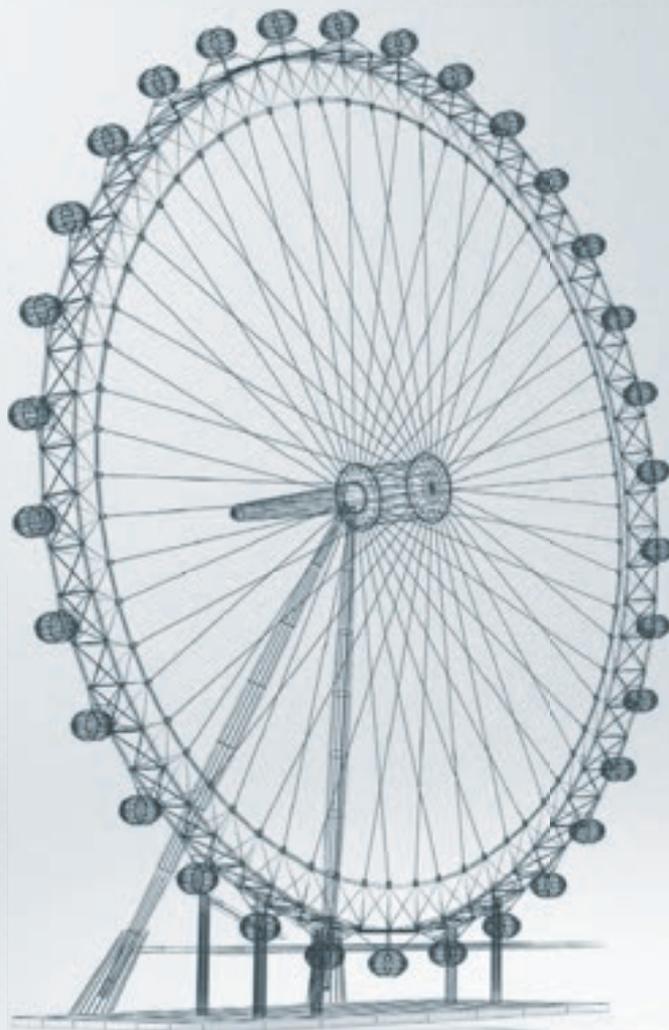


# HENDERSON VALUE TRUST PLC

Annual Report 2014



MANAGED BY

**Henderson**  
GLOBAL INVESTORS

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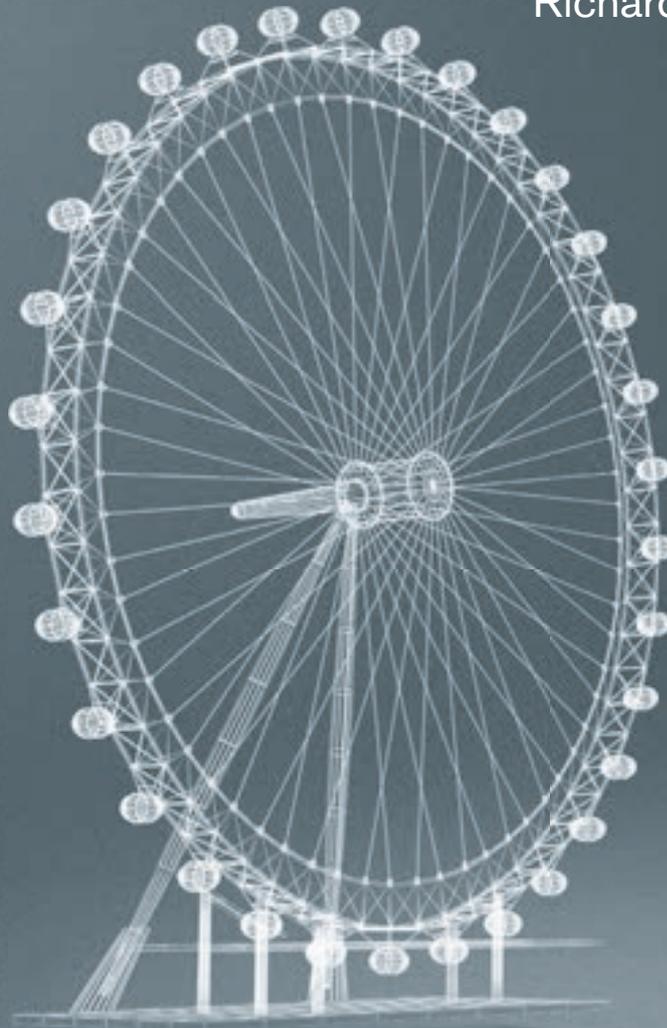
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## Strategic Report

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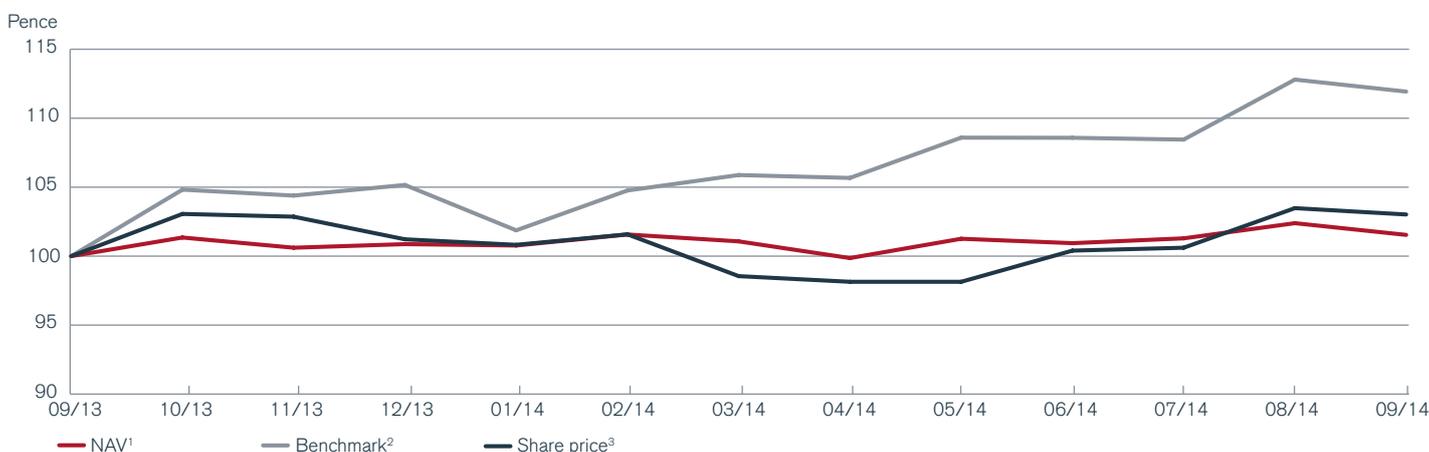
**“The Company delivered share price and NAV total returns of 3.0% and 1.6% respectively during the year. Although modest, these were achieved during a period of major transition as Henderson reached the half-way point in its three-year restructuring plan for the Company’s investment portfolio. We expect performance to improve steadily to acceptable and sustainable levels as the restructuring reaches completion and the new portfolio matures.”**

Richard Gubbins, Chairman



# Strategic Report: Performance Highlights

Total Return Performance for year to 30 September 2014  
(rebased to 100)



NAV per ordinary share

2014 **291.9p** 2013 **290.2p**

Share price per ordinary share

2014 **250.9p** 2013 **245.0p**

Discount<sup>4</sup>

2014 **14.1%** 2013 **15.6%**

Number of investments

2014 **58** 2013 **71**

Total return per ordinary share

2014 **3.2p** 2013 **11.9p**

Market capitalisation (millions)

2014 **£119.8** 2013 **£117.0**

Dividend for year<sup>5</sup>

2014 **3.0p** 2013 **1.5p**

Ongoing charge for year

2014 **0.93%** 2013 **0.84%**

1 Net asset value total return (including dividends reinvested)

2 FTSE World Index total return in sterling terms

3 Share price total return

4 Calculated using year-end audited NAVs including current year revenue

5 2014 dividend subject to approval at the AGM to be held on 19 December 2014

Sources: Morningstar Funddata, Henderson, Datastream

# Strategic Report: Business Model

The Company's strategy is to meet its investment objective. This is achieved through the appointment of external management which operates in accordance with the Company's investment policy.

## Investment Objective

The Company exploits global opportunities to provide long-term growth to shareholders via a diversified, international, multi-strategy portfolio which offers access also to specialist funds including hedge and private equity. The Company aims to outperform the FTSE World Index on a total return basis.

## Investment Policy

In February 2014 an amended investment policy was approved by shareholders at a General Meeting of the Company. The current policy is detailed below.

### Investments

The portfolio will comprise investments which are considered to have attractive medium to long-term return potential and a specialist or alternative asset focus. Specialist investments will target particular geographies or sectors and alternative investments will be focused on the private equity, hedge and property asset classes. There will be a minimum of 30 individual investments.

### Investment instruments

The Company aims to achieve its investment objective by investing in listed or unlisted closed-end investment funds, open-ended investment funds, listed or unlisted company shares, exchange traded funds, contracts for difference ("CFDs"), and warrants and related instruments.

### Investment of cash resources

In the event the Company has significant cash resources it will typically invest in UK government securities or money market funds.

### Benchmark

The Company's benchmark, the FTSE World Index, is a global equity market which provides the Company with a total return target for its investment portfolio. Given the flexibility of the Company's investment mandate, the pursuit of the Company's investment objective may result in the geographical weightings of its investment portfolio deviating significantly from the geographical weightings of the benchmark index. The investment portfolio may also include a significant number of unlisted investments which are not represented in the benchmark index.

### Limits

The following limits address the need for maintaining an appropriate degree of portfolio diversification in relation to asset class, geography, sector, gearing and underlying portfolio liquidity:

- individual investments shall not exceed 10% of total portfolio value;
- investments in private equity funds shall not exceed 35% of total portfolio value;

- investments in hedge funds shall not exceed 20% of total portfolio value;
- investments in property funds shall not exceed 20% of total portfolio value;
- no more than 50% of total portfolio value shall be invested in emerging or frontier markets on a look-through basis;
- no more than 20% of total portfolio value shall be invested in one sector on a look-through basis;
- unlisted investments without redemption rights shall not exceed 20% of total portfolio value;
- borrowings and long-only CFDs' exposure shall not exceed 20% of the Company's net asset value on a combined basis; and
- portfolio hedging exposure shall not exceed 20% of the Company's net asset value.

For the purposes of the above limits, total portfolio value equals the total value of portfolio investments and excludes cash or cash equivalents.

The limits apply at the time a new investment is made. To the extent a limit is exceeded as a result of changes in the value of investments, the Manager will seek to manage the position in a manner consistent with the best interests of Shareholders.

## Management

The Company has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager in accordance with an agreement effective from 22 July 2014 which is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited. Both entities are authorised and regulated by the Financial Conduct Authority. References to Henderson within this report refer to the services provided by both entities.

The management fee is charged at a rate of 0.7% per annum. Fees are payable quarterly in arrears based on the level of net chargeable assets at the relevant quarter end.

When Henderson took over management of the portfolio on 1 April 2013, the portfolio was jointly managed by Ian Barrass and Paul Craig. Earlier this year it was announced that James de Bunsen had replaced Paul Craig as joint Fund Manager.

Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services. Rachel Peat ACIS acts as Company Secretary on behalf of Henderson Secretarial Services Limited.

# Strategic Report: Chairman's Statement



## The Chairman of the Company, Richard Gubbins, reports on the year to 30 September 2014

It is now 18 months since Henderson Global Investors took over the management of your Company. During that period major changes have been initiated. The portfolio changes are fully covered in the Managers' report.

