on 17 March 2011 to 25 February 2014, the Company's NAV has risen by 66.1%* and its share price by 88.1%*, compared with a 37.3%* rise in the FTSE All-Share Index. Your Directors believe that our investment strategy will continue to provide worthwhile returns.

Going Concern

The assets of the Company consist almost entirely of listed investments. Although in practice it might not be possible to realise the entire portfolio quickly at fair value the Company has adequate financial resources to maintain operations in future. Accordingly, we have prepared the financial statements on a going concern basis.

*Source: Datastream

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Chairman's Statement
continued

Change in Accounting Policy

Since the year end the Board has agreed a change to the Company's accounting policy and, with effect from 1 November 2013, all investment management fees and finance costs will be charged 70% to the capital return and 30% to the revenue return, based on the Board's expected long-term split of total returns. Any performance fee will be charged wholly to capital.

Subscription Shares

The Board would like to remind subscription shareholders that this year is the final conversion opportunity.
In summary, subscription shareholders can exercise their right to convert at a price of 936p in the 30 days prior to the Annual General Meeting on 29 April 2014. Full details have been sent to subscription shareholders with the Report and Financial Statements and can also be found on the Company's website.

AGM

Our Annual General Meeting will be held at 2.30 pm on 29 April 2014 at the registered office, 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting is set out in the separate circular to shareholders that accompanies the Report and Financial Statements and the Directors recommend that the shareholders support all the resolutions. The Directors will vote their own shareholdings in favour of all the resolutions to be put at the AGM. In addition to the formal business, James Henderson and Colin Hughes will give a presentation following which afternoon tea will be served.

Regulatory

The Board has noted that the Alternative Investment Fund Managers Directive has been written into UK legislation with effect from 22 July 2013. There is a transition period within which the Company must comply with the provisions of this Directive, which include either acting as an Alternative Investment Fund Manager (AIFM) or appointing an external party to be the AIFM and appointing a depositary, by 22 July 2014. The Board has agreed in principle that its Manager will be appointed as AIFM and will take the necessary actions to ensure that all documentation and processes to enable the Company to comply with these regulations are in place within the transition period.

Investment Strategy

The objective is to find and hold stocks that are good business franchises with attractive valuations and sound prospects capable of delivering substantial growth over time. These companies will be found across the market capitalisation range but there will usually be a focus on smaller companies when there is the largest of potential in this area. Whatever their size, we look for companies with strong growth prospects and diverse customer bases.

Gearing

As has been previously noted, gearing has been held in the 10 to 15% range throughout the year, ending at 14.5% on 31 October 2013. While interest rates remain at historically low levels and stock valuations, though higher than before, remain at reasonable levels, the intention is to maintain a sensible level of short term borrowings relative to the potential levels of capital growth.

Outlook

I am pleased to report that the strong outperformance against our benchmark has continued into the new financial year. From 1 November 2013 to 25 February 2014, against an increase in the FTSE All-Share Index of 3.2%*, your Company's NAV total return increased by 8.9%* and its share price by 15.7%*. This has led to the virtual elimination of the discount.

The recent behaviour of the FTSE All-Share Index at a time when the forecasted growth of the UK economy is being increased is a reminder that there is still volatility in the markets. At the same time, it offers an opportunity to invest further in a range of good quality companies of differing size at attractive prices, a policy that has stood us in good stead over the last five years.

George Burnett, Chairman
27 February 2014

*Source: Datastream

Strategic Report
Portfolio Managers' Review

The Economy

The overall economic backdrop has gradually improved over the course of the year but this has only become really apparent in the latter half. The UK has improved, particularly in the housing market and private sector job creation. Indeed the UK is now the fastest growing major developed economy.

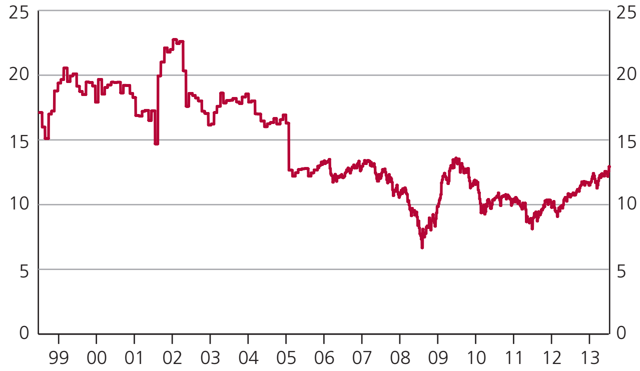
Real earnings in the UK, which have been falling since 2008, may be on the turn, and should help to sustain the recovery in consumer confidence. The UK has also, according to the Confederation for British Industry, seen manufacturing output climb to an eighteen year high while export orders, driven by the motor manufacturers, were at a 22 month high. UK inflation appears under control at close to 2% and growth in GDP for 2014 is forecast to accelerate to more than 2%. Interest rates will rise when unemployment falls further but this should be seen as part of the UK economy returning to a more normal monetary policy.

Market Review

Share prices made good headway with the FTSE100 index rising by 22% from mid November 2012, which represented the low point in the year under review, to a peak on 22 May 2013. This peak coincided with the first bout of market nerves around the reduction, or tapering as it has become known, of liquidity pumped into the financial system by the Central Banks, in particular the US Federal Reserve. This can be seen as the start of a sustained process of tapering and, thereafter, monetary tightening. In the meantime the early tentative signs of growth became progressively easier to see as the year wore on and investor confidence grew. This growing confidence has been reflected in the second half of the year by, for instance, the FTSE AIM index rising by 18% from the lows of June to the end of October while the FTSE100 has struggled to break through the May highs. This growing investor appetite for risk has also seen an increase in the number of IPOs (Initial Public Offerings), the most high profile case being that of Royal Mail. So whilst the stock market had a good year it remains attractively valued against historical levels as can be seen in the following chart.

Valuation Over Time

The chart below illustrates the view that, overall, equity valuations are still moderate by historical standards.



Source: Datastream, FTSE All-Share Index (using 12 month forward earnings)

Fund Performance

The Company has had another good year with the Net Asset Value (NAV) returning 47.1% and the share price rising by 71.0%, on a total return basis. By comparison our benchmark index, the FTSE All Share Index returned 22.8%. These returns are all stated inclusive of income. Last year we stated that if in the year ahead we produced further outperformance against our benchmark then we would eradicate the underperformance suffered in 2008 and show a positive five year return relative to the benchmark. We are pleased to say that this has been achieved. For the five years from 31 October 2008 the NAV has risen by 212.3% and the share price by 286.2% while the FTSE All-Share Index rose by 96.7%. If we measure the returns from the bottom of the market during the credit crisis, then the NAV has risen by 307.5%, the benchmark by 137.5% and the share price by 401.8% since 3 March 2009.

Investment Approach

As long term investors, we spend a considerable amount of time researching and meeting companies in whom we may or may not invest on your behalf. This long term approach is reflected in a holding period of typically between three to five years; however, we do remain alive to shorter term opportunities. These are more likely to arise when stock market investors' confidence levels are high. Our typical holding period not only reflects our approach but also an appreciation that the cycle for any

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Portfolio Managers' Review

continued

business to grow and mature is not easily reconciled with the volatility of a stock market which can be subject to fads and fashions.

The portfolio is a mixture of large, medium and small companies. We employ a number of valuation techniques but are not slavishly reliant upon any one methodology in arriving at our portfolio selections. We enjoy building relationships with the senior executive teams of our portfolio companies and will often meet with them several times a year. This may involve one or more site visits. Over the course of the last three years, your fund managers have had in excess of 1,250 face-to-face meetings and company visits.

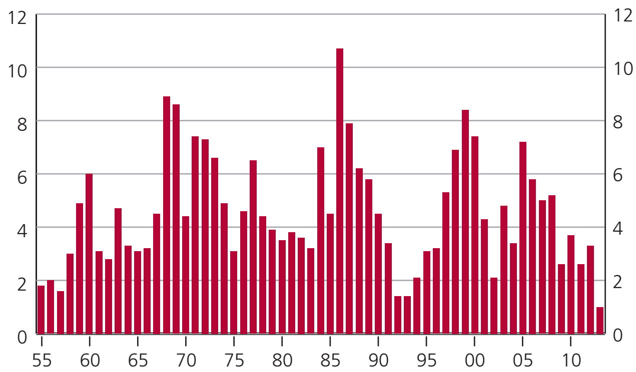
At the end of the financial year the number of holdings had increased to 86 from 77 last year and 82 the year before. For the current market conditions, this is our natural 'fighting' weight giving enough diversity on the one hand but on the other enough weight to the winners to make a difference. Over the last few years we have gently moved up the market capitalisation scale and at the year end 41.7% by value was held in FTSE100 and FTSE250 index stocks as against 31.9% two years ago. As a consequence, 32.8% of the portfolio is held in companies with market capitalisations over £1 billion. So whilst we have maintained the bulk of the portfolio in under researched areas of the stock market where we can add most value, we have ensured that our gearing level (10-15% range over the last year) is easily covered by the most liquid part of the portfolio. This provides your managers with the flexibility to react promptly to changing market conditions.

Portfolio Activity

During the year we have been active in 58 companies selling out completely in 11 cases and starting new investments in 18. This included 5 IPOs only 2 of which we continue to hold at the year end. Our top ten holdings last year represented 26.2% of the portfolio and there had been virtually no change in that level by the end of this year. The portfolio has maintained a strong bias towards industrial and technology stocks but we have raised our exposure to FTSE100 listed international mining and oil and gas names following their significant underperformance over the last two years. There have been five new entrants to the top ten positions this year but they have all been in the portfolio for some time which reflects our patient approach to running winners.

Among our disposals, **Zetar** is a chocolate confectionary and snacks producer in which we had been invested for a number of years. A persistently low valuation had limited the company's ability to grow by acquisition. It was acquired early in the financial year by a private German group in a recommended cash takeover. This was a surprisingly quiet year for mergers and acquisitions given strong company balance sheets and the improving economic outlook. The following chart, extracted from the Numis Smaller Companies Index annual review for 2014 shows just how little activity there was compared to the last 50 years.

Value of Numis Smaller Companies and AIM Companies acquired (% of index value)



Source: Numis Securities Limited, Professors Marsh and Dimson

We also sold out of **Interserve**, the FTSE250 index support services and construction group, where we believed that the bulk of the improved business profile was reflected in the share price. The shares have continued to perform since we sold; we should have been more patient. Later in the year we sold another long standing holding, **Easyjet**. We first acquired shares in this company around the time of the appointment of Carolyn McCall as the new Chief Executive and again we believe that the bulk of the transformation of the business into a much admired FTSE100 company is complete. We also sold out of **Avanti Communications**,

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Portfolio Managers' Review
continued

the satellite broadband service provider, where the continual slippage in the ramp up of revenues caused concern and placed extra strains on the company's finances. In addition to these outright sales we have prudently maintained risk controls by selling down a portion of our holding in **Retroscreen Virology**, the biomedical services company, which started and closed the year as our largest holding. We realised well over one million pounds in profits to be recycled into new ideas. **Retroscreen** was an IPO from 2012 as was **WANdisco**, a small UK software tools developer, to whose prospects the market has warmed. Again, we have crystallised some of our initial investment whilst retaining a core holding.

A striking feature of this year has been the increase in the number of IPOs. New issues have been thin on the ground in recent years but the latter part of our 2013 year has seen many more. The most high profile issue, **Royal Mail**, was either a roaring success or a debacle depending upon your point of view. For our part we bought, and sold, at levels that added value for our shareholders as we also did with **Foxton's**, the London based estate agency. We have retained two IPO's from the year; **Conviviality Retail**, a convenience store retailer, and **Keyword Studios**, a video gaming language services provider. We believe both businesses have considerable scope for growth over the coming years.