The Board resolved to respond to investor concerns about past performance by making changes wherever necessary. We have changed the Manager, the Auditors and new Directors have been appointed.

## Performance

The Company delivered share price and NAV total returns of 3.0% and 1.6% respectively during the year. Although modest, these were achieved during a period of major transition as Henderson reached the half-way point in its three-year restructuring plan for the Company's investment portfolio. We expect performance to improve steadily to acceptable and sustainable levels as the restructuring reaches completion and the new portfolio matures.

Performance was below the Company's FTSE World Index benchmark, which returned 11.9% during the period. As in the prior year, this reflected the fact that the benchmark return was driven by strong performance in some of the world's developed equity markets, particularly the US. In contrast, the Company's portfolio is biased towards specialist and alternative asset funds whose performance may be driven more by stock-specific or sector issues. In addition, the Company has a significant weighting towards emerging markets. The Board will be reviewing the suitability of the benchmark, which has been in place since the Company's inception in 1991, in the first quarter of 2015.

## Strategy

Henderson has adopted a clear and consistent strategy for the Company's investment portfolio since becoming the Company's Investment Manager on 1 April 2013. This has centred on three key elements:

- moving the Company away from deep-value investing and to focus all new investment on good-quality specialist and alternative asset funds which Henderson believes are capable of delivering acceptable returns;

- treating all legacy holdings on their individual merits in an effort to protect and maximise shareholder value across a complex and sometimes illiquid legacy portfolio; and
- adopting a transparent and disciplined approach to portfolio construction employing appropriate portfolio risk limits.

The Board supports the strategy outlined above and believes that Henderson is implementing its restructuring plan in a measured and methodical way. Although this means that the required changes to the Company's portfolio will not be fully complete for a further 18 months or so, the Board believes that the restructuring process will ultimately lead to a significant and sustainable improvement in the Company's long term performance.

## Dividend

Following the decision – announced in 2013 – of pursuing a more progressive dividend policy, the Company's recent investments have delivered a far higher investment income in the last year. Consequently, the board is proposing an increased dividend this year, 3.0p per share for 2014 (compared with 1.5p for 2013).

## Board Changes

Peter Hulse retired as a Director at the AGM held in February 2014 and Shane Ross resigned as a Director and Chairman earlier this month. Daniel Hodson, Senior Independent Director and Audit Committee Chairman will step down from the Board at the conclusion of the AGM in December. On behalf of the Company I should like to thank Peter, Shane and Daniel for their many years' service as Directors, in particular during the recent difficult period of change when they put in weeks of work and travel way beyond the normal demands made of non-executive directors.

Graham Oldroyd will be appointed Chairman of the Audit Committee following Daniel Hodson retiring from the Board.

## Tender Offers

The Board remains concerned at the consistently stubborn discount of the share price to net asset value. At the year end, the discount stood at 14.1%. We believe there are realistic prospects of a

# Strategic Report: Chairman's Statement (continued)

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narrower discount bearing in mind imminent changes in the portfolio aimed at an improved performance and the knowledge that our new Managers are still only part way through their restructuring programme.

Nevertheless, in the meantime we are giving shareholders the chance to benefit from a tender offer for up to 10% of the outstanding shares of the Company at a discount of 2% to net asset value less costs. The cash provided for this offer has already been generated by Henderson from the portfolio inherited in April 2013. This offer will be followed by a second tender offer for 10% of the Company's shares expected to be at a discount of 5% to net asset value per share, but only if the Company's shares have traded at an average discount wider than 10% during the twelve months to 30 September 2016. These tender offers will be conditional upon the passing of the continuation vote in December 2014. Full details of the first tender offer will be announced next week when the tender offer documentation will be despatched to shareholders along with the Annual Report.

Overall the Board believes that these tender offer proposals strike the right balance between responding to the Company's wide discount, preserving sufficient scale for the Company and leaving Henderson with adequate resources and flexibility to complete the reshaping of the Company's investment portfolio over the longer term.

## Continuation Vote

The Company's performance still leaves room for improvement but we are cognisant that the Company remains in a period of transition following the appointment of Henderson to manage the Company's portfolio. In accordance with the Company's Articles of Association and as previously indicated to shareholders, we are proposing a continuation vote as an ordinary resolution at the AGM in December 2014.

The Board is unanimously recommending that shareholders vote in favour of this resolution. In reaching its recommendation the Board has considered a number of factors including: the Company's performance, the Managers' strategy for dealing with legacy issues, the discount at which the shares have been trading and the

prospects for improvement in the rating of the shares in future, whilst recognising the benefits of a closed-ended structure to the effective execution of the Company's declared investment strategy.

At the same time, your Board has carried out a detailed review of the possible impact of the level of liquidity of the Company's underlying holdings were Henderson Value Trust to be discontinued. Our consideration has taken into account a number of factors including, being in a forced seller situation, the nature and illiquidity of certain investments in the portfolio, the length of time it would take to achieve a reasonable return for shareholders in securing realisations closer to net asset value together with potential volatility in future market conditions. Given the uncertainties and difficulties in undertaking such a realisation exercise and the Directors' belief that the Company will achieve a sustainable performance over the longer term that meets shareholder expectations, your Directors are of the unanimous view that the Company should continue. In accordance with the Articles of Association a further continuation vote will be put forward at the AGM to be held in respect of the financial year ending 30 September 2017 and at every third AGM thereafter.

I am delighted to have been appointed Chairman of your Company and to be leading a newly invigorated Board of Directors who have every confidence that Henderson Value Trust will achieve over the longer term a sustainable performance to satisfy the expectations of our shareholders. The future for Henderson Value Trust is now brighter than at any time in recent years.

Richard Gubbins  
Chairman  
20 November 2014

# Strategic Report: Portfolio Information

## Ten Largest Investments at 30 September 2014

Ranking 2014	Ranking 2013	Company	Principal activities	Geographical area	Valuation 2014 £'000	Portfolio %
1	5	Value Partners China Greenchip Limited <sup>3</sup>	Investment in listed companies	Greater China	6,002	5.0
2	1	Oryx International Growth Fund Limited <sup>2</sup>	Investment in medium and small sized listed and unlisted companies	UK and USA	5,480	4.6
3	4	Baring Vostok Investments Limited core <sup>1</sup>	Investment into Baring Vostok-managed limited partnerships investing in unlisted companies	Russia	5,394	4.5
4	n/a	BlackRock European Hedge Fund Limited <sup>3</sup>	Long and short investment in listed equities	Europe	5,057	4.2
5	3	BlackRock World Mining Trust Plc <sup>2</sup>	Investment in mining and metal assets primarily through listed securities	Global	5,041	4.2
6	n/a	NB Distressed Debt Investment Fund Limited – Global Shares <sup>2</sup>	Investment in unlisted secured, senior debt	Global	5,001	4.2
7	n/a	Polar Capital Global Financials Trust plc <sup>2</sup>	Investment in listed securities in the financial sector	Global	4,930	4.1
8	n/a	Weiss Korea Opportunity Fund Limited <sup>2</sup>	Investment in listed preferred shares	South Korea	4,277	3.6
9	6	Eurovestech plc <sup>1</sup>	Investment in unlisted technology companies	Europe	4,100	3.4
10	n/a	Blackstone/GSO Loan Financing Limited <sup>2</sup>	Investment in unlisted floating rate senior secured loans and CLO Income Notes	Europe	3,974	3.3
					<b>49,256</b>	<b>41.1</b>

<sup>1</sup>Listed on Minor Market

<sup>2</sup>Listed on Major Market

<sup>3</sup>Unlisted investment – with redemption rights

<sup>1</sup>Minor Market includes: Luxembourg Stock Exchange, Channel Islands Stock Exchange, Bermuda Stock Exchange, ISDX and LMMX

<sup>2</sup>Major Market includes: London Stock Exchange (full listing and AIM), Euronext and Singapore Stock Exchange

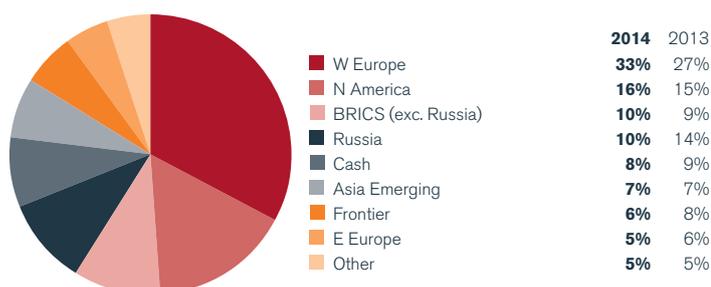
### Investment by type at the portfolio level



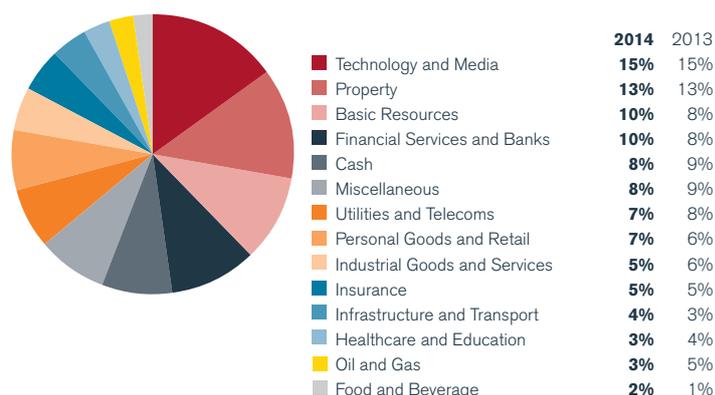
### Investment by focus at the portfolio level



### Investment by geography on a look-through basis



### Investment by sector on a look-through basis



Source: Henderson

# Strategic Report: Fund Managers' Report



Ian Barrass and James de Bunsen, Fund Managers, report on the year to 30 September 2014

## Key Achievements

The 30 September 2014 year-end marked 18 months since Henderson became the Company's Investment Manager and began the restructuring of the Company's investment portfolio.

We are now approximately half-way through the restructuring process which we estimate will take another 18 months to complete. This timeframe reflects that we are continuing with our strategy to pursue a measured approach to protecting and realising value from the Company's legacy portfolio. In addition, we are being disciplined in selecting only new investments which we believe meet our strict quality and target return thresholds.

Our key achievements to date during this 18 month period are outlined below.

- The Company's investment focus has been moved away from deep-value investing to an emphasis on building a portfolio of good-quality specialist and alternative asset funds.
- We have developed clear plans for all of the Company's legacy investments and also for long-term portfolio construction.
- Revised portfolio risk limits have been put in place and approved by shareholders.
- £45.5 million has been generated from the Company's legacy portfolio and £52.5 million has been invested by Henderson. At the year-end Henderson's selections represented 41% of the Company's total investments of £119.9 million and were performing satisfactorily.
- The Company's NAV and share price total returns have remained relatively stable during this period of major transition, despite a number of significant headwinds.
- Our marketing efforts have enabled us to start the process of rebuilding investor confidence and to raise the Company's market profile.
- We have increased the cash yield from the Company's investment portfolio in order to facilitate a significant and sustainable increase in the Company's level of dividend.

Although there is still much work to be done, we are becoming increasingly confident about the Company's prospects. We believe strongly that our focus on constructing a portfolio of good-quality specialist and alternative asset funds is laying the foundation for a significant improvement in the Company's performance.

## Continuation Vote

The prospect of stronger performance, combined with the well-balanced tender offer proposals outlined in the Chairman's Statement should, we hope, persuade shareholders to vote in favour of the Company's continuation for a further three years at the Company's AGM in December. This will give us time to complete our restructuring of the Company's investment portfolio and to demonstrate that the Company's rare and differentiated investment mandate is once again capable of delivering strong growth for investors.

## Performance during the Financial Year-Ended 30 September 2014

The Company delivered positive share price and NAV total returns of 3.0% and 1.6% respectively during the financial year. Although these were still well below the 11.9% delivered by the FTSE World Index benchmark, they were achieved despite the fact that our restructuring of the Company's investment portfolio is still work-in-progress.

The Company also faced some significant headwinds during the period. These included the strength of sterling and the underperformance of emerging markets compared with their developed counterparts. The Company's portfolio continues to contain a significant emerging market weighting whereas its benchmark is biased towards developed markets.

In addition, a number of the Company's holdings, both new and legacy, have a relatively low market beta with their performance being driven mainly by specific fund or sector issues rather than market movements. As a result, such holdings may not perform in line with markets in the short-term, but should have the potential to outperform over the longer-term, if they are of sufficient quality.

# Strategic Report: Fund Managers' Report (continued)

Finally, several funds purchased by Henderson during the year were themselves still deploying capital and had not yet achieved their full target returns.

## Discount

The Company saw a modest narrowing of its year-end share price discount to NAV per share from 15.6% to 14.1%. Whilst this improvement is welcome, the discount remains too high. Ultimately, it is improved investment performance and stronger demand for the Company's shares that will most likely lead to a sustained narrowing of the discount. In the meantime, we believe that the tender offer proposals outlined in the Chairman's Statement demonstrate the Board's determination to address this issue proactively.

## Contribution Analysis

The tables below show the five top and bottom contributors to the gross total return of the Company's investment portfolio (including cash and cash equivalents) during the financial year.

Top Five Contributors	Average Weight %	Contribution %
Oryx International Growth Fund Limited	5.05	0.61
Ecofin Water and Power Opportunities plc	1.92	0.59
SW Mitchell Small Cap European Fund	2.18	0.59
NB Private Equity Partners Limited	1.78	0.56
Value Partners China Greenchip Limited	3.89	0.46

Bottom Five Contributors	Average Weight %	Contribution %
Baring Vostok Investments Limited cell	3.12	-0.73
iO Adria Limited	0.53	-0.52
International Oil & Gas Technology Limited	0.75	-0.40
Denholm Hall Russia Arbitrage Fund B – Inv	0.61	-0.31
BlackRock World Mining Trust plc	4.04	-0.25

Source: Henderson

The top five contributors included two of our preferred legacy holdings, **Oryx International Growth Fund Limited** and the long/short **SW Mitchell Small Cap European Fund**, both of which delivered good returns as the UK and European small cap sectors performed well during the period. **Ecofin Water and Power Opportunities plc**, an investor in utility and utility-related companies, benefited from good NAV growth and improved governance. **NB Private Equity Partners Limited**, one of Henderson's new selections, also performed well as parts of the private equity sector continued to produce attractive returns. Finally, **Value Partners China Greenchip Limited**, a fund which invests in Hong Kong and Chinese listed growth stocks, and one of the Company's longest-standing investments, managed once again to deliver an attractive return.

The bottom five contributors, all of which were legacy holdings, were headed by **Baring Vostok Investments Limited cell**, a Channel Islands listed vehicle whose sole asset is a holding in Yandex Inc., the

listed Russian internet search engine. Yandex Inc. has, like most Russian investments, been volatile during 2014. It should, however, be noted that the company's trading performance continues to be robust and its stock price at the time of writing is still higher than on 1 April 2013. **iO Adria Limited**, a very illiquid Croatian real estate fund listed in Bermuda, finally lost its battle to restructure its bank debt and its relatively small remaining value was marked-down to zero. **International Oil & Gas Technology Limited**, a highly illiquid UK-listed investor in companies with technologies which improve productivity in the oil and gas sector, had a torrid year and required further funding to enable it to continue with the realisation of its remaining portfolio of three companies. The Company subscribed £0.1 million to the fund-raising. **Denholm Hall Russia Arbitrage Fund B-Investment**, an illiquid holding invested in a poor-performing portfolio of property-related assets in Russia, continued to suffer NAV erosion. Finally, **BlackRock World Mining Trust plc** suffered as a result of uncertainty in the mining sector.

Overall, investments made by Henderson since becoming the Company's investment manager contributed 2.3% to the Company's gross total return during the financial year-ended 30 September 2014. This compared with 0.0% (zero) from the Company's remaining legacy holdings.

## Portfolio Construction

At the year-end the Company held 58 investments. When fully restructured, the Company's investment portfolio will contain approximately 40 high-conviction holdings held across two tranches of "core" and "tactical" selections. Core holdings will comprise around 75% of portfolio value and will be a mixture of listed and unlisted stocks with an emphasis on a bottom-up selection process. They will typically be held for an average of three years. The rest of the portfolio will contain tactical investments. They will be mainly listed and will be held for shorter periods to take advantage of particular special situations or sector-specific opportunities. In all cases investments will be required to satisfy our due diligence process in relation to quality and projected levels of financial return.

At the year-end the Company's portfolio construction could be summarised as follows:

CORE TRANCHE (Guideline 75%)	TACTICAL TRANCHE (Guideline 25%)	REALISATION TRANCHE
Listed and Unlisted	Mainly Listed	Listed and Unlisted
25 Holdings 70% of Total Investments Value: £84.2m	13 Holdings 16% of Total Investments Value: £18.5m	20 Holdings 14% of Total Investments Value: £17.2m

Source: Henderson

During the year our new purchase programme continued to focus on developing the listed part of the Company's core portfolio tranche. At the year-end the core portfolio contained a total of 25 investments with a value of £84.2 million representing 70% of total investments. 16 of these were Henderson selections along with nine legacy holdings. Some of the new purchases are described in more detail later in this report. More changes are still needed, but this part of the portfolio is now relatively stable.

# Strategic Report: Fund Managers' Report (continued)

By contrast, the 13 investments held in the tactical tranche of the portfolio at the year-end were all legacy holdings earmarked for disposal at some point over the next 18 months. The tactical tranche is therefore currently a holding-pen as we seek to maximise value for these investments which, at the year-end, had a value of £18.5 million, or 16% of total investments.

At the year-end the investment portfolio also contained a further 20 legacy holdings that are in some form of realisation process, a number of which are relatively illiquid. This self-liquidating tranche of the Company's portfolio had a year-end value of £17.2 million, or 14% of total investments. Most of these holdings are of acceptable quality and, we believe, over the next 18 months, have the potential to generate cash proceeds slightly above their combined carrying value.

We therefore expect that the existing tactical tranche of the portfolio combined with investments currently in their own realisation process are capable of generating cash of around £40 million over the next 18 months. This, together with the £16.4 million of freely accessible cash and cash equivalents already held by the Company at the year-end, will provide the funding for the completion of our portfolio restructuring and for any tender offers.

## Portfolio Activity

### Purchases

The first of our two key priorities outlined in last year's annual report was to continue to deploy the Company's capital in a measured way into good-quality specialist and alternative asset funds across the Company's five target investment areas. These are funds focused on specialist sectors and geographies or else the private equity, hedge or property markets.

We invested a total of £31.6 million during the year. This was spread across seven completely new holdings, five additions to previous Henderson selections and two modest investments in legacy holdings.

Our investment activity was centred mainly on certain specialist sectors which we believe offered compelling risk-adjusted returns. These included the credit sector where we invested in funds focused on secured loans, distressed debt and property lending. There were also attractive opportunities in the renewable energy sector. In addition, we invested in one high quality long/short European equity hedge fund in order to start rebuilding the Company's hedge fund sleeve. Some of the specific investment highlights during the year are described below.

In the credit fund arena we invested £4.0 million into **Blackstone/GSO Loan Financing Limited**, a UK-listed vehicle with an experienced and market-leading manager focused on the European secured loans market. We increased our position in the UK-listed **NB Distressed Debt Investment Fund Limited** by investing £5.0 million in its new Global Share class which is targeting distressed debt opportunities in Europe, Australia and the US. We also added £1.6 million to our holding in **Real Estate Credit Investments PCC Limited**, a UK-listed vehicle focused increasingly on UK property direct lending opportunities where traditional bank funding is now much harder to obtain.

In the renewable energy sector we added £0.6 million to our position in **The Renewables Infrastructure Group Limited**, a UK-listed fund with a high-quality portfolio of fully operational, cash generative wind and solar projects in the UK and France. We also made a €7.5 million commitment to **Renewable Energy and Infrastructure Fund II**, an unlisted fund with a mandate to develop a diversified portfolio of renewable energy projects across Europe. The managers of both these funds have extensive and successful experience of the renewable energy sector.

We invested £5.0 million in **BlackRock European Hedge Fund Limited** while it was briefly re-opened to investors during the summer. The fund has a strong track record and its long/short mandate provides scope for good performance in all market conditions.

It should be noted that nearly all of our investment activity during the year was focused on increasing the quality of the core tranche of the Company's investment portfolio (see Portfolio Construction). We did, however, make one of our own tactical tranche investments during the year. This was a £2.3 million investment in **BlackRock Latin American Investment Trust plc** which was purchased to take advantage of what we believed to be oversold Latin American markets at the end of 2013. We subsequently exited this investment in September 2014 having achieved our target return.

### Sales, Redemptions and Capital Returns

£24.5 million of cash was generated from the legacy portfolio during the year through over 50 separate events including sales, redemptions and capital returns.

In some cases disposals followed periods of good share performance from holdings which would not, longer-term, form part of the Company's core portfolio. A good example of this was **Northern Investors Company plc**, a UK-listed private equity fund focused on small and medium sized businesses in northern England. This fund adopted a realisation strategy in 2011 which has to date been executed well leading to significant returns of cash. The resulting narrowing of the fund's discount created an attractive exit point generating a total of £2.1 million for the Company. Other UK-listed investments sold following good performance were **Crystal Amber Fund Limited** (£1.8 million) and **Jupiter European Opportunities Trust plc** (£2.1 million), a CFD holding.

We also sought opportunities to reduce certain illiquid legacy investments which, although of longer-term core tranche quality, were too large a part of the portfolio. For example, we found £3.3 million of market liquidity for the Company's successful investment in **Oryx International Growth Fund Limited**, a UK-listed activist investor in UK and US small cap companies. As a result, this holding represented a more comfortable 4.6% of the Company's total investments at the year-end compared with 6.8% the year before.

Less positively, it was necessary to sell several legacy holdings which we believed had uncertain or deteriorating prospects. For example, we disposed of the Company's entire holding in **Baker Steel Resources Trust plc**, a UK-listed investor in early-stage natural resource companies, for £0.7 million. This followed a period of poor NAV performance and reflected our concerns regarding the outlook

# Strategic Report: Fund Managers' Report (continued)

for some of the fund's investee companies. In view of the uncertainties created by the situation in the Ukraine, we also exited the Company's investment in **JP Morgan Russian Securities plc**, a CFD holding. This realised £0.5 million as we sought to reduce exposure to Russia, one of the largest geographic weightings in the Company's legacy portfolio. This sale, combined with capital returns from **Prosperity Voshkod Fund Limited** and **Baring Vostok Investments Limited cell**, helped us to manage Russian exposure down to 10% of the Company's total investments at the year-end compared with 14% the previous year.

We also received a steady flow of cash from investments that are in some form of realisation process. Although this self-liquidating tranche of the Company's portfolio comprises relatively illiquid holdings, investment quality is generally acceptable. Two unlisted funds performed particularly well following successful exits from their own investments. These were **Century Capital Partners IV, L.P.** (private equity in US financial services) and **Zouk Solar Opportunities Limited** (UK and Italian solar parks). These funds produced combined cash proceeds of £3.8 million.