Our most significant purchase in the year was **BHP Billiton**, the international resources group with major operations in iron ore, coal and aluminium. We started investing in the latter half of our year as we believe that the major cultural changes underway focusing on capital discipline and positive returns have laid the foundations for a return to sustained profitable growth without the risk of break-neck expansion. This has only been possible as the various executives among the leading resource businesses have been replaced over the last twenty four months. We have also begun to invest in **Rio Tinto** for similar reasons. Another out of favour investor area has been oil and gas; not just the small high risk explorers but also the majors. We have mentioned **BP** in the past and we know it remains troubled by the aftermath of the Macondo disaster but things are changing. Similarly, **Royal Dutch Shell** has also been shunned by investors and we have started a position here as well. It is unlikely we will ever own an 'index' weight in stocks such as these unless we believe there is an opportunity to add significant value. Other new investments included **Advanced Computer Software**, the business and healthcare IT solutions provider, run by the energetic Vin Murria, where we supported a share placing to make an accretive acquisition, and **Monitise**, which provides the backbone technology for mobile applications in the international banking market with customers such as Royal Bank of Scotland and Visa. We also invested in **Entertainment One**, a leading international film, television and children's character licensing and distribution business which has gained critical scale following the acquisition last year of Alliance Films. At the smaller end of the market capitalisation scale we bought into **1spatial**, who are tackling the task of providing tools for organisations such as Ordnance Survey GB and the US Census Bureau to manipulate and add value to the vast amounts of data they collect and use.

Portfolio Attribution Analysis

The table on page 10 shows the top five and bottom five contributors to the Company's absolute performance in growth in the NAV and their contribution relative to our benchmark.

Among the stocks which had a positive impact, **Retroscreen Virology** not only continued to deliver revenue ahead of expectations but also managed to double its operational footprint without losing focus. Additional funds for expansion have been raised from existing and new shareholders and it is now well placed to exploit future market opportunities. **ITV** has enjoyed a strong year operationally as the twin benefits of cost discipline and an improving advertising market have produced both rising profits and cash-flow. **Ashtead**, the plant hire business with 90% of the business focused on the US market, has continued to see both market share gains and cyclical recovery so producing a series of earnings upgrades. **Senior**, the aerospace components manufacturer, has put in a solid performance as the run

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Portfolio Managers' Review

continued

rate of production at Boeing and Airbus continues to grow. **WANdisco**, is a small UK software company that is providing tools for distributed software development and the high availability requirements of enterprises seeking to meet the challenges of today's "big data" environment.

Not everything has worked as well as these. **SDL**, a leader in language translation software and services, had a poor year as revenue growth failed to materialise and margins fell while belated investment into the structure of the business was made. We remain optimistic that management changes and renewed focus will start to produce better results soon. **Kenmare Resources**, the heavy mineral sands miner with a world class deposit in Mozambique, suffered operational shortfalls in production into a weak pricing environment. This led to additional equity being raised so that the company could achieve its production potential and take advantage of the better pricing environment which should progressively emerge in 2014. **Anglo American**, the South African based miner has been beset by many problems common to other global miners including a change of executive leadership, strikes and material write-downs of project values. Nevertheless the right decisions are being made and we have modestly raised our position. **IQE**, a global leader in compound semiconductors, had a difficult year as the predicted growth rates in high end smartphones declined before any of its future development projects matured sufficiently to take up the slack. **Faroe Petroleum**, the UK and Norwegian North Sea oil explorer, had a poor year with the drill bit and found no new material oil fields. It also had to revise down its production outlook. In a sector already out of favour with investors, this hurt the share price but the company remains self-funded and the 2014 exploration programme remains significant for a company of its size.

Outlook

Interest rates will rise in due course and the pace of the economy's growth may not accelerate further over the next couple of years but UK companies in aggregate have low levels of debt. They are in good shape to weather moderate economic storms. We are focused on excellent, strong companies that we believe will grow in most economic conditions through providing competitive products and services. With valuations still appealing and company profits set to grow, we remain optimistic about the future.

James Henderson and Colin Hughes
27 February 2014

Analysis by market index (by value)

	FTSE All-Share Index 31 October 2013 %	Portfolio 31 October 2013 %	Portfolio 31 October 2012 %
FTSE 100 Index	**83.1**	**18.5**	13.4
FTSE 250 Index	**14.3**	**23.2**	29.2
FTSE SmallCap Index	**2.6**	**19.9**	17.9
FTSE All-Share Index	**100.0**	**61.6**	60.5
FTSE Fledgling Index	**–**	**1.1**	1.1
FTSE AIM All-Share Index	**–**	**33.0**	29.7
other Official List	**–**	**2.5**	5.6
other AIM	**–**	**1.8**	3.1
	100.0	**100.0**	100.0

Source: Henderson Global Investors Limited

Analysis by market capitalisation at 31 October 2013

	FTSE All-Share Index 2013 %	Portfolio 31 October 2013 %	Portfolio 31 October 2012 %
Greater than £2bn	**91.2**	**21.5**	15.7
£1bn – £2bn	**4.8**	**11.3**	9.3
£500m – £1bn	**2.7**	**10.0**	10.9
£200m – £500m	**1.0**	**30.0**	20.8
£100m – £200m	**0.2**	**16.0**	19.8
£50m – £100m	**0.1**	**7.6**	17.1
Less than £50m	**–**	**3.6**	6.4
	100.0	**100.0**	100.0

Source: Henderson Global Investors Limited

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Portfolio Managers' Review

continued

Twenty Largest Holdings at 31 October 2013

Rank (2013)	Rank (2012)	Company	Valuation 2012 £'000	Purchases £'000	Sales £'000	Appreciation £'000	**Valuation 2013 £'000**
1	1	Retroscreen Virology	1,989	–	(1,843)	2,684	**2,830**
2	13	ITV	1,082	–	–	1,304	**2,386**
3	4	XP Power	1,467	–	–	888	**2,355**
4	3	Hyder Consulting	1,629	–	–	621	**2,250**
5	2	Senior	1,849	–	(547)	932	**2,234**
6	–	Ricardo	910	357	–	748	**2,015**
7	17	Vertu Motors	1,053	249	(120)	667	**1,849**
8	5	Ashtead	1,399	–	(581)	983	**1,801**
9	9	HSBC	1,218	369	–	118	**1,705**
10	16	St Modwen Properties	1,057	–	(160)	776	**1,673**
11	6	e2v technologies	1,346	–	–	321	**1,667**
12	11	Velocys	1,170	–	(180)	630	**1,620**
13	19	Jupiter Fund Management	1,047	–	–	548	**1,595**
14	–	Tribal	662	211	–	721	**1,594**
15	20	Johnson Service	1,028	–	–	532	**1,560**
16	14	Latchways	1,080	100	–	307	**1,487**
17	–	BHP Billiton	–	1,398	–	50	**1,448**
18	–	Clinigen	576	–	–	851	**1,427**
19	15	RWS	1,074	–	–	348	**1,422**
20	10	Majestic Wine	1,185	–	–	175	**1,360**
			22,821	2,684	(3,431)	14,204	**36,278**

At 31 October 2013 these investments totalled £36,278,000 or 45.1% of the portfolio.

Attribution Analysis

The table below shows the top five active contributors to and the bottom five detractors from the Company's performance.

Top five contributors	Share price return %	Absolute contribution %	Contribution relative to benchmark %
Retroscreen Virology	+171.7	+5.0	+4.5
ITV	+132.5	+2.5	+2.2
Ashtead	+78.6	+1.9	+1.6
Senior	+56.5	+1.8	+1.3
WANdisco	+212.1	+1.7	+1.6

Top five detractors	Share price return %	Absolute contribution %	Contribution relative to benchmark %
SDL	-50.6	-1.1	-1.4
Kenmare Resources	-55.8	-0.7	-0.8
Anglo American	-19.3	-0.5	-0.7
IQE	-21.1	-0.4	-0.6
Faroe Petroleum	-18.8	-0.4	-0.6

Source: Henderson Global Investors Limited

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Investment Portfolio by Sector

at 31 October 2013

		Total 31 October 2013 %	Total 31 October 2012 %
Oil & Gas	Oil & Gas Producers	**5.3**	4.8
	Oil & Gas Equipment Services	**2.0**	–
		7.3	4.8
Basic Materials	Chemicals	**1.4**	3.6
	Mining	**5.3**	4.9
		6.7	8.5
Industrials	Aerospace & Defence	**3.9**	4.4
	Construction & Materials	**–**	–
	Electronic & Electrical Equipment	**6.1**	6.8
	General Industrials	**–**	–
	Industrial Engineering	**4.2**	2.9
	Industrial Transportation	**–**	–
	Support Services	**17.6**	18.1
		31.8	32.2
Consumer Goods	Food Producers	**0.5**	2.8
	Household Goods & Home Construction	**2.0**	2.7
	Personal Goods	**0.4**	–
		2.9	5.5
Health Care	Health Care Equipment & Services	**0.9**	0.9
	Pharmaceuticals & Biotechnology	**6.6**	5.0
		7.5	5.9
Consumer Services	General Retailers	**2.3**	1.0
	Food & Drug Retailers	**2.5**	4.2
	Media	**10.5**	9.6
	Travel & Leisure	**2.1**	1.8
		17.4	16.6
Telecommunications	Mobile Telecommunications	**1.1**	0.8
		1.1	0.8
Financials	Banks	**3.2**	2.2
	Financial Services	**5.4**	4.7
	Life Insurance	**1.4**	1.5
	Nonlife Insurance	**–**	1.4
	Real Estate Investment & Services	**2.8**	3.5
	Real Estate Investment Trusts (REITs)	**0.7**	–
		13.5	13.3
Technology	Software & Computer Services	**10.4**	10.2
	Technology Hardware & Equipment	**1.4**	2.2
		11.8	12.4
	Total at 31 October 2013	**100.0**	100.0

The investments at 31 October 2013 and 31 October 2012 were all quoted in the United Kingdom.

Source: Henderson Global Investors Limited

Strategic Report

Investment Portfolio

at 31 October 2013

Company	Main activity	Valuation at 31 October 2013 £'000	% of portfolio
***Retroscreen Virology**	*bio medical services*	**2,830**	3.52
ITV	*television broadcaster and programme producer*	**2,386**	2.97
XP Power	*electrical power components*	**2,355**	2.93
Hyder Consulting	*infrastructure consultancy*	**2,250**	2.80
Senior	*aerospace and automotive products*	**2,234**	2.78
Ricardo	*automotive technology consultancy*	**2,015**	2.51
***Vertu Motors**	*motor retailer*	**1,849**	2.30
Ashtead	*plant and machine hire*	**1,801**	2.24
HSBC	*banking*	**1,705**	2.12
St Modwen Properties	*property developer*	**1,673**	2.08
10 largest		**21,098**	26.25
e2v technologies	*electronic components*	1,667	2.07
*Velocys	*speciality catalysts for clean fuel*	1,620	2.01
Jupiter Fund Management	*fund management*	1,595	1.98
Tribal	*public sector consultancy and software*	1,594	1.98
*Johnson Service	*textile rental and drycleaning*	1,560	1.94
+Latchways	*safety products*	1,487	1.85
BHP Billiton	*general mining*	1,448	1.80
*Clinigen	*speciality pharmaceuticals*	1,427	1.77
*RWS	*patent translation services*	1,422	1.77
*Majestic Wine	*wine warehouse*	1,360	1.69
20 largest		36,278	45.11
*WANdisco	*software development*	1,328	1.65
Aveva	*software services for engineering designers*	1,212	1.51
*Digital Barrier	*homeland security services*	1,162	1.44
Kofax	*electronic data capture*	1,149	1.43
Johnson Matthey	*speciality chemicals and metal refining*	1,147	1.43
Aviva	*life and general insurance*	1,123	1.40
Hill & Smith	*galvanised steel and automotive products*	1,083	1.35
Royal Dutch Shell B shares	*integrated oil & gas*	1,080	1.34
Premier Oil	*oil and gas exploration and production*	1,041	1.29
Anglo American	*general mining*	1,040	1.29
30 largest		47,643	59.24
*Advanced Computer Software	*software*	1,004	1.25
Tarsus	*international exhibitions and conferences*	998	1.24
UTV Media	*TV and radio broadcaster*	990	1.23
Pearson	*educational and media publishing*	978	1.22
Oxford Instruments	*scientific instruments*	975	1.21
*Alliance Pharma	*pharmaceuticals*	963	1.20
*Faroe Petroleum	*oil and gas exploration and production*	936	1.16
BAE Systems	*defence and aerospace systems*	909	1.13
Micro Focus	*software application management*	907	1.13
*IQE	*compound semiconductors*	881	1.10
40 largest		57,184	71.11