## Marketing Activities

The second of our two key priorities outlined in last year's annual report was to increase significantly our marketing activities to generate renewed interest in the Company's shares. This process began in earnest at the start of the calendar year, by which time we had refocused the Company's investment strategy on quality rather than deep-value investing, adopted a preferred portfolio construction, put in place revised portfolio risk limits and made a number of initial investments and disposals.

Our marketing efforts have taken several forms. A significant number of meetings and calls have been held with existing, previous and potential shareholders. We have also obtained a good level of national and trade media coverage and have communicated regularly with the market through the Company's Henderson sponsored website. As a result of these efforts it has been pleasing to see some buying interest despite the fact that the Company is going through a major portfolio restructuring. More generally, we have managed to increase the market's level of awareness regarding the changes at the Company. On the assumption that the continuation vote is passed, we will renew our marketing efforts early in 2015.

## Dividend

In last year's annual report we mentioned that a number of our initial new investment selections would increase the level of cash yield from the Company's portfolio and that this would help to facilitate the development of a more progressive dividend policy. During the financial year-ended 30 September 2014 we continued to seek new investments with attractive income characteristics. As a result, the Board has been able to announce a dividend of 3.0p per share compared with last year's 1.5p, an increase of 100%. Although the Company will continue to seek most of its total return from capital growth, we do believe shareholders have welcomed our successful initiative to increase the cash component of the Company's total return.

## Outlook

At the time of writing world equity markets have just experienced another period of nervousness regarding levels of global growth. Although the US and UK economies are performing reasonably well, doubts over the Eurozone and China combined with a degree of geopolitical instability have increased short-term concerns amongst investors.

Although these macro-economic issues influence our thinking to some degree, they are not our main focus. We are not "top-down" asset allocators. Our job is to construct a portfolio of specialist and alternative asset funds which, over the longer-term, can consistently outperform our mainly developed world equity market benchmark. Building such a portfolio is largely a "bottom-up" exercise, identifying managers who have particular expertise in specialist markets or sectors. In addition, it is imperative that we focus on funds with good quality assets, by which we mean assets with genuine growth and income potential and, ideally, good defensive characteristics. Our due diligence processes for fund selection are therefore key to the Company's long-term success, and we will not compromise on our quality, entry price and target return requirements.

We are becoming increasingly positive about the outlook for the Company for a number of reasons. For example, our new purchases are performing satisfactorily even though, in some cases, they have yet to complete their own capital deployment programmes and are therefore not yet contributing their full target return. We also continue to identify a good flow of new investment opportunities and have made three more good-quality investments in the private equity, hedge fund and property sectors since the year-end. The legacy portfolio is generating good levels of cash flow for redeployment in higher-quality funds and also to finance the proposed cash returns to shareholders. Finally, the Company's dividend has been increased significantly.

We are now half-way through our restructuring of the Company's investment portfolio. We have a clear strategy and are endeavouring to build a good-quality portfolio. We hope that shareholders will vote to give us the opportunity to "finish the job" by voting in favour of the Company's continuation this December.

Ian Barrass and James de Bunsen  
Fund Managers  
20 November 2014

# Investment Portfolio at 30 September 2014

Investments (excluding CFDs)	Focus	Market Value £'000	Portfolio %
Value Partners China Greenchip Limited <sup>3</sup>	Specialist Geography	6,002	5.0
Oryx International Growth Fund Limited <sup>2</sup>	Specialist Sector	5,480	4.6
Baring Vostok Investments Limited core <sup>1</sup>	Private Equity	5,394	4.5
BlackRock European Hedge Fund Limited <sup>3</sup>	Hedge	5,057	4.2
BlackRock World Mining Trust plc <sup>2</sup>	Specialist Sector	5,041	4.2
NB Distressed Debt Investment Fund Limited – Global Shares <sup>2</sup>	Specialist Sector	5,001	4.2
Polar Capital Global Financials Trust plc <sup>2</sup>	Specialist Sector	4,930	4.1
Weiss Korea Opportunity Fund Limited <sup>2</sup>	Specialist Geography	4,277	3.6
Eurovestech plc <sup>1</sup>	Private Equity	4,100	3.4
Blackstone/GSO Loan Financing Limited <sup>2</sup>	Specialist Sector	3,974	3.3
<b>Ten largest</b>		<b>49,256</b>	<b>41.1</b>
SW Mitchell Small Cap European Fund <sup>3</sup>	Hedge	3,794	3.2
Metage Emerging Markets Opportunities Fund <sup>3</sup>	Hedge	3,733	3.1
CEIBA Investments Limited <sup>4</sup>	Property	3,512	2.9
Standard Life European Private Equity Trust plc <sup>2</sup>	Private Equity	3,450	2.9
Firebird Republics Fund Limited <sup>3</sup>	Specialist Geography	3,358	2.8
Chenavari Capital Solutions Limited <sup>2</sup>	Specialist Sector	3,180	2.7
The Renewables Infrastructure Group Limited <sup>2</sup>	Specialist Sector	3,174	2.6
NB Private Equity Partners Limited <sup>2</sup>	Private Equity	3,170	2.6
Prospect Japan Fund Limited <sup>2</sup>	Specialist Geography	3,040	2.5
City Natural Resources High Yield Trust plc <sup>2</sup>	Specialist Sector	2,959	2.5
<b>Twenty largest</b>		<b>82,626</b>	<b>68.9</b>
Baring Vostok Investments Limited cell <sup>1</sup>	Private Equity	2,927	2.4
Real Estate Credit Investments PCC Limited <sup>2</sup>	Specialist Sector	2,703	2.3
Tetragon Financial Group Limited <sup>2</sup>	Specialist Sector	2,584	2.2
Firebird New Russia Fund Limited <sup>3</sup>	Specialist Geography	2,412	2.0
Blue Capital Global Reinsurance Fund Limited <sup>2</sup>	Specialist Sector	2,408	2.0
NB Distressed Debt Investment Fund Limited – Extended Life Shares <sup>2</sup>	Specialist Sector	2,246	1.9
ASM Asian Recovery Fund <sup>4</sup>	Hedge	2,132	1.8
IP Fund SPC – VBF Segregated Portfolio – Class A <sup>3</sup>	Specialist Geography	2,014	1.7
Century Capital Partners IV L.P. <sup>4</sup>	Private Equity	1,964	1.6
BP Marsh & Partners plc <sup>2</sup>	Private Equity	1,890	1.6
<b>Thirty largest</b>		<b>105,906</b>	<b>88.4</b>
IP Fund SPC – VBF Segregated Portfolio – Class C <sup>3</sup>	Specialist Geography	1,368	1.1
Firebird Republics Fund SPV <sup>4</sup>	Specialist Geography	1,291	1.1
Zouk Solar Opportunities Limited <sup>4</sup>	Specialist Sector	1,225	1.0
Amber Trust SCA <sup>4</sup>	Private Equity	1,208	1.0
Prosperity Voskhod Fund Limited <sup>4</sup>	Specialist Geography	1,165	1.0
South African Property Opportunities plc <sup>2</sup>	Property	1,094	0.9
EPE Special Opportunities plc – CULS <sup>1</sup>	Private Equity	980	0.8
Ludgate Environmental Fund Limited <sup>2</sup>	Specialist Sector	972	0.8
EPE Special Opportunities plc – Ordinary <sup>2</sup>	Private Equity	686	0.6
Acheron Portfolio Corporation – A Shares <sup>1</sup>	Specialist Sector	532	0.4
<b>Forty largest</b>		<b>116,427</b>	<b>97.1</b>

# Investment Portfolio at 30 September 2014 (continued)

Investments (excluding CFDs)	Focus	Market Value £'000	Portfolio %
International Oil & Gas Technology Limited <sup>2</sup>	Specialist Sector	478	0.4
Steel Partners China Access I L.P. <sup>4</sup>	Private Equity	411	0.3
Denholm Hall Russia Arbitrage Fund B – Investment <sup>4</sup>	Hedge	405	0.3
Forterra Trust <sup>2</sup>	Property	394	0.3
Renewable Energy and Infrastructure Fund II <sup>4</sup>	Specialist Sector	355	0.3
Armadillo Investments Limited <sup>4</sup>	Liquidation	152	0.1
Denholm Hall Russia Arbitrage Fund B – Redemption <sup>4</sup>	Hedge	96	0.1
Geiger Counter Limited <sup>2</sup>	Specialist Sector	80	0.1
Value Catalyst Fund Limited <sup>4</sup>	Specialist Sector	75	0.1
Strathdon Investments plc <sup>4</sup>	Specialist Sector	67	0.1
<b>Fifty largest</b>		<b>118,940</b>	<b>99.2</b>
Polar Capital Global Financials Trust plc – Subscription Shares <sup>2</sup>	Specialist Sector	53	0.0
Low Carbon Accelerator Limited <sup>4</sup>	Liquidation	36	0.0
China CDM Exchange Centre Limited <sup>1</sup>	Specialist Sector	1	0.0
iO Adria Limited <sup>1</sup>	Property	0	0.0
Buena Vista Latin America Fund Limited <sup>4</sup>	Property	0	0.0
Thompson Clive Investments Plc <sup>4</sup>	Liquidation	0	0.0
Buena Vista Latin America Limited – CULS <sup>4</sup>	Property	0	0.0
<b>Total Investments (excluding CFDs)</b>		<b>119,030</b>	<b>99.2</b>

CFD Investments	Focus	Gross market exposure £'000	Fair value of CFD £'000	Portfolio %
Ecofin Water and Power Opportunities plc <sup>2</sup>	Specialist Sector	3,427	903	0.8
<b>Total Investments</b>			<b>119,933</b>	<b>100.0</b>

1 Listed on Minor Market

2 Listed on Major Market

3 Unlisted investment – with redemption rights

4 Unlisted investment – without redemption rights

1 Minor Market includes: Luxembourg Stock Exchange, Channel Islands Stock Exchange, Bermuda Stock Exchange, ISDX and LMMX

2 Major Market includes: London Stock Exchange (full listing and AIM), Euronext and Singapore Stock Exchange

# Strategic Report: Historical Performance and Financial Information

## Total Return Performance

	1 year %	3 years %	5 years %	10 years %
NAV <sup>1</sup>	1.63	-6.95	4.04	36.34
Share price <sup>2</sup>	3.02	-11.50	0.73	30.86
Benchmark index <sup>3</sup>	11.93	56.80	65.10	139.95

## Ten Year Historical Performance to 30 September 2014 (rebased to 100)



## Financial Information

At 30 September	Net assets £'000	NAV p	Mid-market price per ordinary share p	Discount/ (premium) %	Profit/ (loss) for year £'000	Revenue return p	Capital return p	Total return p	Final dividend <sup>4</sup> p	Expenses <sup>5</sup> %
2005	159,407	293.73	274.50	6.5	38,381	0.75	70.90	71.65	2.25	0.81
2006	191,735	353.30	355.75	(0.7)	35,301	1.05	64.00	65.05	1.25	0.80
2007	241,444	426.81	420.00	1.6	41,021	1.05	72.95	74.00	1.25	0.77
2008	187,535	328.46	319.50	2.7	(55,503)	2.20	(99.92)	(97.72)	1.75	0.86
2009	166,521	291.66	259.75	10.9	(20,015)	2.18	(37.23)	(35.05)	2.00	0.91
2010	172,403	319.06	264.50	17.1	15,136	0.78	26.30	27.08	1.00	0.90
2011	170,082	320.85	289.50	9.8	1,215	2.33	(0.07)	2.26	2.00	0.93
2012	135,201	279.83	253.50	9.4	(20,851)	2.01	(42.89)	(40.88)	2.00	0.93
2013	138,580	290.20	245.00	15.6	5,700	0.85	11.07	11.92	1.50	0.84
<b>2014</b>	<b>139,408</b>	<b>291.94</b>	<b>250.88</b>	<b>14.1</b>	<b>1,544</b>	<b>3.53</b>	<b>(0.30)</b>	<b>3.23</b>	<b>3.00</b>	<b>0.93</b>