Strategic Report

Investment Portfolio

continued

Company	Main activity	Valuation at 31 October 2013 £'000	% of portfolio
Redrow	*house building*	880	1.09
*Monitise	*mobile banking platform*	870	1.08
International Personal Finance	*consumer loans in emerging markets*	866	1.08
Barclays	*banking*	824	1.02
*Ebiquity	*media and marketing analytics*	810	1.01
Fidessa	*financial software*	810	1.01
IP Group	*research funding*	809	1.01
Rio Tinto	*general mining*	789	0.98
Weir	*industrial engineering solutions*	789	0.98
Bellway	*house building*	752	0.93
50 largest		65,383	81.30
*TRACSiS	*logistics software*	736	0.92
Entertainment One	*broadcasting & entertainment*	736	0.92
*Advanced Medical Solutions	*advanced wound care*	733	0.91
BP	*integrated oil & gas*	724	0.90
Creston	*marketing services*	702	0.87
*Conviviality Retail	*food retailers & wholesalers*	629	0.78
SDL	*software and translation services*	617	0.77
IG Group	*spread betting*	613	0.76
*Goals Soccer Centres	*five-a-side soccer centres*	598	0.74
*Belvoir Lettings	*property lettings and management*	585	0.73
60 largest		72,056	89.60
RPS	*environmental and safety consultants*	580	0.72
+Assura Group	*healthcare property*	572	0.71
Chime Communications	*communication and sports marketing*	554	0.69
*Miton	*fund management*	530	0.66
Betfair	*betting exchange*	517	0.64
Kenmare Resources	*heavy minerals mining*	509	0.63
*Staffline	*business training & employment services*	465	0.58
*WYG	*engineering consultancy*	440	0.55
Sportech	*pool and tote gaming*	435	0.54
*Asian Plantations	*palm oil plantations*	423	0.53
70 largest		77,081	95.85
*1Spatial	*business support services*	417	0.52
*Electric Word	*mixed media information provider*	325	0.40
Phoenix IT	*information technology infrastructure management*	316	0.39
*Keyword Studios	*business support services*	292	0.36
*Igas Energy	*oil and gas production, including unconventional gas*	261	0.32
Ted Baker	*clothing designer and retailer*	251	0.31
*Rockhopper Exploration	*oil and gas exploration*	233	0.29
*Progressive Digital Media	*business information services*	225	0.28
*Ubisense	*location solutions*	220	0.27
Avocet Mining	*gold mining*	220	0.27
80 largest		79,841	99.26
*London Mining	*iron ore miner*	168	0.21
*Snoozebox	*temporary hotels*	125	0.16
*Spectra Systems	*product and tracing and authentification*	112	0.14
*Bullabulling Gold	*gold exploration*	101	0.13
+Shaft Sinkers	*mining infrastructure*	60	0.07
Kenmare Resources A warrants 16/11/19	*heavy minerals mining*	23	0.03
TOTAL INVESTMENTS		**80,430**	**100.00**

*Quoted on the Alternative Investment Market ('AIM')
+Other Daily Official List (includes premium or standard listed securities)

Strategic Report
Strategic Review

The Strategic Review is designed to provide information primarily about the Company's business and results for the year ended 31 October 2013. It should be read in conjunction with the Chairman's Statement, the Portfolio Managers' Review and the investment portfolio which together comprise the Strategic Report.

Status

The Company is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010.

The Company has obtained approval from HM Revenue & Customs of its status as an investment trust under Section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

Business Model

The business model of the Company as required by Code provision C.1.2 of the UK Corporate Governance Code, is presented below.

Investment objective and principal activity

The Company's objective is to achieve above average capital growth from investment in a portfolio of predominantly 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 2013. The objective was approved by shareholders in 2007 (prior to which date the Company had invested in UK micro cap companies only).

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 circumstances warrant this. Net borrowings (defined as all borrowings less cash balances and investments in cash funds) 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 fall below 70 per cent of 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.

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 at the time of investment, in the securities of any one issuer (with the exception of cash funds) and will

Strategic Report
Strategic Review
continued

not hold more than 10 per cent of the issued share capital of any one company unless, exceptionally, the Board gives approval to Henderson Global Investors Limited ('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 in 2007, the Company has invested in accordance with its investment policy as set out above. In particular it has maintained a diversified portfolio as illustrated on pages 12 and 13. The portfolio has been actively managed by the Portfolio Managers. Regular reports on investment activity and portfolio construction are provided to the Directors at and between Board meetings.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to investing in the shares of companies that are quoted in the United Kingdom, including small companies. Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly, whether upwards or downwards, and it may not be possible to realise an investment at the Manager's assessment of its value. Falls in the value of the Company's investments can be caused by unexpected external events. 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 contractors or sub-contractors may not provide the required level of service. The Board considers regularly the principal risks facing the Company in order to mitigate them as far as practicable.

The Board has drawn up a risk map which identifies the cardinal risks to which the Company is exposed. These principal risks fall broadly under the following categories:

Investment activity and strategy

The Manager provides the Directors with management information, including performance data and reports and shareholder analyses on a monthly basis. The Board monitors the implementation and results of the investment process with the Portfolio Managers, who attend all Board meetings, and reviews regularly data that monitors risk factors in respect of the portfolio. The Manager operates in accordance with investment limits and restrictions determined by the Board; these include limits on the extent to which borrowings may be used. The Board reviews its investment limits and restrictions regularly and the Manager confirms its compliance with them each month. The Board reviews investment strategy at each Board meeting. An inappropriate investment strategy (for example, in terms of asset allocation, stock selection, failure to anticipate external shocks or the level of gearing) may lead to a reduction in NAV, underperformance against the Company's benchmark index and the Company's peer group; it may also result in the Company's shares trading on a wider discount to NAV. The Board seeks to manage these risks by ensuring a diversification of investments through regular meetings with the Portfolio Managers with measurement against performance indicators and by reviewing the extent of borrowings.

Financial instruments and the management of risk

By its nature as an investment trust, the Company is exposed in varying degrees to market risk, interest rate risk, liquidity risk, currency risk and credit and counterparty risk. Market risk arises from uncertainty about the future prices of the Company's investments. An analysis of these financial risks and the Company's policies for managing them are set out in note 15 on pages 46 to 51.

Operational

Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the Custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Manager has contracted some of its operational functions, principally those relating to trade processing, investment administration and accounting, to BNP Paribas Securities Services. Details of how the Board monitors the services provided by the Manager and its other suppliers, and

Strategic Report

Strategic Review

continued

the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement on page 27.

Accounting, legal and regulatory

In order to qualify as an investment trust the Company must comply with section 1158 of the Corporation Tax Act 2010 ('section 1158'), to which reference is made on page 14 under the heading 'Status'. A breach of section 1158 could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to Corporation Tax. The section 1158 criteria are monitored by the Manager and the results are reported to the Directors at each Board meeting. The Company must comply with the provisions of the Companies Act 2006 ('the Act') and, as the Company's shares are listed for trading on the London Stock Exchange, the Company must comply with the UK Listing Authority's Listing Rules and Disclosure Rules ('UKLA Rules'). A breach of the Act could result in the Company and/or the Directors being fined or becoming the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of section 1158. The Board relies on its corporate company secretary and its professional advisers to ensure compliance with the Act and the UKLA Rules.

Gearing

The ability to borrow money for investment purposes is a key advantage of the investment trust structure. A failure to maintain a bank facility would prevent the Company from gearing.

Failure of the Manager

A failure of the Manager's business, whether or not as a result of regulatory failure, would result in the Manager being unable to meet their obligations and their duty of care to the Company.

Management arrangements

Investment management, together with investment administration, company secretarial and accounting services, are provided to the Company by wholly-owned subsidiary companies of Henderson Group plc ('Henderson' or 'the Manager'). Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services.

The management agreement between the Company and Henderson was updated and renewed in September 2012 to fall in line with updated legislation and working practices. The fee arrangements, which are reviewed every three years, remain current.

The management agreement provides for the payment of a composite management fee which is calculated and paid quarterly in arrears. 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. (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 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.

The management agreement also provides for the payment of a performance fee, 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 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

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Strategic Review
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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 are payable under these arrangements in respect of the year ended 31 October 2013 (and none have been paid since the arrangements took effect in January 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 a triennial continuation vote, 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, its experience in managing and administering investment trust companies and the Board's expectation that it will, over the medium to long term, generate strong investment performance.

Custody arrangements

JPMorgan Chase Bank N.A. is the Company's appointed global custodian and its fees for UK custody are offset against the management fees payable to Henderson.

Related party transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than fees payable by the Company in the ordinary course of business, there have been no material transactions with this related party which has affected the financial position or performance of the Company during the year under review (see note 22).

Financial review

Results for the year

Total net assets at 31 October 2013 amounted to £70,434,000 compared with £48,490,000 at 31 October 2012, and the net asset value ('NAV') per ordinary share increased to 884.3p from 608.8p. At 31 October 2012 there were 7,965,168 ordinary shares in issue and 1,639,672 subscription shares in issue. On 31 October 2013 this had increased to 7,965,188 following the conversion of 20 subscription shares on 2 April 2013 which accordingly reduced the number of subscription shares in issue to 1,639,652. There were no share buybacks during the year.

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

Net return for the year was £22,685,000 compared to a net return of £9,070,000 for 2012. Dividends totalling 10.5p per share are recommended in respect of 2013, compared to 9.0p in 2012. At 31 October 2013 there were 86 equity investments (2012: 77 investments) as detailed on pages 12 and 13.

In the year under review finance costs totalled £158,000 (2012: £188,000), the management fee totalled £400,000 (2012: £300,000) and other expenses £220,000 (2012: £207,000). These figures include VAT where applicable.

Performance

The Company had a good year in terms of both absolute and relative performance with stock selection being the main attributor. The revenue return per share increased by 14.7% on the previous year.

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The following table sets out, with comparatives, key indicators of performance:

	At 31 October 2013	At 31 October 2012
Performance against benchmark:[1]		
Net asset value per share total return	**47.1%**	23.2%
Ordinary share price total return	**71.0%**	24.1%
FTSE All-Share Index total return	**22.8%**	9.8%
Discount	**9.0%**	21.5%
Performance against peer group:[2]		
UK All Companies Sector (peer group)	**29.5%**	13.6%

Source: Morningstar for the AIC.
(1) Using cum income NAV.
(2) NAV Total Return size-weighted average of the AIC UK All Companies Sector.
These figures are preliminary estimates made by the AIC which is the industry recognised source for performance data.

On a total return basis the benchmark index returned 22.8% over the year ended 31 October 2013. By comparison the Company's NAV total return was 47.1%.

Revenue and dividend

The Company's investment income and other revenue totalled £1,497,000 (2012: £1,322,000). After deducting expenses and taxation the net revenue profit for the year was £998,000 (2012: £871,000).

Since 1 November 2008, 50% of borrowing costs and management fees have been allocated to capital.

With effect from 1 November 2013 all investment management fees and finance costs will be charged 70% to the capital return and 30% to the revenue return based on the Board's expected long-term split of total returns. Any performance fee will be charged wholly to capital.

The Board proposes a final dividend of 7.2p per ordinary share in respect of the year ended 31 October 2013, which, added to the interim dividend of 3.3p per ordinary share paid on 23 September 2013, makes a total dividend for the year of 10.5p. If approved at the Annual General Meeting on 29 April 2014, the final dividend will be paid on 2 May 2014 to shareholders on the register at close of business on 28 March 2014.

Going concern

The Company's Articles of Association require that at the Annual General Meeting of the Company held in 2008, and every third year thereafter, an ordinary resolution be put to approve the continuation of the Company. The Directors instigated additional continuation votes in 2009 and 2010 in the context of difficult market conditions. The resolution put to the AGM's in 2009 and 2010 together with the normal triennial vote in 2011 were duly passed. The resolution put to the Annual General Meeting in 2011 was duly passed. As part of the three year cycle, an ordinary resolution that the Company continue as an investment trust will be put to shareholders at the AGM to be held on 29 April 2014.

The Board have no reason to believe the resolution will not be passed.

The assets of the Company consist almost entirely of quoted investments and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

For these reasons, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council.

Future developments

The future success of the Company is dependent primarily on the performance of its investments, which will to a significant degree reflect the performance of the stock market. Although the Company invests in companies that are quoted in the United Kingdom, the underlying businesses of those companies are affected by various economic factors, many of an international nature. The Board's intention is that the Company will continue to pursue its investment objective in accordance with its investment policy. Further comment on the outlook for the Company is given in the Chairman's Statement and in the Portfolio Managers' Review.

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Strategic Review

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Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

Absolute performance

The Board reviews, at each of its meetings, the performance of the portfolio, the net asset value per share and the Company's share price.

Performance measured against the benchmark

The Board reviews, at each of its meetings, the performance of the portfolio, the net asset value per share and the share price and compares them with the performance of the Company's benchmark, the FTSE All-Share Index ('benchmark').

Discount to the net asset value per share ('NAV')

The Board monitors the level of the discount to the NAV at which the Company's shares trade and reviews the average discount for the AIC UK Growth sector. The Board considers whether to use share buy-backs to enhance shareholder value. Shares are only bought back at a price below the prevailing NAV, thereby increasing the NAV for the remaining shareholders.

The Company publishes a NAV figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 has included current financial year revenue items.

Performance measured against the Company's peer group

The Company is included in the AIC's UK All Companies sector, which represents the Company's peer group. In addition to comparison against the benchmark, the Board also considers the performance against the peer group.

Ongoing charges

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charges and monitors the expenses incurred by the Company on a regular basis.

For the year ended 31 October 2013 the ongoing charge percentage was 1.00% (2012: 1.12%).

Corporate Responsibilities

Responsible Investment

Responsible investment is the term used by the Company's Manager, Henderson Global Investors Limited ('Henderson') to cover its work on corporate governance and corporate responsibility (or social, environmental and ethical issues) in the companies in which it invests on its clients' behalf, across all funds. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ('ESG') issues into mainstream investment decision-making and ownership practices.

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision.

The Henderson Responsible Investment Policy can be found on the Henderson website, **www.henderson.com**.

Voting Policy and the UK Stewardship Code

Henderson's responsible investment policy sets out the Manager's approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has

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reviewed Henderson's policy and has delegated responsibility for voting to the Manager. The Board receives a report annually on the voting undertaken by the Manager on behalf of the Company.

Henderson believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Portfolio Manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefore are fed back to the investee company prior to voting.

Practical difficulties may prevent the Manager voting in some markets. In particular, various factors, including restrictions on dealing and costs, may inhibit voting in some international markets and must be taken into account.

Employee, social, community, human rights and environmental matters

The Company has no employees and its core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues.

Henderson's corporate responsibility statement is included on the website www.henderson.com. For 2012 it was granted Carbon Neutral Company status which it has committed to maintain at least until the end of 2015. The Company's annual and half year reports are printed on carbon balanced paper, whereby the carbon impact of the production and distribution process has been balanced, or offset, by the World Land Trust, an international conservation charity.

Gender Representation

As set out on page 3, all of the Company's Directors are male. Their appointment to the Board was based on their skills and experience. More information on the Board's consideration of diversity is given in the Corporate Governance Statement on page 26. The Company has no employees and therefore, there is nothing further to report in respect of gender representation within the Company.

On behalf of the Board

George Burnett
Chairman
27 February 2014

Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 November 2012 to 31 October 2013.

The Company, registered in England & Wales, number 1940906 and domiciled in the United Kingdom, was active throughout the year under review and was not dormant.

The Directors are satisfied that this Report and Financial Statements presents a fair, balanced and understandable assessment of the Company's position and prospects.

Directors

The Directors of the Company at the date of this report are listed on page 3. All the Directors served throughout the year.

George Burnett who has served on the Board for eighteen years is obliged to offer himself for re-election on an annual basis. Peter May, having served on the Board for more than nine years will also offer himself for annual re-election from this year.

Chris Hills, having been elected to the Board in 2011 will retire and stand for re-election in accordance with the retirement by rotation provisions of the Articles of Association.

The Board confirms that, having considered their performance, the Directors seeking re-election continue to demonstrate their commitment to the Company and to perform their duties effectively and recommends that shareholders vote in favour of the resolution being put to the AGM.

The Board considers all the Directors to be independent. All the Directors were and remain independent of Henderson Global Investors ('the Manager').

The Board considers that all the Directors contribute effectively and that all have skills and experience which is relevant to the leadership and direction of the Company. Peter Jones and George Burnett have industrial and commercial sector experience, with backgrounds in the management of operating companies. George Burnett is a Chartered Accountant and until recently had business responsibilities in both the UK and North America. Chris Hills is an investment manager, with particular experience of private clients. Malcolm King has wide experience of the investment management industry and is a Chartered Accountant. Peter 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.

Directors' conflicts of interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. The Companies Act 2006 ('the Act') allows Directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the Articles of Association contain a provision to this effect. The Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. There are two circumstances in which a conflict of interest can be permitted: either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the Directors. The Company's Articles of Association give the Directors the relevant authority required to deal with conflicts of interest. Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. The Directors have also all undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that need to be approved by the Board and added to the register, which is reviewed annually by the Board. At the date of writing no conflicts were unauthorised. It has also been agreed that Directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new Directors are asked to submit a list of potential situations falling within the conflicts of interest provisions of the Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only Directors who have no interest in the matter being considered are able to participate in the Board approval process. In deciding

Report of the Directors

continued

whether to approve a conflict of interest, Directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the Directors consider this to be appropriate. The Board confirms that its powers of authorisation of conflicts of interest has operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the Directors.

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 for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the court.

Share capital and shareholders

The Company's share capital comprises:

a) ordinary shares of 25p nominal value each ('shares')

The voting rights of the shares on a poll are one vote for each share held. At 31 October 2012 there were 7,965,168 ordinary shares in issue. No shares were purchased during the year. 20 subscription shares were converted into ordinary shares on 2 April 2013. At 31 October 2013 there were 7,965,188 ordinary shares in issue and thus the number of voting rights was 7,965,188. This represents 82.9% of the Company's total issued share capital (being the combination of the ordinary share capital and the subscription share capital).

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. At the AGM in March 2013 a special resolution was passed giving the Company authority, until the conclusion of the next AGM, to make market purchases, either for cancellation or to hold in treasury, of the Company's ordinary shares up to a maximum of 1,193,978 shares being 14.99% of the issued ordinary share capital. As at 31 October 2013 the Company had valid authority, outstanding until the conclusion of the AGM in 2014, to make market purchases, either for cancellation or to hold in treasury, of 1,193,978 shares. No shares were held in treasury at either the year end or the date of this report. A fresh authority will be sought at the AGM in March 2014. Shares are not bought back unless the result is an increase in the Net Asset Value per share.

At the AGM in March 2013, a Special Resolution was passed giving the Board authority, until the conclusion of the next AGM to allot equity securities for cash up to an aggregate nominal value of £99,564, at a price of no less than Net Asset Value per share.

As at 31 October 2013 the entire authority granted at AGM in 2013 was outstanding. A fresh authority will be sought at the AGM in 2014.

b) subscription shares of 1p nominal value each ('subscription shares')

At 31 October 2012 there were 1,639,672 subscription shares in issue. During the year 20 subscription shares were converted into ordinary shares. At 31 October 2013 there were 1,639,652 subscription shares in issue. This represents 17.1% of the Company's total issued share capital (being the combination of the ordinary share capital and the subscription share capital). The subscription shareholders have no rights to attend and vote at general meetings. Further details on the subscription shares are given in note 16 on page 51.

At the Annual General Meeting ('AGM') in March 2013 a special resolution was passed giving the Company authority, until the conclusion of the AGM in 2014, to make market purchases for cancellation of the Company's own subscription shares up to a maximum of 245,786 subscription shares. No subscription shares were bought back. As at 31 October 2013 the Company had valid authority, outstanding until the conclusion of the AGM in 2014, to make market purchases for cancellation of 245,786 subscription shares. 2014 is the final conversion opportunity for holders of subscription shares.

There have been no changes to the share capital or voting rights of the Company since 31 October 2013.

Report of the Directors

continued

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company and no agreement to which the Company is a party to that affects its control following a takeover bid.

Substantial share interests

As at 25 February 2014, the following had declared a notifiable interest in the voting rights of the Company.

Shareholder	% of voting rights
Lowland Investment Company plc (direct)	3.6%
Other discretionary managed clients of Henderson Global Investors Limited and its associated companies (direct)	12.3%
Henderson Global Investors Limited	15.9%
Prudential plc Group of companies	3.8%
Lord Farringdon 1997 Assigned Trust	3.6%

This represents no significant change since the year end. The above percentages are calculated by applying the shareholdings as notified to the Company to the issued ordinary share capital as at 25 February 2014 (ordinary shareholdings being voting rights).

The Board is aware that, as at 31 October 2013, 17.53% of the issued ordinary share capital was held on behalf of participants in Halifax Share Dealing products. These participants in the Halifax Share Dealing products are given the opportunity to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. HSDL has undertaken to instruct its nominee company to exercise the voting rights of any such shares held through the Halifax Share Dealing products that have not been exercised by the individual participants in them. 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.

Portfolio Manager's Interests

James Henderson, the Portfolio Manager, has a beneficial interest in 285,000 (2012: 285,000) ordinary shares of the Company and 57,000 subscription shares.

Annual General Meeting

The next Annual General Meeting ('AGM') will be held at 2.30 pm on Tuesday 29 April 2014 at the Company's Registered Office, 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting is set out in the accompanying circular to shareholders.

Amendments to Articles of Association

The Board are seeking to make certain changes to the Company's Articles of Association for the following reasons:

- The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers (AIFM) Directive. Therefore the Company's Articles of Association will also be amended in order to provide the Board with the ability to prescribe, vary or revoke the management and governance rules that the Company must comply with as a result of the implementation of the AIFM Directive. In particular, the Articles will be amended so that the Board may authorise a depositary appointed in respect of the Company on the terms and conditions prescribed in the AIFM Regulations, together with any further requirements that may be prescribed by the Board, to discharge itself of liability in certain circumstances.
- The final date for conversion of the subscription shares currently in issue will be 29 April 2014. Following this date, those subscription shares which have not been exercised will no longer carry any rights. In keeping with standard market practice, to ensure that all subscription shareholders have the ability to participate in the exercise of their conversion rights following the 2014 AGM, the Company is proposing an amendment to its Articles of Association to provide the Board with the flexibility to appoint an independent Trustee with the power to exercise the unexercised subscription shares on behalf of the subscription shareholders and to sell the resulting ordinary shares on the stockmarket. The proceeds of sales less any costs and expenses will be distributed amongst the subscription shareholders who did not exercise their rights. Entitlements of under £5.00 shall be retained for the benefit of the Company.

Report of the Directors
continued

- To ensure that the Company's Remuneration policy takes into account future requirements, the Board is seeking to increase the aggregate total limit of Directors fees, as specified in Article 89 of the Company's Articles of Association to £150,000. The Directors have recently reviewed fees as detailed in the Remuneration Report on page 33.

The proposed new Articles of Association will also be available for inspection at the AGM at least 15 minutes prior to the start of the meeting and up until the close of the meeting at the Company's registered office.

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 3. 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 Financial Statements 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.

Global greenhouse gas emissions
As an externally managed investment trust company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 October 2013 (2012: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

By order of the Board

Rachel Peat ACIS
For and on behalf of Henderson Secretarial Services Limited
Corporate Company Secretary
27 February 2014

Corporate Governance Statement

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Thus not all the provisions of the UK Corporate Governance Code published in September 2012 ('the UK Code') issued by the FRC are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

Statement of compliance

The Board believes that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and therefore the provisions of the UK Code that are relevant to the Company, except as set out below or elsewhere in the Corporate Governance Statement.

- *Senior independent director*
  The Board considers that all the Directors have different qualities and areas of expertise on which they may lead where particular issues arise. A senior independent director has therefore not been appointed.

- *The role of chief executive*
  Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Investment Manager, the Company does not have a Chief Executive.

- *Executive Directors' remuneration*
  As the Board has no executive Directors, it is not required to comply with the principles of the UK Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 33.

- *Internal audit function*
  As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The Directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

The Board

The Board is responsible for the approval of annual and half year results, interim management statements and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors, after consideration, confirm that they are satisfied that the annual report and financial statements for the year ended 31 October 2013, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board meets formally at least five 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 Portfolio Manager takes decisions as to

Corporate Governance Statement

continued

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.