1 Net asset value per ordinary share with income reinvested for 1, 3 and 5 years and capital NAV plus income reinvested for 10 years. This is based on preliminary estimates made by the AIC, which is the industry recognised source for performance data, and does not reflect any subsequent change in the year end NAVs reflected in this report

2 Share price total return

3 FTSE World Index total return in sterling terms

4 2014 final dividend subject to approval at the AGM to be held on 19 December

5 Using total expense ratio methodology for 2011 and previous years (excluding incentive fees); ongoing charge methodology thereafter

Sources: Henderson, Morningstar for the AIC, Datastream, Morningstar Funddata

# Strategic Report: Key Information

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## Directors

The Directors appointed to the Board at the date of this report are:

### Richard Gubbins

**Position:** Chairman of the Board and of the Nominations and Management Committees

**Date of Appointment:** 25 July 2014

Richard is the Senior Corporate Partner of Ashurst LLP and for the past 18 years has had a senior role in developing business in Emerging Markets (South-East Asia (1996-2000), Russia (2004-2008) and India for the past 6 years). He is an independent member of the Audit Committee of The England and Wales Cricket Board, a director of The American European Business Association, a non-executive director of The Masuri Group Limited and an Advisor to The London Chamber Orchestra.

### Daniel Hodson

**Position:** Audit Committee Chairman and Senior Independent Director

**Date of Appointment:** 1 November 2004

Daniel is a non-executive director of Nasdaq OMX NLX Ltd and Chairman of Berry Palmer and Lyle Holdings Ltd. A previous Gresham Professor of Commerce, he was also CEO of the London International Financial Futures and Options Exchange (LIFFE), a non-executive director of London Clearing House plc, Rolfe and Nolan plc and The Post Office, Chairman of the Design and Artists Copyright Society and of the University of Winchester as well as being a director/governor/trustee of a number of private companies and not for profit organisations.

### Graham Fuller

**Position:** Director

**Date of Appointment:** 19 December 2007

Graham was a founding partner of PSigma Asset Management from which he retired in 2011. He is a non-executive director of Jupiter Primadona Growth Trust plc. He is a Fellow of the Institute of Chartered Accountants and a Fellow of the CFA Society of the UK. He spent 11 years leading the segregated pension team at Newton Investment Management prior to which he worked at Credit Suisse and de Zoete and Bevan.

### Jamie Korner

**Position:** Director

**Date of Appointment:** 13 May 2013

Jamie is a partner of Stanhope Capital LLP. A Cambridge graduate, he joined Inchcape in 1978 following a period in farming. After working at stockbroker Fielding Newson Smith and as a manager of institutional funds at M&G, he moved to Newton Investment Management in 1995. He led the charity and smaller institutional business of Newton until his retirement in 2011. He is a trustee of the Foyle Foundation and other charities as well as an adviser to a number of Oxbridge colleges.

### Graham Oldroyd

**Position:** Director

**Date of Appointment:** 25 July 2014

Graham was a Partner with 23 years' service at European private equity fund manager Bridgepoint until June 2013. He is a Non-Executive Director of Nobina AB (publ.), Sweden, a Senior Adviser to MCF Corporate Finance, and a Senior Adviser to fund manager Downing LLP. He is a Church of England Church Commissioner, and a member of the Church Commissioners' Fund Assets Committee. A graduate in Engineering from Cambridge University, he also holds an MBA from INSEAD Business School. He is a Chartered Engineer, a Fellow of the Institution of Mechanical Engineers, and a Member of the Chartered Institute for Securities & Investment.

All Directors are independent of Henderson. All Directors are members of the Audit, Nominations and Management Engagement Committees.

# Strategic Report: Key Information (continued)

## Service Providers

Alternative Investment Fund Manager  
Henderson Investment Funds Limited  
201 Bishopsgate  
London  
EC2M 3AE

Corporate Secretary  
Henderson Secretarial Services Limited  
201 Bishopsgate  
London  
EC2M 3AE  
Telephone: 020 7818 1818

Depository  
State Street Trustees Limited  
525 Ferry Road  
Edinburgh  
EH5 2AW

Registrar  
Computershare Investors Services PLC  
Leven House  
10 Lochside Place  
Edinburgh Park  
Edinburgh  
EH12 9RG  
Telephone: 0870 707 1330

Corporate Broker  
Panmure Gordon LLP  
1 New Change  
London  
EC4M 9AF

Independent Auditor  
Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

## Financial Calendar

Annual General Meeting <sup>1</sup>	19 December 2014
Ex-dividend date	29 December 2014
Dividend record date	30 December 2014
Half-year results	May 2015
Annual results	December 2015

## Information Sources

For more information about the Company, visit the website at [www.hendersonvaluetrust.com](http://www.hendersonvaluetrust.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.

Scan the QR code or use this short URL to register for HGi.  
<http://HGi.co/rb>



## Follow Henderson investment trusts on Twitter

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## Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 0845 609 0408, email [Henderson@halifax.co.uk](mailto:Henderson@halifax.co.uk) or visit their website [www.halifax.co.uk/sharedealing](http://www.halifax.co.uk/sharedealing).

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

<sup>1</sup> At the Company's registered office at 11.00 am

# Strategic Report: Corporate Information

## Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (the "Act") and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("Section 1158"), is subject to the Listing Rules and is governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company has obtained approval from HMRC 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.

## Principal Risks and Uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks facing the Company are market related and include market price, foreign exchange, interest rate, liquidity and credit risk. An explanation of these risks and how they are mitigated is detailed in Note 15 to the Financial Statements.

Some of the Company's investments are in funds, some of which are unquoted, exposed to less developed markets and may be seen as carrying a higher degree of risk. The Board believe that these risks are mitigated through portfolio diversification, in-depth analysis, the experience of Henderson and a rigorous internal control culture. The use of CFDs involves counterparty risk exposure. Additional risks faced by the Company are summarised below:

### Investment Strategy

The performance of the portfolio may not match the performance of the benchmark through divergent geographic, sector or stock selection. In addition, the Company may be affected by economic conditions. Henderson has a clearly defined investment philosophy and manages a broadly diversified portfolio to mitigate this risk.

### Discount

The level of the discount varies depending upon performance, market sentiment and investor appetite. The Company has the ability to issue and purchase its own shares which can reduce discount volatility.

### Regulatory/Operational

Failure to comply with applicable legal and regulatory requirements could lead to a suspension of the Company's shares, fines or a qualified audit report. A breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to corporation tax on realised capital gains. Failure of Henderson or third party service providers could prevent accurate reporting and monitoring of the Company's financial position. The Board regularly considers the risks associated with the Company and receives both

formal and regular reports from Henderson and third party service providers addressing these risks.

## Future Developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The Chairman's Statement and Fund Managers' Report provide commentary on the outlook for the Company.

## Key Performance Indicators

In order to measure the success of the Company in meeting its objective and to evaluate the performance of Henderson, the Directors take into account the following key performance indicators ("KPIs"):

### Performance measured against the benchmark

The Board reviews and compares the total return of the NAV per share and share price for the Company compared with the movement of the Company's benchmark, the FTSE World Index on a total return basis in sterling terms. During the year under review the NAV per ordinary share showed a total return of 1.6% compared to a return in the benchmark of 11.9%.

### Discount to NAV

The Board also monitors the performance of the Company's shares and the level of discount at which the shares trade relative to NAV per share. The discount at the start of the year was 15.6% compared to 14.1% at the year-end.

### Ongoing charge

The Board reviews the costs of running the Company calculated using the AIC methodology for the ongoing charge. The Company's ongoing charge for the year ended 30 September 2014 was 0.93% compared to 0.84% in 2013.

The charts and data on pages 2 and 13 show how the Company has performed against these KPIs.

## Corporate Responsibility

### Responsible investment

Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ("SEE") issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. 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

## Strategic Report: Corporate Information (continued)

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and the environment is therefore considered as part of the investment risk decision; however, an investment may not necessarily be ruled out on social and environmental grounds only.

### Voting policy and the UK Stewardship Code

Henderson's responsible investment policy, which is endorsed by the Board, sets out its 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 reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund 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 Henderson 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.

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website, [www.henderson.com](http://www.henderson.com).

### Employees, 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](http://www.henderson.com). In 2012 it was granted CarbonNeutral Company status which it has committed to maintain at least until the end of 2015.

The Company's Annual Report and half-year results update 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.

### Board Diversity

All of the Company's Directors are male. The Board considers the diversity of Board membership as part of the annual performance evaluation, details of which are set out in the Corporate Governance Statement.

For and on behalf of the Board

Richard Gubbins  
Chairman  
20 November 2014

# Glossary

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## Alternative Investment Fund Managers Directive (“AIFMD”)

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (“AIFs”) and requires them to appoint an Alternative Investment Fund Manager (“AIFM”) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

## Association of Investment Companies (“AIC”)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

## Benchmark

An index against which performance is compared. For the Company this is the FTSE World Index on a total return basis in sterling terms.

## Beta

The beta of an investment is a measure of the risk arising from exposure to general market movements as opposed to investment specific or idiosyncratic factors.

## Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

## Deep-value investing

Deep-value investing is an approach that seeks attractive risk – adjusted returns by investing in securities priced at significant discounts to their intrinsic value.

## Depositary

With effect from 22 July 2014 all AIFs were required to appoint a Depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation and is responsible for the appointment of a custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

## Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

## Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

## Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This is calculated by taking the difference between quoted and unquoted investments and equity shareholders' funds divided by equity shareholders' funds and multiplied by 100.

## Investment trusts

Investment trusts are public limited companies, listed 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 their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

## Legacy investments

A portfolio of investments inherited from a previous fund manager.

## Glossary (continued)

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### Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

### Market capitalisation (market cap)

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

### Net asset value (“NAV”) per ordinary share

The value of the Company's assets (i.e. investments and cash held) less any liabilities (i.e. bank borrowings and debt securities) 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 is published weekly.

### Ongoing charge

The ongoing charge reflects 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. The ongoing charge is 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 per share.

### Total return performance

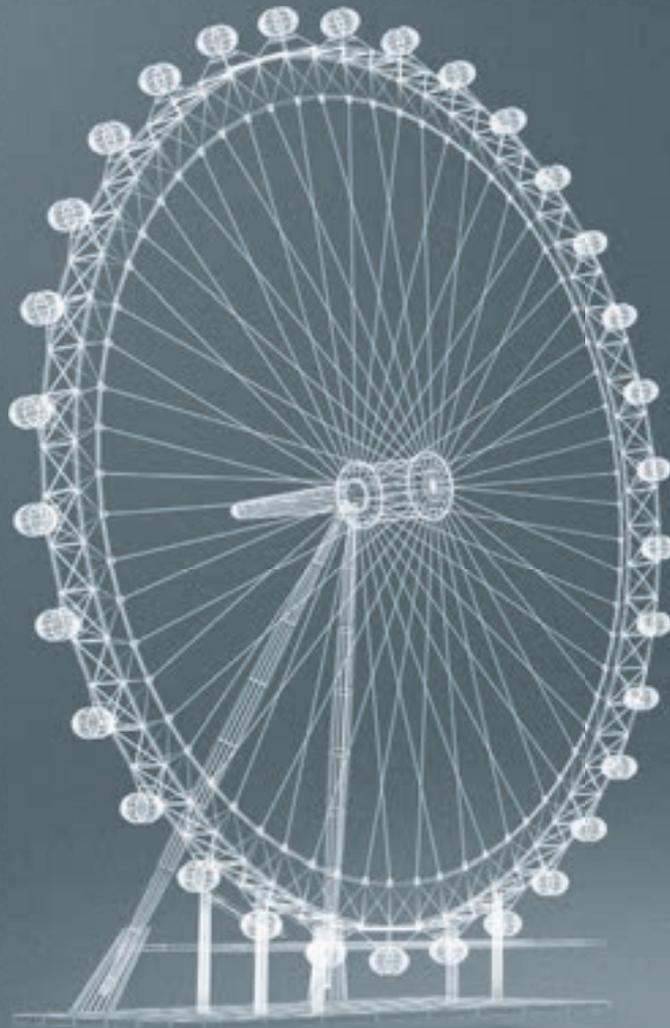
This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's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

### Yield

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

# Corporate Report

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# Report of the Directors

The Directors present the Annual Report of the Company and their report for the year from 1 October 2013 to 30 September 2014. The Company, registered in Scotland with company registration number SC015905, was active throughout the year under review and was not dormant.

## Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 24 and 25 provides information on the remuneration and share interests of the Directors.

## Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively.

## 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 as defined in the Listing Rules. Other than fees payable by the Company in the ordinary course of business and the provision of marketing services (see Note 16 on page 47), there have been no material transactions with this related party affecting the financial position of the performance of the Company during the year under review.

## Share Capital

The Company's share capital comprises ordinary shares of 25p nominal value each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares and there are no shares with specific rights with regards to control of the Company.

As at 30 September 2014 there were 47,751,404 shares in issue. No shares were held in treasury.

At the Annual General Meeting in February 2014 shareholders gave the Board authority to buy back 7,157,935 ordinary shares during the following 15 months for cancellation or to be held in treasury. During the year ended 30 September 2014 the Company did not buy back any shares (2013: 564,142).

## Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 30 September 2014 in accordance with DTR5 were as follows:

	% of voting rights
1607 Capital Partners, LLC	16.06
Miton Asset Management	15.08
JP Morgan Securities plc	9.01
Aberdeen Asset Management	6.76
Henderson Global Investors Limited	5.12
Investec Wealth & Investment Limited	3.99

No changes have been notified in the period 1 October 2014 to 20 November 2014.

## Duration of the Company and Going Concern

The Company's Articles of Association were amended in 2011 and a continuation vote was introduced requiring that shareholders be asked to approve the continuation of the Company every three years; the first such vote was passed in 2011. Accordingly a resolution that the Company continue as an investment trust will be proposed at the Annual General Meeting in December this year.

Having considered the Company's investment objective, risk management and capital management policies, the nature of the portfolio and expenditure projections, the Directors believe that the Company has adequate resources and an appropriate financial structure in place to continue in operational existence for the foreseeable future. The Board considers that there is reasonable evidence to support continuing to adopt the going concern basis in preparing the financial statements.

## Dividend

The Directors are proposing a final dividend of 3.0p per ordinary share which will be paid on 13 February 2015 to shareholders on the register on 30 December 2014, subject to approval at the Annual General Meeting.

## Annual General Meeting ("AGM")

The AGM will be held on Friday 19 December 2014 at 11.00 am at the offices of Henderson, 201 Bishopsgate, London EC2M 3AE. The Notice and details of the resolutions to be put to shareholders at the AGM are contained in the separate letter being sent to shareholders with this report.

## Corporate Governance

The Corporate Governance Statement on pages 26 to 29 forms part of the Report of the Directors.

## Report of the Directors (continued)

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### Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors who were members of the Board at the date of approval of this report confirms that to the best of his knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's Auditor is 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 Auditor is aware of that information.

### Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 30 September 2014 (2013: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

### Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited  
Corporate Secretary  
20 November 2014

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, (which must be fair, balanced and understandable) 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 elected to prepare 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; and
- 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 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.

## Statement of Directors' Responsibilities under DTR 4.1.12

Each of the Directors, who are listed on page 14 confirms 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 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.

The Directors consider that the Annual Report, 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.

For and on behalf of the Board

Richard Gubbins  
Chairman  
20 November 2014

The financial statements are published on [www.hendersonvaluetrust.com](http://www.hendersonvaluetrust.com) which is a website maintained by Henderson.

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor

accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of 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 the report will be proposed at the Annual General Meeting on 19 December 2014. The Company's remuneration policy was approved by shareholders at the AGM held on 24 February 2014 for the first time in accordance with section 439A of the Act.

The Company's Auditor is 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 and 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. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board as a whole considers the Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

## Remuneration Policy

Directors are remunerated in the form of fees, payable quarterly in arrears to the Director personally. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £150,000 per annum. Subject to the overall limit, the Company's policy is that remuneration should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and similar investment objectives. Non-executive Directors are not eligible for bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

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 level of remuneration paid to each Director is reviewed annually, although review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. This policy has been in place since 1 October 2012. A resolution approving this policy was approved at the AGM held on 24 February 2014 and accordingly it will remain in force until next put to shareholders which will be not later than the AGM in respect of the financial year ending 30 September 2016.

The Board may amend the level of remuneration paid to individual directors within the parameters of the remuneration policy. No Director has a service contract with the Company.

The terms of their engagement are set out in letters of appointment. There is a three month notice period and the Company reserves the right to make a payment in lieu of notice.

## Annual Statement

Richard Gubbins, as Chairman, reports that fees have not changed during the year. Directors' fees have not increased since 2007. It was announced earlier this year that fees would be raised in line with the market to attract candidates of the highest calibre but it has been agreed that fees will not be considered until after the continuation vote of the Company.

## Annual Report on Remuneration

Directors' interests in shares (audited)

	Ordinary shares of 25p	
	30 September 2014	30 September 2013
Graham Fuller	10,000	10,000
Richard Gubbins <sup>1</sup>	0	N/A
Daniel Hodson	30,121	30,121
Peter Hulse <sup>2</sup>	N/A	12,500
Jamie Korner	15,000	5,000
Graham Oldroyd <sup>3</sup>	6,074	N/A
Shane Ross <sup>4</sup>	150,625	150,625

<sup>1</sup> Appointed as a Director on 25 July 2014

<sup>2</sup> Ceased to be a Director on 24 February 2014

<sup>3</sup> Appointed as a Director on 25 July 2014

<sup>4</sup> Ceased to be a Director on 11 November 2014

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown above. There have been no changes to any of the Directors' holdings in the period 1 October 2014 to the date of this report.

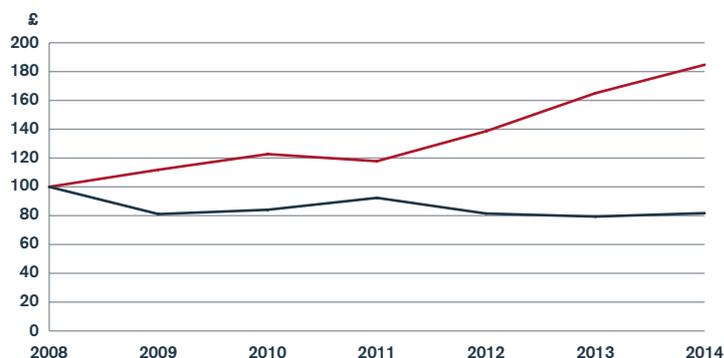
# Directors' Remuneration Report (continued)

## Performance

The Company's performance is measured against the FTSE World Index on a total return basis in sterling terms (the "Benchmark Index"). The graph compares the mid-market price of the Company's ordinary shares over the six year period ended 30 September 2014 with the return from the Benchmark Index over the same period, assuming the investment of £100 on 30 September 2008 and reinvestment of all dividends and income (excluding dealing expenses).

Source: Morningstar Funddata and Datastream

— FTSE World Index total return in sterling terms  
— Henderson Value Trust plc share price total return



## Directors' Fees and Expenses (audited)

The fees and expenses paid to the Directors who served during the years ended 30 September 2014 and 30 September 2013 were as follows:

	Year ended 30 September 2014 Total salary and fees £	Year ended 30 September 2013 Total salary and fees £	Year ended 30 September 2014 Taxable benefits £	Year ended 30 September 2013 Taxable benefits £	Year ended 30 September 2014 Total £	Year ended 30 September 2013 Total £
Graham Fuller	15,000	15,000	–	–	15,000	15,000
Richard Gubbins <sup>1</sup>	2,753	N/A	–	N/A	2,753	N/A
Daniel Hodson <sup>2</sup>	18,000	18,000	215	397	18,215	18,397
Peter Hulse <sup>3</sup>	6,042	15,000	–	–	6,042	15,000
Jamie Korner	15,000	5,763	–	–	15,000	5,763
Graham Oldroyd <sup>4</sup>	2,753	N/A	–	N/A	2,753	N/A
Shane Ross <sup>5</sup>	22,500	22,500	3,160	–	25,660	22,500
<b>Total</b>	<b>82,048</b>	<b>76,263</b>	<b>3,375</b>	<b>397</b>	<b>85,423</b>	<b>76,660</b>

Notes:  
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made

1 Appointed on 25 July 2014

2 Chairman of the Audit Committee and Senior Independent Director

3 Ceased to be a Director on 24 February 2014

4 Appointed on 25 July 2014

5 Chairman and highest paid Director during the year

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 specified by any of them.

## Relative Importance of Spend on Pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions paid to shareholders by way of dividends. There were no share buybacks or 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 during the year.

	2014 £	2013 £	Change £
Total remuneration	85,423	76,660	8,763
Ordinary dividend paid	716,000	955,000	(239,000)
Buy back of ordinary Shares	–	1,366,000	(1,366,000)

## Statement of Voting at Annual General Meeting ("AGM")

At the 2014 AGM 25,247,078 votes (99.79%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 34,943 (0.14%) were against, 18,321 (0.07%) were discretionary and 7,231 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the Remuneration Policy, 25,246,405 votes (99.78%) were received voting for the resolution, 41,755 (0.17%) were against, 14,231 (0.05%) were discretionary and 11,231 were withheld.

For and on behalf of the Board

Richard Gubbins  
Chairman  
20 November 2014

# Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

## 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. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("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 set out in the UK Code 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](http://www.theaic.co.uk) and [www.frc.org.uk](http://www.frc.org.uk).

## Statement of Compliance

The Directors believe 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 thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

## Directors

### Terms of Appointment

It is the Board's policy that none of the Directors has a service contract. However, the terms of their engagement are set out in letters of appointment, copies of which are available for inspection at the Company's registered office during normal business hours and at the Company's Annual General Meeting ("AGM"). There is a three month notice period and the Company reserves the right to make a payment in lieu of notice.

### Directors' Appointment and Retirement

The appointment of new Directors is considered by the Nominations Committee, which makes recommendations to the Board. Any Director appointed by the Board must stand for election by shareholders at the AGM following appointment. Accordingly, Richard Gubbins and Graham Oldroyd, who were appointed to the Board on 25 July 2014, will stand for election at the AGM in December 2014.

All Directors are appointed for an initial term of three years. The Articles of Association require each Director to retire and submit themselves for re-election at least every three years. No Director is subject to these provisions this year.