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 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.

Board committees

The Board has three Committees. The terms of reference for each Committee is available on the Company's website, **www.hendersonopportunities.com**.

Audit Committee

The Committee is chaired by Peter May and comprises all the Directors. The Report of the Audit Committee can be found on pages 29 and 30.

Management Engagement Committee

The Management Engagement Committee is chaired by George Burnett and comprises all the Directors. The Committee is responsible for the regular review of the terms of the management contract, although in practice this function may be undertaken by the Board. The Committee met once during the year.

Nominations Committee

The Nominations Committee is also chaired by George Burnett and comprises all the Directors. The Committee is responsible for making recommendations on the appointment of new Directors. When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the Board. The Nominations Committee considers diversity as part of the annual performance evaluation and it is considered that the directors have a range of backgrounds and each Director brings different qualities to the Board and its discussions. It is not considered appropriate for the Company to have set targets in relation to diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will make recommendations to the Board when the recruitment of additional non-executive Directors is required, although the Chairman would not necessarily expect to be involved in the selection of his successor. The Committee did not meet formally during the year, work was undertaken at Board level.

Board attendance

The number of full meetings held during the year of the Board and its committees, and the attendance of the individual Directors, is shown in the table overleaf.

Corporate Governance Statement

continued

Telephonic meetings are also held as required in between formal meetings of the Board.

	Board	Audit Committee	Management Engagement Committee
Number of meetings	5	3	1
George Burnett	5	3	1
Chris Hills	5	3	1
Peter Jones	5	3	1
Malcolm King	5	3	1
Peter May	5	3	1

Performance evaluation

- *The Company*
  The performance of the Company is considered in detail at each Board meeting.

- *The Board and Committees of the Board*
  The Board's procedure in the current year for evaluating the performance of the Board and its Committees has been by means of discussion. The evaluation process is designed to consider 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.

- *Individual Directors*
  The Chairman reviews each individual director's contribution to the Board on an annual basis. The Directors review the performance of the Chairman.

During the year it was agreed that the Chairman continued to promote effective leadership and that each of the Directors contributed valuable experience and skills to the Board.

Internal control

The Board consists only of non-executive Directors, and so while the Board remains responsible for the Company's operations, in practice it has limited scope to control the Company's day to day activities and must place reliance on the representations of the management of the professional organisations it has contracted with, principally Henderson as Manager. As a result the Board relies on the assurances of the Manager, which include written assurances on Henderson's internal controls for which the Directors are not directly responsible.

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 a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the Financial Reporting Council guidance ('Turnbull guidance'). The process has been in place since 2000 and up to the date of approval of this Report and Financial Statements. 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. No significant failings or weaknesses in respect of the Company were identified in the year under review. 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 were analysed and recorded in a risk map which is reviewed regularly. 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 and its Administrator reports on their internal controls which include reports from the Manager's and its Administrator's reporting accountants on the control policies and procedures in operation.

Corporate Governance Statement

continued

Accountability and relationship with the Manager

The Statement of Directors' Responsibilities is set out on page 31, the Independent Auditors' Report on pages 54 to 56 and the Statement of Going Concern on page 18.

The Board has delegated contractually to sub-contractors, including the Manager, or via 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.

The Portfolio Managers take decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. 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 and that applicable rules and regulations are complied with. The Board and the Manager operate in a supportive, co-operative and open environment.

The Bribery Act 2010

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011 and confirmed its zero tolerance to bribery and corruption in its business activities. It has sought and received assurances from its main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Share Capital

Please see the Report of the Directors on page 22.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half year update and annual reports which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily publication at the London Stock Exchange of the Net Asset Value of the Company's ordinary shares and a monthly fact sheet available on the Company's website www.hendersonopportunities.com.

At each AGM a presentation is made by the Portfolio Managers following the formal business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committee at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Report and Financial Statements and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the registered office address. At other times the Company responds to letters from shareholders on a range of issues.

General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

By order of the Board

Rachel Peat ACIS
For and on behalf of
Henderson Secretarial Services Limited,
Corporate Company Secretary
27 February 2014

Report of the Audit Committee

The Audit Committee comprises all the Directors including the Chairman of the Company; three of whom are Chartered Accountants and all of whom, including the Chairman of the Committee, have recent and relevant financial experience from their senior management roles elsewhere as detailed on page 3.

The Board is satisfied that the Audit Committee operates effectively.

Meetings
The Audit Committee meets at least twice a year, normally immediately preceding the Board meetings at which the financial statements for the year end and half year are reviewed and, additionally, to review the effectiveness of the Company's system of internal control. The quorum for a meeting is two members. The Auditors are invited to attend meetings, on a regular basis and at least once a year.

The Audit Committee also meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It is responsible to the Board for monitoring the Company's internal control and risk management procedures. The Audit Committee met three times during the year to carry out these duties.

Responsibilities
The Audit Committee formally reports to the Board. The Committee's responsibilities are set out in formal terms of reference which are reviewed at least annually. Responsibilities of the Committee include, but are not limited to:

- a review of the half year results and the annual financial statements, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the annual report is fair, reasonable and balanced;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Henderson, as described in the Internal Control section on page 27, and Henderson's policies in relation to cyber risk and business continuity;
- consideration of the Company's key risks and risk map;
- consideration of the nature and scope of the external audit and the findings therefrom and whether there is a need for an internal audit function, as described on page 25;
- consideration of the terms of appointment of the Auditors, their performance and remuneration;
- a review of the performance fee calculation;
- consideration of the Auditor's independence and objectivity and any non-audit services provided; and
- consideration of the 'whistle blowing' policy that the Manager has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow-up action.

Audit for the year ended 31 October 2013
In relation to the Report and Financial Statements for the year ended 31 October 2013 the following significant issues were considered by the Committee.

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third parties pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value. As set out in the accounting polices note on page 38 all such valuations are carefully reviewed by both the Manager's fair value pricing committee and by the Directors. The Company uses the services of an independent Custodian (JPMorgan Chase Bank N.A.) to safeguard the assets of the Company. The investment portfolio is reconciled regularly by the Administrator to the Custodian's records, and the Auditors review the portfolio annually.

Report of the Audit Committee
continued

Significant issue	**How the issue was addressed**
Compliance with section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Resource risk	The Company has no employees and most of its day-to-day activities are delegated to third parties. The Board monitors the performance of third party suppliers on a regular and ongoing basis.
Maintaining internal controls	The Committee receives regular reports on internal controls from the Manager and Administrator and has access to the relevant personnel of the Manager.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 39) and is reviewed by the Committee at each meeting.

Policy on non-audit services

The Audit Committee has reviewed the Financial reporting Council's Guidance on Audit Committee's and has a policy on the provision of non-audit services by the Company's Auditors. The Audit Committee has determined that the Company's appointed Auditors will never be considered for the provision of non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The Auditors may, if required, provide non-audit services relating to a review of the Company's half-year report and a review of the calculation of any performance fee provision. All other non-audit services will be judged on a case-by-case basis. There were no non-audit services provided by the Auditors during the year.

Auditor Independence

The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP. The Audit Committee is satisfied that the Auditors are independent of the Company. As the Company is not in the FTSE 350 it is not required to put the audit out for tender every ten years, however the Company confirms that a tender has been undertaken in the last ten year period. The performance of the Auditors is regularly reviewed by the Audit Committee, taking into consideration the services and advice provided to the Company and the fees charged for their services. On the basis of the Auditors' performance the Audit Committee recommends their continuing appointment to the Board with no tender necessary. The Auditors are required to rotate the audit partner every five years and this is the third year that the current partner has been in place. Fees paid or payable to the Auditors are detailed in note 6 on page 42.

Following recommendation from the Audit Committee, the Board concluded that the Auditors, PricewaterhouseCoopers LLP, remained independent of both the Company and Manager.

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 forthcoming AGM.

The Committee is satisfied that the Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Peter May
Audit Committee Chairman
27 February 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. 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 Directors consider that the Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 3 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
George Burnett
Chairman
27 February 2014

The financial statements are published on the **www.hendersonopportunitiestrust.com** or **www.hendersoninvestmenttrusts.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 financial statements 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 financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Introduction
This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies Act 2006 ('the Act') and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by Section 439 of the Act, an ordinary resolution to approve this report will be proposed at the Annual General Meeting on 29 April 2014. The Company's remuneration policy will be put to shareholders for approval by ordinary resolution for the first time this year under section 439A of the Act and the policy is expected to continue in force until the Annual General Meeting in 2017.

The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive. The Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual director as it is believed that all relevant information is disclosed within this report in an alternative format.

A Remuneration Committee has not been established as the whole Board considers matters relating to Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

Remuneration policy
Directors are remunerated in the form of fees, payable quarterly in arrears to the director personally. The Company's Articles of Association limit the fees payable to the directors in aggregate to £75,000 per annum. Subject to the overall limit, 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 be sufficient to enable candidates of high calibre to be recruited.

All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The policy is to review fee rates annually, although such review will not necessarily result in any change to the rates, and account is taken of fees paid to directors of other investment trust companies.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No Director has a service contract with the Company. There are no set notice periods and a director may resign by notice in writing to the Board at any time.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors or third parties.

This policy has been in place since 1 November 2012 and it is the intention that this policy will continue in force until the AGM in March 2017 unless amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual directors within the parameters of the remuneration policy.

Annual statement
George Burnett, as the Company's Chairman, reports that there have been no major decisions on Directors' remuneration or any changes to the remuneration paid to each individual director in the year under review. However, since the year end, a review has been undertaken of published information regarding the level of remuneration of directors of investment trusts. This found that current levels, in place since 1 April 2012, are significantly below market levels which have risen generally in line with the increasing regulatory responsibilities of directors. This is also a potential deterrent to future recruitment, particularly of female directors who are currently in high demand.

Shareholder authority will be sought at the Annual General Meeting to increase the total aggregate limit of fees which can be paid to directors as specified in the Articles of Association to £150,000. This is to ensure that the Company is not unduly hindered when seeking new directors in the future, for example it would allow a period of overlap on the appointment of a new Director.

Annual report on remuneration
Directors' interests (Audited)
The Company has not set any requirements or guidelines for Directors to own shares in the Company. The beneficial interests of the Directors and their connected persons in the ordinary shares of the Company are shown in the table below:

Ordinary shares	**31 October 2013**	31 October 2012
Beneficial interest:		
George Burnett	**18,588**	18,588
Chris Hills	**2,000**	2,000
Peter Jones	**2,500**	2,500
Malcolm King	**3,000**	1,000
Peter May	**6,040**	4,040
Hamish Bryce[1]	**–**	29,532

Subscription shares	**31 October 2013**	31 October 2012
Beneficial interest:		
George Burnett	**1,701**	1,701
Chris Hills	**–**	–
Peter Jones	**–**	–
Malcolm King	**200**	200
Peter May	**–**	–
Hamish Bryce[1]	**–**	3,490

[1] Resigned 15 March 2012

There have been no changes in any of the Directors' interests in shares detailed above since the Company's year-end. No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than stated above.

Directors' Remuneration Report

continued

Directors' fees (Audited)

The fees paid to the Directors who served during the years ended 31 October 2012 and 31 October 2013 were are follows:

	Year ended 31 October 2013 Total salary and fees £	Year ended 31 October 2012 Total salary and fees £	**Year ended 31 October 2013 Total expenses and taxable benefits £**	Year ended 31 October 2012 Total expenses and taxable benefits £	**Year ended 31 October 2013 Total £**	Year ended 31 October 2012 Total £
George Burnett [1]	**18,900**	18,525	**–**	–	**18,900**	18,525
Chris Hills	**12,600**	12,350	**–**	–	**12,600**	12,350
Peter Jones	**12,600**	11,002	**428**	–	**13,028**	11,002
Malcolm King	**12,600**	12,350	**–**	–	**12,600**	12,350
Peter May [2]	**15,750**	15,438	**414**	–	**16,164**	15,438
Hamish Bryce [3]	**–**	4,473	**–**	–	**–**	4,473
TOTAL	**72,450**	74,138	**842**	–	**73,292**	74,138

[1] Chairman and highest paid Director. [2] Chairman of the Audit Committee. [3] Resigned 15 March 2012.