### Directors' Independence

The Board has determined that all current Directors are independent in character and judgement and that their skills, broad business experience, knowledge and understanding of the Company are of benefit to shareholders.

Daniel Hodson is the Company's Senior Independent Director. In line with the AIC Code, the Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and should not impact a Director's independence.

There were no contracts subsisting 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 and there are no agreements between the Company and its Directors concerning compensation for loss of office.

### Directors' Professional Development

When a new Director is appointed he or she is offered an induction seminar which is held by Henderson at the request of the Chairman. 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 also able to attend external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered by the Chairman as part of the annual performance appraisal.

### Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from the carrying out of their duties. Under the Company's Articles of Association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to 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. The Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

# Corporate Governance Statement (continued)

## The Board

### Board composition

The Company's Articles of Association provide that the total number of Directors shall be not less than three nor more than nine. The Board currently consists of five non-executive Directors.

The biographies of the Directors holding office at the date of this report, are set out on page 14, and demonstrate the breadth of investment management, financial services and professional experience relevant to their positions as Directors.

All Directors served throughout the year with the exception of Richard Gubbins and Graham Oldroyd who were appointed as Directors on 25 July 2014 and Peter Hulse who stood down at the AGM held on 24 February 2014. Since the year end, Shane Ross has ceased to be a Director.

### Responsibilities of the Board and its Committees

The Board meets formally at least four times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with Henderson and the Secretary between formal meetings. The Board has a formal schedule of matters specifically reserved for its decision.

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 confirm that they believe that the Annual Report for the year ended 30 September 2014, 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.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

### Committees of the Board

The Board has three committees; the Audit Committee, the Nominations Committee and the Management Engagement Committee. Terms of reference for each of the Committees are available on the Company's website or from the Secretary.

### Audit Committee

The Audit Committee comprises all the Directors and is chaired by Daniel Hodson. The Report of the Audit Committee which forms part of the Corporate Governance Statement can be found on pages 30 to 31. As Daniel Hodson is stepping down from the Board at the AGM in December, Graham Oldroyd will take over as Chairman of the Audit Committee.

### Management Engagement Committee

The Management Engagement Committee was chaired by Shane Ross, now by Richard Gubbins, and comprises all the Directors. The Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders and also for reviewing the performance and cost effectiveness of the Company's other service providers.

### Nominations Committee

The Nominations Committee was chaired by Shane Ross, now by Richard Gubbins, and comprises all the Directors. When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience and diversity existing on the Board. It is considered that there is a range of backgrounds with each Director bringing an appropriate and balanced range of qualities to the Board and its discussions. It is not considered necessary for the Company to have set targets in relation to diversity due to the size of the Board; 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. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Committee may use external agencies as and when there is a requirement to recruit an additional Board member. All appointments to the Board are based on merit and the skills needed to fill any gaps. The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence.

The Committee also takes into account the spread of experience and knowledge of the current Board members. In accordance with the UK Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his contribution.

Directors' fees are set out in the Remuneration Report detailed on page 25. A resolution approving the Remuneration Policy was passed at the AGM held on 24 February 2014.

### Board attendance

The following table sets out the number of Board and Committee meetings held during the year under review and the number of meetings attended by each Director. At the AGM in February 2014, all those Directors serving at the time were in attendance with the exception of Peter Hulse.

# Corporate Governance Statement (continued)

	Board	AC	MEC	NC
<b>Number of meetings</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>
Graham Fuller	4	2	1	1
Richard Gubbins <sup>1</sup>	1	N/A	1	1
Daniel Hodson	4	2	1	1
Peter Hulse <sup>2</sup>	1	1	–	–
Jamie Korner	3	2	–	–
Graham Oldroyd <sup>3</sup>	–	N/A	–	–
Shane Ross <sup>4</sup>	4	2	1	1

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee

<sup>1</sup> Appointed as a Director on 25 July 2014

<sup>2</sup> Ceased to be a Director on 24 February 2014

<sup>3</sup> Appointed as a Director on 25 July 2014

<sup>4</sup> Ceased to be a Director on 11 November 2014

Committees of the Board also met during the year to undertake business such as the approval of the Company's results and dividend.

## Performance evaluation

The Board conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director, in the latter part of 2013 through individual discussions. It was concluded that each were satisfactory and the Board had a good balance of skills and experience but acknowledged that refreshment was necessary. Refreshment of the Board is substantially complete with the appointment of Richard Gubbins and Graham Oldroyd in July 2014 and another Director still to be recruited. Daniel Hodson is stepping down from the Board at the Company's AGM in December 2014. Peter Hulse and Shane Ross ceased to be Directors during 2014. The Board will consider the evaluation process again in early 2015.

## Internal controls

The Board, in conjunction with Henderson, has in place a process for identifying, evaluating and managing the significant risks faced by the Company. This process, which accords with the Turnbull guidance, was in place for the whole year and up to the date of approval of the financial statements.

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The principal elements of the Company's system of internal controls and the process applied by the Board in reviewing its effectiveness are:

- clearly documented contractual arrangements with service providers;
- annual review by the Board of the internal controls reports of service providers;
- consideration by the Board of the latest Review of Internal Controls of Henderson;
- quarterly Board meetings to review performance, investment policy, strategy and shareholder relations; and
- regular updating by Henderson on key risks and control developments

Henderson has established an internal controls framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Henderson's compliance, internal audit and risk departments on a continuing basis and the Board does not feel there is a need currently for the Company to have its own internal audit function. The Board confirms that in the event of any significant failings or weakness identified from the annual review of the effectiveness of the Company's system of internal controls, necessary actions would be taken to remedy them. The Board is satisfied that it is supplied with information in a timely manner to enable it to discharge its duties.

## Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 23, the Independent Auditor's Report on pages 32 to 33 and the statement of going concern on page 21.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the Depositary as explained on page 18), the day-to-day accounting, company secretarial and administration requirements and 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 Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

Henderson and BNP Paribas Securities Services, which acts for Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

The Board confirms its zero tolerance to bribery and corruption in its business activities. It has sought assurances from the Company's

# Corporate Governance Statement (continued)

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main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

## Continued appointment of Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson are contained on page 3.

In addition to the monitoring of investment performance at each meeting, through the Management Engagement Committee, an annual review of the Company's investment performance over both the short and longer terms, together with the quality of other services provided by Henderson, including company secretarial and accounting, is undertaken.

It is the Directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders as a whole.

## Share capital

Please see the Report of the Directors on page 21.

## Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by periodic interim management statements and the weekly calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Managers will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. These documents are also included on the Company's website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Corporate Secretary at the address given on page 15 of this report.

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

By order of the Board

Henderson Secretarial Services Limited  
Corporate Secretary  
20 November 2014

# Report of the Audit Committee

The Audit Committee comprises all the Directors, including the Chairman of the Company. Details of the investment management and financial experience of the Directors can be found in the biographies on page 14.

## Meetings

The Committee meets at least twice a year. The quorum for a meeting is two members. The Company's Auditor is invited to attend meetings of the Committee on a regular basis. Representatives of Henderson and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

## 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:

- Monitoring the integrity of the financial statements, including the annual and half year results and any formal announcements relating to financial performance. The Committee must be satisfied that the Annual Report, 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.
- Reviewing the effectiveness of the Company's internal controls and risk management systems and approving the statements to be included in the Annual Report concerning internal controls and risk management.
- Reviewing the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements: the consistency of, and any changes to, accounting policies both on a year by year basis and across the Company; the methods used to account for significant or unusual transactions where different approaches are possible; whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Auditor; the clarity and completeness of disclosures in the Company's financial statements and the context in which statements are made; and all material presented with the financial statements, such as the Chairman's Statement, the Fund Managers' Report, the Directors' Remuneration Report and the Corporate Governance Statement (insofar as it relates to the audit and risk management).
- Reviewing the remit and effectiveness of Henderson's Internal Audit, Compliance and Business Risk functions in the context of its overall risk management system. Reviewing arrangements by which Henderson staff may, in confidence, raise concerns about possible improprieties and ensure arrangements are in place for independent investigation of such.
- Reviewing the annual AAF 01/06 internal controls report from Henderson and the associated internal controls reports from the accountants and the custodian.
- Making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.

## Annual Report for the year ended 30 September 2014

In relation to the Annual Report for the year ended 30 September 2014 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
<b>Valuation and ownership of the Company's investments</b>	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both Henderson's Fair Value Pricing Committee and by the Directors at least twice each year. Ownership of listed investments are verified by reconciliation to the custodian's records; for unquoted investments, verification is via reconciliation to the records of the investee entities.
<b>Recognition of income</b>	Income received is accounted for in line with the Company's accounting policy (as set out on page 38) and is reviewed by the Committee at each meeting.
<b>Compliance with Section 1158 of the Corporation Tax Act 2010</b>	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
<b>Maintaining internal controls</b>	The Committee receives regular reports on internal controls from Henderson and its delegates and has access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit.

## Report of the Audit Committee (continued)

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- Reviewing the need for an internal audit function and making recommendation to the Board as described on page 28.
- Overseeing the relationship with the external Auditor: approval of their remuneration, approval of terms of engagement.
- Reviewing and monitoring the external Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

### External Audit Process

The Auditor provides a planning report in advance of the audit and a report on the annual audit. The Auditors did not review the half year financial statements but reviewed the process of investment valuation during 2014.

Fees paid or payable to the Auditors are detailed in note 4 on page 39.

### Auditors' Appointment

In 2013 an audit tender was carried out which resulted in a change of Auditors from Ernst & Young LLP to Grant Thornton UK LLP.

The Audit Committee is satisfied with the effectiveness of the audit provided by Grant Thornton. On the basis of the Auditor's performance the Audit Committee recommended their continuing appointment to the Board. The Auditor has indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine their remuneration will be proposed at the AGM.

The Committee will discuss the audit process with the Auditor without representatives of Henderson present and considers the effectiveness of the audit process after each audit.

### Policy on Non-Audit Services

In accordance with Financial Reporting Council's Guidance on Audit Committees, the Committee has formulated a written policy on the provision of non-audit services by the Company's statutory independent auditor. The Audit Committee has determined that the Company's appointed auditor will never be considered for the provision of accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide non-audit services relating to a review of the Company's half year report. All other non-audit services will be judged on a case-by-case basis and will be approved by the Audit Committee.

The Committee is satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable and has made the appropriate recommendation to the Board.

For and on behalf of the Board

Daniel Hodson  
Audit Committee Chairman  
20 November 2014

# Independent Auditor's Report to the Members of Henderson Value Trust plc

We have audited the financial statements of Henderson Value Trust plc for the year ended 30 September 2014 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Auditor commentary

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers, and inspecting records and documents held by the Company and third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at relevant third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

## Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £1,385,000, which is 1% of the Company's total assets.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £69,250. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

## Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

## Investments

The Company's business is investing in a diversified, international, multi-strategy portfolio which offers access also to specialist funds including hedge and private equity funds to provide long-term growth to shareholders. Accordingly, the investment portfolio is a significant, material item in the financial statements. Measurement of the value of unquoted investments includes significant assumptions and judgements. We therefore identified the valuation, existence and ownership of the investment portfolio as a risk that requires special audit attention.

In relation to quoted investments, our audit work included, but was not restricted to, obtaining an understanding of management's processes to recognise and measure investments, including ownership of those investments; obtaining a confirmation of investments held at the year-end directly from the independent custodian; testing the reconciliation of the custodian records to the records maintained by the Company's administrator; testing a selection of investment additions and disposals shown in the Company's records to supporting documentation; and agreeing the valuation of quoted investments to an independent source of market prices.