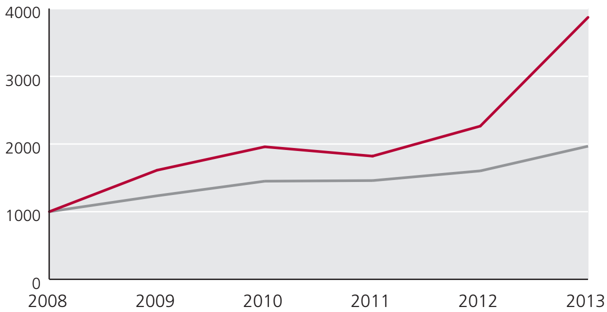
Note: The table above omits other columns because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties.

Following the review referred to in the Annual Statement, it is proposed that fees be increased to £26,250 for the Chairman, £21,875 for the Audit Committee Chairman and £17,500 for other Directors with effect from 1 February 2014.

Performance graph

The Company's performance is measured against the FTSE All-Share Index, the Company's benchmark. The graph below compares the mid-market price of the Company's ordinary shares over the five year period ended 31 October 2013 with the Benchmark Index over the same period.



FTSE All-Share Index, assuming the notional investment of £1,000 into the Index on 31 October 2008 and the reinvestment of all income (excluding dealing expenses).

Henderson Opportunities Trust plc share price total return, assuming the investment of £1,000 on 31 October 2008 and the reinvestment of all dividends (excluding dealing expenses).

Source: Datastream

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the below table sets out the total level of remuneration compared to the distributions to shareholders by way of dividend and share buybacks. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

(Audited)	**31 October 2013 £'000**	31 October 2012 £'000	Change %
Total remuneration	**73**	74	-1.4
Ordinary dividend paid	**741**	637	+16.3
Buybacks of ordinary shares	**–**	351	n/a

Statement of voting at Annual General Meeting

At the 2013 AGM 3,888,269 votes (97.47%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 98,904 votes (2.48%) were against, 2,000 (0.05%) were discretionary and 15,358 were withheld. The percentage of votes excludes votes withheld. This will be the first year shareholders will be asked to vote on the Company's remuneration policy.

By order of the board

Rachel Peat ACIS
For and on behalf of
Henderson Secretarial Services Limited,
Corporate Company Secretary
27 February 2014

Income Statement

for the year ended 31 October 2013

Notes		Year ended 31 October 2013 Revenue return £'000	Year ended 31 October 2013 Capital return £'000	Year ended 31 October 2013 Total £'000	Year ended 31 October 2012 Revenue return £'000	Year ended 31 October 2012 Capital return £'000	Year ended 31 October 2012 Total £'000
2	Gains from investments held at fair value through profit or loss	**–**	**21,966**	**21,966**	–	8,443	8,443
3	Income from investments held at fair value through profit or loss	**1,477**	**–**	**1,477**	1,301	–	1,301
4	Other interest receivable and other income	**20**	**–**	**20**	21	–	21
	Gross revenue and capital gains	**1,497**	**21,966**	**23,463**	1,322	8,443	9,765
5	Management fee	**(200)**	**(200)**	**(400)**	(150)	(150)	(300)
6	Other administrative expenses	**(220)**	**–**	**(220)**	(207)	–	(207)
	Net return on ordinary activities before finance charges and taxation	**1,077**	**21,766**	**22,843**	965	8,293	9,258
7	Finance charges	**(79)**	**(79)**	**(158)**	(94)	(94)	(188)
	Net return on ordinary activities before taxation	**998**	**21,687**	**22,685**	871	8,199	9,070
8	Taxation	**–**	**–**	**–**	–	–	–
	Net return on ordinary activities after taxation	**998**	**21,687**	**22,685**	871	8,199	9,070
9	**Return per ordinary share – basic and diluted**	**12.53p**	**272.27p**	**284.80p**	10.92p	102.79p	113.71p

The total columns of this statement represent the Profit and Loss Account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. No operations were acquired or discontinued during the year. The Company had no recognised gains or losses other than those disclosed in the Income Statement. There is no material difference between the return on ordinary activities before taxation and the return for the financial year stated above and their historical cost equivalents.

The notes on pages 38 to 53 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 October 2013

Notes	**Year ended 31 October 2013**	**Called up share capital £'000**	**Share premium account* £'000**	**Capital redemption reserve* £'000**	**Other capital reserves* £'000**	**Revenue reserve* £'000**	**Total £'000**
	At 1 November 2012	**2,007**	**14,522**	**2,415**	**28,402**	**1,144**	**48,490**
10	Dividends paid on the ordinary shares	**–**	**–**	**–**	**–**	**(741)**	**(741)**
	Net return on ordinary activities after taxation	**–**	**–**	**–**	**21,687**	**998**	**22,685**
	At 31 October 2013	**2,007**	**14,522**	**2,415**	**50,089**	**1,401**	**70,434**

Notes	Year ended 31 October 2012	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 November 2011	2,032	14,522	2,390	20,554	910	40,408
10	Dividends paid on the ordinary shares	–	–	–	–	(637)	(637)
	Net return on ordinary activities after taxation	–	–	–	8,199	871	9,070
17	Share buy-backs	(25)	–	25	(351)	–	(351)
	At 31 October 2012	2,007	14,522	2,415	28,402	1,144	48,490

*Distributions can be made from the 'revenue reserve' and from realised gains in 'other capital reserves'. Distributions cannot be made from the 'share premium account' or the 'capital redemption reserve'.

The notes on pages 38 to 53 form part of these financial statements.

Balance Sheet

at 31 October 2013

Notes		2013 £'000	2012 £'000
11	**Investments held at fair value through profit or loss**		
	Listed at market value	**52,902**	36,947
	Quoted on AIM at market value	**27,528**	19,070
		80,430	56,017
	Current assets		
12	Investment held at fair value through profit or loss	**2**	2
13	Debtors	**216**	315
	Cash at bank and in hand	**232**	249
		450	566
14	**Creditors: amounts falling due within one year**	**(10,446)**	(8,093)
	Net current liabilities	**(9,996)**	(7,527)
	Total assets less current liabilities	**70,434**	48,490
	Capital and reserves		
16	Called up share capital	**2,007**	2,007
	Share premium account	**14,522**	14,522
17	Capital redemption reserve	**2,415**	2,415
17	Other capital reserves	**50,089**	28,402
	Revenue reserve	**1,401**	1,144
	Total shareholders' funds	**70,434**	48,490
18	**Net asset value per ordinary share (basic and diluted)**	**884.3p**	608.8p

These financial statements on pages 34 to 53 were approved and authorised for issue by the Board of Directors on 27 February 2014 and were signed on their behalf by:

George Burnett
Chairman

The notes on pages 38 to 53 form part of these financial statements.

Cash Flow Statement

for the year ended 31 October 2013

Notes		2013 £'000	2013 £'000	2012 £'000	2012 £'000
19	**Net cash inflow from operating activities**		**907**		819
	Servicing of finance				
	Interest paid	**(160)**		(192)	
	Net cash outflow from servicing of finance		**(160)**		(192)
	Financial investment				
	Purchases of investments	**(14,267)**		(11,442)	
	Sales of investments	**12,897**		11,293	
	Net cash outflow from financial investment		**(1,370)**		(149)
	Equity dividends paid		**(741)**		(637)
	Net cash outflow before management of liquid resources and financing		**(1,364)**		(159)
	Management of liquid resources				
	Additions to money market funds	**–**		(1,680)	
	Withdrawals from money market funds	**–**		1,859	
	Net cash inflow from management of liquid resources		**–**		179
	Financing				
	Drawdown of short term loans	**35,663**		79,969	
	Repayment of short term loans	**(34,316)**		(79,569)	
	Repurchase of ordinary shares	**–**		(351)	
	Net cash inflow from financing		**1,347**		49
	(Decrease)/increase in cash		**(17)**		69
	Reconciliation of net cash flow to movement in net debt				
	(Decrease)/increase in cash as above		**(17)**		69
	Net cash inflow from movement in liquid resources		**–**		(179)
	Net cash inflow from increase in loans		**(1,347)**		(400)
	Movements relating to cash flows		**(1,364)**		(510)
	Movement in net debt		**(1,364)**		(510)
	Net debt at the start of the year		**(7,249)**		(6,739)
20	**Net debt at the end of the year**		**(8,613)**		(7,249)

The notes on pages 38 to 53 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value through profit or loss. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under the standards and with the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('the AIC') in January 2009. The Company's accounting policies are consistent with the prior year.

b) Going concern

The Company's Articles of Association require that at the Annual General Meeting of the Company held in 2008, and every third year thereafter, an ordinary resolution be put to approve the continuation of the Company. The resolution put to the Annual General Meeting in 2011 was duly passed. The next triennial continuation resolution will be put to the Annual General Meeting in April 2014. The Board have no reason to believe the resolution will not be passed. The assets of the Company consist almost entirely of securities that are listed (or quoted on AIM) and, accordingly, the Directors believe that the Company has adequate resources to continue in existence for the foreseeable future. For these reasons the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

c) Valuation of fixed asset investments

Listed investments and investments quoted on AIM have been designated by the Board as held at fair value through profit or loss. Investments are recognised at fair value on acquisition and are measured thereafter at fair value. Fair value is deemed to be the bid price or the last trade price, depending on the convention of the exchange on which the investment is quoted.

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 from investments held at fair value though profit or loss". Transaction costs incurred on the purchase and disposal of investments are included within the cost or deducted from the proceeds of the investments. 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 presentation 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. Monetary assets and liabilities and equity investments held at fair value through profit or loss, which are denominated in foreign currencies at the balance sheet date, are translated into sterling at the exchange rates ruling at that date.

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

Notes to the Financial Statements

continued

1 Accounting policies (continued)

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 SORP. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital. Interest income is accrued on a time apportionment basis, by reference to the principal outstanding at the effective interest rate applicable.

Where the Company enters into a commitment to sub-underwrite an issue of securities, in exchange for the receipt of commission, a derivative financial instrument is recognised initially at fair value. The derivative is re-measured subsequently at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

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. Since 1 November 2008, the Company has allocated 50% of its management fees and finance charges to the capital return of the Income Statement with the remaining 50% being allocated to the revenue return.

The management fee is calculated quarterly in arrears, as 0.60% per annum of the net chargeable assets, with assets in excess of £100 million charged at 0.50% per annum. No performance fee was earned or payable in the period, nor in the comparative period. Any performance fees payable are allocated 100% to the capital return.

All other administrative expenses are charged to the revenue return of the Income Statement.

Expenses which are incidental to the purchase or sale of an investment are recognised immediately in the capital return of the Income Statement, and are included within the gains/losses from investments held at fair value through profit or loss.

g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective rate of corporation tax for the accounting period.

In line with the recommendations of the 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.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. 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 based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

h) Bank borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, less direct issue costs. They are subsequently remeasured at amortised cost. 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.

i) Cash and liquid resources

For the purposes of the cash flow statement, cash comprises bank deposits that are repayable on demand and bank overdrafts. Liquid resources comprise readily disposable shares of value that do not qualify as cash, and include investments in money market funds as explained more fully in note 12.

j) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders.

k) The issue and repurchase of ordinary shares and the associated costs

The proceeds from the issue of new ordinary shares (including those relating to the sale of shares out of treasury), the proceeds of conversion of subscription shares into ordinary shares and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury) are taken directly to the equity. Issue costs incurred in respect of new ordinary shares are offset against the proceeds received and dealt with in the share premium account. Issue costs incurred in respect of shares sold out of treasury are offset against proceeds received and dealt with in the share premium account. Share issue and repurchase transactions are accounted for on a trade date basis.

l) Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:

– gains and losses on the disposals of investments;
– expenses and finance costs allocated to capital net of tax relief;
– realised foreign exchange differences of a capital nature; and
– costs of repurchasing ordinary share capital.

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

– increases and decreases in the valuation of investments held at the year end; and
– unrealised foreign exchange differences of a capital nature.

Notes to the Financial Statements

continued

2	**Gains from investments held at fair value through profit or loss**	**2013 £'000**	2012 £'000
	Gains/(losses) on sale of investments based on historical cost	**4,945**	(1,592)
	Revaluation (gains)/losses recognised in previous years	**(2,068)**	3,545
	Gains on investments sold in the year based on carrying value at previous balance sheet date	**2,877**	1,953
	Revaluation of investments held at 31 October	**19,089**	6,490
		21,966	8,443

3	**Income from investments held at fair value through profit or loss**	**2013 £'000**	2012 £'000
	Franked:		
	Dividends from listed investments	**1,134**	976
	Dividends from AIM investments	**218**	200
		1,352	1,176
	Unfranked:		
	Dividends from listed investments	**125**	125
		1,477	1,301

4	**Other interest receivable and other income**	**2013 £'000**	2012 £'000
	Underwriting commission (allocated to revenue)*	**20**	21

*During the year the Company was not required to take up shares; no commission was taken to capital (2012: no shares taken up and no commission taken to capital).

5	**Management fee**	**Revenue return 2013 £'000**	**Capital return 2013 £'000**	**Total 2013 £'000**	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
	Management fee	**200**	**200**	**400**	150	150	300

(i) The basis on which the management fee is calculated is set out on pages 16 and 17 in the Strategic Report.

(ii) The allocation between revenue return and capital return is explained in note 1(f) on page 39.

(iii) No performance fee was payable in respect of the current or prior years.

Notes to the Financial Statements

continued

6	**Other administrative expenses** (all charged to revenue)	**2013 £'000**	2012 £'000
	Auditors' remuneration for audit services	**21**	21
	Directors' fees (see the Directors' Remuneration Report on page 33)	**73**	74
	Directors' and officers' liability insurance	**4**	5
	Listing and regulatory fees	**17**	12
	Custody	**7**	7
	Printing and postage	**18**	23
	Registrar's fees	**9**	7
	Marketing expenses payable to the Manager	**23**	14
	Bank facilities: non-utilisation fees	**20**	6
	Other expenses	**15**	24
	Irrecoverable VAT	**13**	14
		220	207

7	**Finance charges**	**Revenue return 2013 £'000**	**Capital return 2013 £'000**	**Total 2013 £'000**	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
	On bank loans and overdrafts	**79**	**79**	**158**	94	94	188

The allocation between revenue return and capital return is explained in note 1(f) on page 39.

Notes to the Financial Statements

continued

8 Taxation

(a) Factors affecting the tax charge for the year

Approved investment trusts are exempt from tax on realised capital gains.

The tax assessed for the year is lower (2012: lower) than the effective rate of corporation tax in the UK for the year ended 31 October 2013 of 23.42% (2012: 24.83%).

The tax charge for the year ended 31 October 2013 is £nil (2012: £nil).

The differences are explained below:

	Revenue return 2013 £'000	**Capital return 2013 £'000**	**Total 2013 £'000**	Revenue return 2012 £'000	Capital return 2012 £'000	Total 2012 £'000
Net return on ordinary activities before taxation	**998**	**21,687**	**22,685**	871	8,199	9,070
Corporation tax at 23.42% (2012: 24.83%)*	**234**	**5,079**	**5,313**	216	2,036	2,252
Non-taxable UK dividends	**(316)**	**–**	**(316)**	(292)	–	(292)
Non-taxable overseas dividends	**(29)**	**–**	**(29)**	(31)	–	(31)
Expenses not utilised in the year	**176**	**–**	**176**	167	–	167
Capital expenses available to be utilised	**(65)**	**65**	**–**	(60)	60	–
Capital gains not subject to tax	**–**	**(5,144)**	**(5,144)**	–	(2,096)	(2,096)
Current tax charge	**–**	**–**	**–**	–	–	–

*The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 23.42% and will be taxed at 21% for the financial years 2014 and 2015.

(b) 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.

(c) Factors that may affect future tax charges

The Company has not recognised a potential deferred tax asset of £2,735,000 (2012: £2,971,000), arising as a result of unutilised management expenses and non trade loan relationship deficits. 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.

Notes to the Financial Statements
continued

9 Return per ordinary share

The total return per ordinary share is based on the total return attributable to the ordinary shares of £22,685,000 (2012: £9,070,000) and on 7,965,179 ordinary shares (2012: 7,976,314) being the weighted average number of shares in issue during the year.

The total return can be further analysed as follows:

	2013 £'000	2012 £'000
Revenue return	**998**	871
Capital return	**21,687**	8,199
Total return	**22,685**	9,070
Weighted average number of ordinary shares	**7,965,179**	7,976,314
Revenue return per ordinary share	**12.53p**	10.92p
Capital return per ordinary share	**272.27p**	102.79p
Total return per ordinary share	**284.80p**	113.71p

The Company has in issue 1,639,652 (2012: 1,639,672) 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 2012: no dilution).

10 Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 October 2012 of 6.00p (2011: 5.00p)	**478**	398
Interim dividend for the year ended 31 October 2013 of 3.30p (2012: 3.00p)	**263**	239
	741	637

The final dividend of 6.00p per ordinary share in respect of the year ended 31 October 2012 was paid on 28 March 2013 to shareholders on the register of members at the close of business on 22 February 2013.

The interim dividend of 3.30p per ordinary share in respect of the year ended 31 October 2013 was paid on 23 September 2013 to shareholders on the register of members at close of business on 23 August 2013.

Subject to approval at the Annual General Meeting, the proposed final dividend of 7.2p per ordinary share will be paid on 2 May 2014 to shareholders on the register of members at the close of business on 28 March 2014.

Notes to the Financial Statements

continued

10 Dividends (continued)

The total dividends payable in respect of the financial year, which form the basis of the test under section 1158 of the Corporation Tax Act 2010, are set out below:

	Year ended 31 October 2013 £'000
Revenue available for distribution by way of dividends for the year	**998**
Interim dividend for the year ended 31 October 2013: 3.30p	**(263)**
Proposed final dividend for the year ended 31 October 2013: 7.20p (based on the 7,965,188 ordinary shares in issue at 27 February 2014)	**(573)**
Undistributed revenue for section 1158 purposes*	**162**

*Undistributed revenue comprises 11.0% of the income from investments of £1,477,000.
(*2012: undistributed revenue comprised 11.8% of the income from investments of £1,301,000.)

11 Investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Valuation at 1 November	**56,017**	47,182
Investment holding gains at 1 November	**(10,915)**	(880)
Cost at 1 November	**45,102**	46,302
Purchases at cost	**15,244**	11,800
Sales at cost	**(7,852)**	(13,000)
Cost at 31 October	**52,494**	45,102
Investment holding gains at 31 October	**27,936**	10,915
Valuation of investments at 31 October	**80,430**	56,017

All the investments were equity investments, with the exception of Kenmare Resources warrants with a value of £23,000 (2012: nil).

Total transaction costs amounted to £73,000 (2012: £56,000) of which purchase transaction costs for the year ended 31 October 2013 were £59,000 (2012: £44,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the year ended 31 October 2013 were £14,000 (2012: £12,000). These comprise mainly commissions.

Substantial interests in investments

As at 31 October 2013 the Company held an interest in 3% or more of any class of share capital in Electric Word (2012: Electric Word and Retroscreen Virology). These investments are not considered material in the context of these accounts for either year.

12 Current asset investment

The Company has a holding in Deutsche Global Managed Platinum Income Fund, a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short term deposit. At 31 October 2013 this holding had a value of £2,000 (2012: £2,000).

Notes to the Financial Statements

continued

13	**Debtors**	**2013 £'000**	2012 £'000
	Sales for future settlement	**72**	172
	Prepayments and accrued income	**144**	143
		216	315

14	**Creditors: amounts falling due within one year**	**2013 £'000**	2012 £'000
	Unsecured sterling loans (see note 15.6)	**8,847**	7,500
	Purchases for future settlement	**1,363**	386
	Taxation and social security	**1**	1
	Other creditors	**235**	206
		10,446	8,093

15 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 14. In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk and the directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board and the Manager coordinate the Company's risk management.

15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The Board reviews and agrees policies for managing these risks. The Portfolio Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of investments.

The Company's exposure to market price risk at 31 October 2013 is represented by the investments it holds, as shown on the Balance Sheet on page 36 under the heading 'Investments held at fair value through profit or loss'.

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Manager's compliance with the Company's objective and is responsible for investment strategy and asset allocation.

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

15.1.1 Market price risk (continued)

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 12 and 13. This shows that the value of the investments is primarily in companies that are listed or quoted in the UK. Accordingly, there is a concentration of exposure to market price risk in the UK, although it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the total return after taxation for the year and the net assets to an increase or decrease of 40% in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of recent market conditions.

Sensitivity analysis – market prices
if prices change by 40%

	2013 If prices go up £'000	**2013 If prices go down £'000**	2012 If prices go up £'000	2012 If prices go down £'000
Investments (excluding investments in money market funds)	**80,430**	**80,430**	56,017	56,017
Impact on the income statement:				
Revenue return	**(95)**	**96**	(67)	67
Capital return	**32,077**	**(32,075)**	22,340	(22,340)
Impact on net assets and total return	**31,982**	**(31,979)**	22,273	(22,273)

15.1.2 Currency risk

A small proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentation currency). As a result, movements in exchange rates may affect the sterling value of those items. The Company had £7,000 cash at bank at 31 October 2013 (2012: £4,000) denominated in foreign currency. This is not considered material to the Company.

Management of the risk

The Manager monitors the Company's exposure to foreign currencies and reports any significant changes to the Board. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure and sensitivity

The Company's investments are predominantly in sterling-based securities and its exposure to currency risk is not considered material.

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

15.1.3 Interest rate risk

Interest rate movements may affect:

- the level of income receivable from interest-bearing securities, money market funds and cash at bank and on deposit
- the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the Company's bank loan facility. The Company, generally, makes use of money market fund placings and does not hold significant cash balances; it uses short term borrowings when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The Company's exposure at 31 October 2013 of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be reset.

	2013 Within one year £'000	2012 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	**232**	249
Money market funds	**2**	2
Creditors – within one year:		
Borrowings under loan facility	**(8,847)**	(7,500)
Total exposure to interest rates	**(8,613)**	(7,249)

Interest receivable and finance costs are at the following rates:

- interest received on cash balances and money market funds, or paid on bank overdrafts, is at a margin linked to LIBOR (2012: same)
- interest paid on borrowings under the loan facility is at a margin over LIBOR for the type of loan. The weighted average interest rate of these is 2.1% as at 31 October 2013 (2012: 2.2%).

Interest rate risk sensitivity

The Company is exposed to interest rate risk primarily through its loan facility with National Australia Bank and money market funds balances. The sensitivity is as follows: borrowings vary throughout the year as a result of the Board's borrowing policy. Net borrowings at the year end were £8,613,000 (2012: £7,249,000) and if that level of borrowings was maintained for a full year, then a 200 basis points change in LIBOR (up or down) would decrease or increase total net return on ordinary activities after taxation and shareholders' funds by £172,000 (2012: £145,000).

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

15.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has unsecured sterling loan facilities totalling £12,000,000 (2012: £8,000,000) and an overdraft facility with the Custodian, the extent of which is determined by the Custodian on a regular basis by the value of the securities held by it on behalf of the Company. The facilities are subject to regular review.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short term borrowings be used to manage short term cash requirements.

The contractual maturities of the financial liabilities at 31 October based on the earliest date on which payment can be required are as follows:

	31 October 2013		31 October 2012	
	Due within one month £'000	**Due between one and three months £'000**	Due within one month £'000	Due between one and three months £'000
Bank overdrafts, loans and interest	**5,834**	**3,042**	4,013	3,520
Other creditors	**147**	**–**	574	–
	5,981	**3,042**	4,587	3,520

15.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed regularly by the Manager, and limits are set on the amount that may be due from any one broker
- cash at bank is held only with reputable banks with high quality external credit ratings or through a money market fund that uses such banks.

In summary, the exposure to credit risk at 31 October 2013 was to cash at bank and money market funds of £234,000 (2012: £251,000) and to debtors of £216,000 (2012: £315,000) (see note 13).

15.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value (sales for future settlement, dividends and interest receivable, purchases for future settlement, accruals, cash at bank, bank overdrafts and amounts due under the loan facility).

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

15.5 Fair value hierarchy disclosures

The tables below set out fair value measurements using the FRS 29 fair value hierarchy.

Fair value hierarchy at 31 October 2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	**80,430**	**–**	**–**	**80,430**
Current asset investments	**2**	**–**	**–**	**2**
	80,432	**–**	**–**	**80,432**

Fair value hierarchy at 31 October 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	56,017	–	–	56,017
Current asset investments	2	–	–	2
	56,019	–	–	56,019

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

15.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the revenue and capital returns to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital at 31 October 2013 comprised its share capital, reserves and loans (as shown in note 14) that are included in the Balance Sheet at a total of £79,281,000 (2012: £55,990,000).

The Board, with the assistance of the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's view on the market
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium) as well as the discount of the peer group and the level of the equity market
- the need for new issues of equity shares, including allotments from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

The Company is subject to several externally imposed capital requirements:

- borrowings under the current loan facility must not exceed 35% of the adjusted net asset value (as defined by the bank providing the loan facility) and the adjusted net asset value must not be less than £20 million at any time
- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet the capital restriction tests imposed on investment companies by company law.

The Company has complied with these requirements.

In September 2013 the Company negotiated a two year revolving credit facility of £12 million ("the Facility") with National Australia Bank.

16 Called up share capital

	2013 £'000	2012 £'000
Allotted, issued and fully paid:		
7,965,188 ordinary shares of 25p each (2012: 7,965,168)	**1,991**	1,991
1,639,652 subscription shares of 1p each (2012: 1,639,672)	**16**	16
	2,007	2,007

There were 1,639,652 subscription shares of 1p each in issue at 31 October 2013 (31 October 2012: 1,639,672). The subscription shares were issued, as a bonus issue to the ordinary shareholders, on 19 January 2007. During the year ended 31 October 2013, 20 of the Company's subscription shares were converted into ordinary shares (2012: none). Subscription shareholders have an opportunity to convert their subscription shares into ordinary shares, at the conversion price of 936p per share, in each of the years 2009 to 2014 inclusive.

17 Capital redemption reserve and other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Other capital reserves total £'000
At 1 November 2012	2,415	17,487	10,915	28,402
Transfer on disposal of investments	–	2,068	(2,068)	–
Net gains on investments	–	2,877	19,089	21,966
Expenses and finance charges allocated to capital	–	(279)	–	(279)
At 31 October 2013	**2,415**	**22,153**	**27,936**	**50,089**

The consideration paid on share buy-backs in the year totalled £nil.

Notes to the Financial Statements

continued

17 **Capital redemption reserve and other capital reserves** (continued)	**Capital redemption reserve £'000**	**Capital reserve arising on investments sold £'000**	**Capital reserve arising on revaluation of investments held £'000**	**Other capital reserves total £'000**
At 1 November 2011	2,390	19,674	880	20,554
Transfer on disposal of investments	–	(3,545)	3,545	–
Net gains on investments	–	1,953	6,490	8,443
Share buy-backs	25	(351)	–	(351)
Expenses and finance charges allocated to capital	–	(244)	–	(244)
At 31 October 2012	2,415	17,487	10,915	28,402

The consideration paid on share buy-backs in 2012 totalled £351,000.

18 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 £70,434,000 (2012: £48,490,000) and on the 7,965,188 ordinary shares in issue at 31 October 2013 (2012: 7,965,168). 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 2012: no dilution).

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

	2013 £'000	2012 £'000
Total net assets at 1 November	**48,490**	40,408
Total net return	**22,685**	9,070
Dividends paid in the year	**(741)**	(637)
Share buy-backs	**–**	(351)
Total net assets at 31 October	**70,434**	48,490

19 **Reconciliation of net return on ordinary activities before taxation to net cash flow from operating activities**	**2013 £'000**	2012 £'000
Net total return on ordinary activities before finance charges and taxation	**22,843**	9,258
Less: capital return on ordinary activities before finance charges and taxation	**(21,766)**	(8,293)
Net revenue return on ordinary activities before finance charges and taxation	**1,077**	965
Increase in prepayments and accrued income	**(1)**	(36)
Increase in other creditors	**31**	40
Management fees charged to capital return	**(200)**	(150)
Net cash inflow from operating activities	**907**	819

Notes to the Financial Statements

continued

20 **Analysis of changes in net debt**	1 November 2012 £'000	Cash flow £'000	**31 October 2013 £'000**
Cash at bank	249	(17)	**232**
Liquid resources	2	–	**2**
Bank loans falling due within one year	(7,500)	(1,347)	**(8,847)**
Net debt	(7,249)	(1,364)	**(8,613)**

Analysis of changes in net debt	1 November 2011 £'000	Cash flow £'000	31 October 2012 £'000
Cash at bank	180	69	249
Liquid resources	181	(179)	2
Bank loans falling due within one year	(7,100)	(400)	(7,500)
Net debt	(6,739)	(510)	(7,249)

21 Capital commitments and contingent commitments

Capital commitments

There were no capital commitments at 31 October 2013 (2012: £nil).

Contingent commitments

At 31 October 2013 there were no commitments in respect of sub-underwriting (2012: £nil).

22 Transactions with the Manager

Under the terms of the management agreement, the Company has appointed wholly owned subsidiary companies of Henderson Group plc ('Henderson') to provide investment management, accounting, administrative and company secretarial services. Henderson has contracted with BNP Paribas Securities Services to provide accounting and administrative services.

Details of the fee arrangements with the Manager for these services are given on pages 16 and 17 in the Report of the Directors. The fees payable under these arrangements are shown in note 5 on page 41. The other fees payable to the Manager are shown in note 6 on page 42.

The management fees payable to Henderson under this agreement in respect of the year ended 31 October 2013 were £400,000 (2012: £300,000) of which £149,000 was outstanding at 31 October 2013 (2012: £107,000). No performance fee was payable to Henderson in respect of the year ended 31 October 2013 (2012: £nil).

In addition to the above services, Henderson has provided the Company with marketing services. The total fees payable for these services for the year ended 31 October 2013 were £23,000 (excluding VAT) (2012: £14,000), of which £10,000 was outstanding at 31 October 2013 (2012: £5,000).

23 Post Balance Sheet event

Since the year end, the Board has agreed a revision to the accounting policy and, with effect from 1 November 2013, all investment management fees and finance costs will be allocated 70% to the capital return and 30% to the revenue return. Any performance fee payable will be allocated 100% to the capital return.

Independent Auditors' Report

to the members of Henderson Opportunities Trust plc

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 October 2013 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Henderson Opportunities Trust plc (the 'Company'), comprise:

- the balance sheet as at 31 October 2013;
- the income statement for the year then ended;
- the reconciliation of movements in shareholders' funds for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined an overall materiality for the financial statements as a whole of £704,000 which is approximately 1% of Net Assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company is a standalone Investment Trust Company managed by an independent investment manager, Henderson Global Investors Limited (the 'Manager').

The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the Manager. The Manager has, with the consent of the directors, delegated the provision of certain administrative functions to BNP Paribas Securities Services (the 'Company Administrator').

In establishing the overall approach to our audit we assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Independent Auditors' Report

continued

Areas of particular audit focus

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 29 and 30.

Area of focus	*How the scope of our audit addressed the area of focus*
Valuation and existence of investments We focused on this area because investments represent the principal element of the financial statements.	The majority of the investment portfolio comprised listed equity investments. We tested the valuation of this investment portfolio by agreeing the valuation of investments to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider management override of controls.	We tested journal entries to determine whether adjustments were supported by evidence and appropriately authorised. We also built an element of 'unpredictability' into our detailed testing.

Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on page 18, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinion on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Corporate Governance Statement set out on pages 25 to 28 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report

continued

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 25 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On pages 29 to 30, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2014

Shareholder Information

Ten Year Historical Record (unaudited)

Year ended 31 October	Total assets less current liabilities in £'000	Net asset value per ordinary share in pence	Revenue return per ordinary share in pence(2)	Dividend per ordinary share in pence
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(1)	62,283	758.8	7.08	6.00
2008	26,248	319.8	17.72	15.50
2009	35,889	437.2	11.38	10.50
2010	42,898	532.0	7.40	6.50
2011	40,408	501.0	7.94	7.00
2012	48,490	608.8	10.92	9.00
2013	**70,434**	**884.3**	**12.53**	**10.50**

Notes

1. 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 2013 the net asset value attributable to each subscription share was nil.

2. The revenue return figures for the years prior to 2006 have not been adjusted for the decision, made with effect from 1 November 2005, to allocate a proportion of the management and finance costs to the capital return.

Notes on the Bonus Issue of Subscription Shares (unaudited)

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.

2014 is the final conversion opportunity. After 29 April 2014 the subscription shares will no longer carry any rights. Please refer to the Subscription Share Circular for full details.

Shareholder Information
Glossary of Terms

Dividend yield
The total annual dividend expressed as a percentage of the share price.

Gearing
The gearing percentage reflects the amount of net borrowings the Company has used to invest in the market. In a falling market, the gearing effect will normally make a negative contribution to performance, whereas in a rising market it will normally make a positive contribution.

There are several methods of calculating gearing and the following has been selected: Total assets less cash and cash equivalents as a percentage of equity shareholders' funds minus 100, in accordance with AIC guidelines.

Investment trusts
Investment trusts are public limited companies, quoted on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on the realisation of investments. Most of the revenue, net of expenses and any tax, is distributed to shareholders as dividend.

Performance attribution analysis
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

This is broken down to show the effect of stock selection, gearing, expenses and changes in share capital made during the year. In a falling market, the gearing effect will have a negative contribution to performance, whereas in a rising market it will have a positive contribution.

Net Asset Value ('NAV') per ordinary share
The value of the Company's assets (investments and cash held) less any liabilities (including bank loans and overdraft) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV per share is published daily.

Net chargeable assets
Defined as total assets less current liabilities before deducting prior charges; prior charges include any short term borrowings to be used for investment purposes.

Ongoing charges
Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs.

Premium/discount
The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV.

Total return
The return on the share price or net asset value per share taking into account both the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for net asset value total return).

Warning to Shareholders

Shareholders should be wary of unsolicited telephone calls or correspondence concerning the Company and offering investment advice, offers to buy shares at a discount or free company reports.

It is extremely unlikely the Company, its Manager (Henderson Global Investors) or its Registrar (Computershare Investor Services) would make unsolicited telephone calls to shareholders. In the event that the Company or its advisers did make unsolicited calls, shareholders would never be asked to confirm their personal details and such calls would relate only to official documentation already circulated to shareholders and never be in respect of offering investment advice, or unpublished investment or financial information regarding the Company.

If you are in any doubt about the veracity of an unsolicited phone call, please contact the Company Secretary by email to help@henderson.com or telephone 020 7818 1818.

Shareholder Information
General Information

History and background
The Company was incorporated and was listed in 1985 as Strata Investments plc. In January 1992 the name was changed to Henderson Strata Investments plc and in January 2007 to Henderson Opportunities Trust plc.

The Company's original mandate was to invest in smaller companies across the international markets, and 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 became 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 AIC UK Growth sector.

Shareholders have the opportunity to vote every three years on the continued life of the Company: the next vote is scheduled for the AGM in 2014.

Share Price Listing
The market price of the Company's ordinary shares can be found in 'The Financial Times', which also shows figures for the estimated NAV and discount.

Disability Act
Copies of this Report and Financial Statements 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 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.

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.

Investors in Halifax Share Dealing Limited products and Henderson ISAs receive all shareholder communications. A form of instruction is provided to facilitate voting at general meetings of the Company.

FCA Restrictions
The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFA's to ordinary retail investors in accordance with Financial Conduct Authority's ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Keeping up to date with Henderson Opportunities

Website
For more information about the Company visit the website at:
www.hendersonopportunitiestrust.com

HGi
HGi is a content platform provided by Henderson that offers a new level of online personalisation where you can 'follow' investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

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Shareholder Information
Directors and other Information

Directors
George Burnett (Chairman)
Peter Jones
Chris Hills
Max King
Peter May (Chairman of the Audit Committee)

Manager
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201 Bishopsgate
London EC2M 3AE
represented by James Henderson and Colin Hughes

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

Corporate Company Secretary
Henderson Secretarial Services Limited,
represented by Rachel Peat ACIS
Telephone: 020 7818 1818
Email: help@henderson.com

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The Company is a member of:

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Canary Wharf
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Custodian

JPMorgan Chase Bank N.A.
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EPIC:	HOT
LEI:	2138005D884NPGHFQS77

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LONDON STOCK EXCHANGE

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