In relation to unquoted or not actively traded investments, our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed by management; consideration of whether the valuations were made in accordance with published

# Independent Auditor's Report to the Members of Henderson Value Trust plc (continued)

guidance, in particular the International Private Equity and Venture Capital Guidelines; discussions with management, reviewing and challenging the reasonableness of both the valuation techniques used and the assumptions made by management, including, on a sample basis corroboration of financial inputs underlying those valuations and other supporting information; verification that the change in the fair value of the investments has been correctly recognised in the income statement; and on a sample basis, obtaining independent confirmations of investments held at the year-end.

The Company's accounting policy on the valuation of investments is included in note 1(f), and its disclosures about investments held at the year-end are included in note 8.

## Investment income

Investment income is the Company's major source of revenue and is a significant, material item in the Income Statement. Accordingly, we identified the completeness of revenue from investments as a risk that requires particular audit attention.

Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition is in accordance with the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'; obtaining an understanding of management's processes to recognise revenue in accordance with the stated accounting policy; testing whether a sample of revenue transactions has been recognised in accordance with the policy; and for a sample of investments held in the period, confirming that income that should have been received has been received and recorded, and assessing whether any of the revenue receivable should have been treated as a return of capital.

The Company's accounting policy on the recognition of revenue from investments is shown in note 1 and the components of that revenue are included in note 2.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its net return 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.

## Other reporting responsibilities

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 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 Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

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

We have nothing to report in respect of the following:

*Under the ISAs (UK and 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
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Under the Listing Rules we are required to review:*

- the directors' statement, on page 21, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Julian Bartlett  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

20 November 2014

# Income Statement

Notes		Year ended 30 September 2014			Year ended 30 September 2013		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
8	Net gains on investments at fair value through profit or loss	–	1,105	1,105	–	6,347	6,347
	Exchange differences	–	(147)	(147)	–	49	49
	<b>Net gains on investments</b>	<b>–</b>	<b>958</b>	<b>958</b>	<b>–</b>	<b>6,396</b>	<b>6,396</b>
2	Investment income	2,129	–	2,129	1,214	–	1,214
3	Investment management fees	(98)	(879)	(977)	(82)	(735)	(817)
4	Other expenses	(327)	(45)	(372)	(687)	(56)	(743)
	<b>Net return before interest and taxation</b>	<b>1,704</b>	<b>34</b>	<b>1,738</b>	<b>445</b>	<b>5,605</b>	<b>6,050</b>
	Finance costs – interest	(19)	(175)	(194)	(34)	(310)	(344)
	<b>Net return/(loss) on ordinary activities before taxation</b>	<b>1,685</b>	<b>(141)</b>	<b>1,544</b>	<b>411</b>	<b>5,295</b>	<b>5,706</b>
5	Taxation	–	–	–	(6)	–	(6)
<b>7</b>	<b>Net return/(loss) on ordinary activities after taxation</b>	<b>1,685</b>	<b>(141)</b>	<b>1,544</b>	<b>405</b>	<b>5,295</b>	<b>5,700</b>
7	Return/(loss) per ordinary share	3.53p	(0.30)p	3.23p	0.85p	11.07p	11.92p

The total column of this statement represents the income statement of the Company. The Company had no recognised gains or losses other than those recognised in the Income Statement. No operations were acquired or discontinued in the year. All revenue and capital items in the above statement derive from continuing operations.

## Reconciliation of Movements in Shareholders' Funds

Notes	Year ended 30 September 2014	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Balance at 1 October 2013	11,938	10,966	6,515	108,430	731	138,580
6	Return attributable to shareholders	–	–	–	(141)	1,685	1,544
	Ordinary dividends	–	–	–	–	(716)	(716)
	<b>Balance at 30 September 2014</b>	<b>11,938</b>	<b>10,966</b>	<b>6,515</b>	<b>108,289</b>	<b>1,700</b>	<b>139,408</b>

Notes	Year ended 30 September 2013	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Balance at 1 October 2012	12,093	10,966	6,360	104,501	1,281	135,201
6	Return attributable to shareholders	–	–	–	5,295	405	5,700
	Ordinary dividends	–	–	–	–	(955)	(955)
	Cancellation of treasury shares	(14)	–	14	–	–	–
	Share buy backs	(141)	–	141	(1,366)	–	(1,366)
	<b>Balance at 30 September 2013</b>	<b>11,938</b>	<b>10,966</b>	<b>6,515</b>	<b>108,430</b>	<b>731</b>	<b>138,580</b>

# Balance Sheet

Notes		2014 £'000	2013 £'000
	<b>Fixed assets</b>		
8	Investments at fair value through profit or loss	119,933	119,191
	<b>Current assets</b>		
9	Debtors	1,037	26
	Money market funds	16,250	11,672
	Cash at bank	129	1,381
	Cash held as CFD margin deposit	2,641	8,773
	<b>Total current assets</b>	<b>20,057</b>	<b>21,852</b>
10	<b>Creditors: amounts falling due within one year</b>	<b>(582)</b>	<b>(2,463)</b>
	<b>Net current assets</b>	<b>19,475</b>	<b>19,389</b>
	<b>Total assets less current liabilities</b>	<b>139,408</b>	<b>138,580</b>
	<b>Capital and reserves</b>		
11	Called up share capital	11,938	11,938
	Share premium	10,966	10,966
	Capital redemption reserve	6,515	6,515
12	Capital reserve	108,289	108,430
12	Revenue reserve	1,700	731
	<b>Total equity shareholders' funds</b>	<b>139,408</b>	<b>138,580</b>
7	Net asset value per Ordinary share (pence)	291.94	290.21

The financial statements were approved by the Board of Directors and authorised for issue on 20 November 2014 and were signed on its behalf by:

Richard Gubbins  
Chairman

# Cash Flow Statement

	2014 £'000	2013 £'000
<b>Reconciliation of revenue before interest and taxation to net cash flows from operating activities</b>		
Net return before interest and taxation	1,738	6,050
Net gains on investments	(958)	(6,396)
Transaction costs	45	56
Movement in creditors	293	(266)
Movement in debtors	(47)	(26)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,071</b>	<b>(582)</b>
<b>Returns on investment and servicing of finance</b>		
Finance costs paid	(194)	(344)
<b>Capital expenditure and financial investment</b>		
Purchases of fixed asset investments	(31,733)	(29,362)
Sales of fixed asset investments	28,913	43,546
	<b>(2,820)</b>	<b>14,184</b>
<b>Equity dividends paid</b>	<b>(716)</b>	<b>(955)</b>
<b>Management of liquid resources</b>		
Purchases of money market funds	(42,497)	(27,052)
Sales of money market funds	37,919	15,380
<b>Net cash outflow from management of liquid resources</b>	<b>(4,578)</b>	<b>(11,672)</b>
<b>Net cash (outflow)/inflow before financing</b>	<b>(7,237)</b>	<b>631</b>
<b>Financing</b>		
Share buy backs	–	(1,366)
<b>Decrease in cash</b>	<b>(7,237)</b>	<b>(735)</b>
<b>Reconciliation of net cash flow to movement in net cash</b>		
Movement in cash in the year	(7,237)	(735)
Net cash at start of the year	21,826	10,840
Net change in liquid resources	4,578	11,672
Exchange rate differences	(147)	49
<b>Net cash at end of the year</b>	<b>19,020</b>	<b>21,826</b>

Net cash at the end of the year comprises cash held at bank of £129,000 (2013: £1,381,000), cash held at UBS related to CFD transactions of £2,641,000 (2013: £8,773,000) and balances held at money market funds of £16,250,000 (2013: £11,672,000).

# Notes to the Financial Statements

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## 1 Accounting policies

### a) Basis of preparation

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and with the 2009 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP"). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Report of the Directors on page 21.

### b) Income

Investment income is included in the Income Statement on an ex-dividend basis. Deposit interest is included on an accruals basis.

### c) Expenses and interest

Expenses and interest payable are dealt with on an accruals basis.

### d) Investment management fees and finance costs

The investment management fee and interest payable have been allocated 10% to revenue and 90% to capital. The allocation is in line with the Board's expected long-term split of returns, in the form of income and capital gains respectively, from the investment portfolio. The terms of the investment management agreement are detailed in the Strategic Report on page 3.

### e) Taxation

The taxation charge represents the sum of current and deferred taxation. Current taxation is based on the results showing in the accounts and is calculated using the prevailing taxation rates. Deferred taxation is accounted for in respect of all material timing differences to the extent that it is probable that an asset or liability will crystallise. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

### f) Investments

The Company's investments are categorised as 'fair value through profit or loss'. All investments are held at fair value. For listed investments, this is deemed to be quoted bid prices as at 30 September 2014 or closing prices for SETS stocks sourced from the London Stock Exchange.

CFDs are derivatives in the form of synthetic equities and are fair valued with reference to the investment's underlying bid price. The aggregate of CFD liability positions is presented in creditors: amounts due in less than one year.

Unquoted investments are valued at fair value based on the latest available information, principally net asset value, and with reference to the International Private Equity and Venture Capital Valuation Guidelines.

All changes in fair value and transaction costs on the acquisition and disposal of portfolio investments are included in the Income Statement as a capital item.

Purchases and sales of investments are accounted for on the trade date.

### g) Use of estimates

The preparation of financial statements requires the Company to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. However, the nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The estimates and underlying assumptions are reviewed on an ongoing basis. The judgements relate to the fair value of unquoted investments where there is no appropriate market price.

### h) Foreign currencies

Assets and liabilities in foreign currencies are converted at the year end exchange rates. Foreign currency transactions are translated at the exchange rate on the transaction date. Exchange differences are dealt with as either revenue or capital items depending on the nature of the exchange gain or loss.

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### i) Capital reserve

Gains and losses on realisations of fixed asset investments, and transaction costs, together with appropriate exchange differences, are dealt with in this reserve. A portion of the investment management fee and finance costs, together with any tax relief, is also taken to this reserve. Increases and decreases in the valuation of fixed asset investments are dealt with in this reserve. The cost of share buybacks is also charged directly to this reserve.

### j) Dividends payable

Final dividends are recognised in the period in which they are paid.

## 2 Investment income

	2014 £'000	2013 £'000
<b>Income from equity shares and securities</b>		
UK investment income	684	754
Overseas income	1,384	444
	<b>2,068</b>	<b>1,198</b>
<b>Other income</b>		
Interest from money market funds	32	16
Bank interest	27	–
Other income	2	–
	<b>61</b>	<b>16</b>
<b>Total income</b>	<b>2,129</b>	<b>1,214</b>

## 3 Investment management fees

	2014 £'000	2013 £'000
<b>Revenue</b>		
Investment management fee	98	82
<b>Capital</b>		
Investment management fee	879	735
<b>Total</b>	<b>977</b>	<b>817</b>

Details of the fee basis are contained in the Strategic Report on page 3.

## 4 Other expenses

	2014 £'000	2013 £'000
<b>Revenue</b>		
General expenses	207	552
Directors' fees	82	76
Auditor's remuneration – audit services <sup>1</sup>	30	28
– other services relating to taxation	–	5
– all other services <sup>2</sup>	8	26
	<b>327</b>	<b>687</b>
<b>Capital</b>		
Transaction costs	45	56
<b>Total</b>	<b>372</b>	<b>743</b>

1 These figures include VAT. Fees for audit services excluding VAT were £25,000 (2013: £22,000).

2 Review of process for valuation of unlisted investments and in 2013 review of the unlisted portfolio valuations at the take-on of the new Manager.

In 2013, general expenses includes the costs incurred in relation to an independent review of the Company following continued poor performance which resulted in the management of the Company being put out for tender. These costs included inter alia legal fees £84,000, corporate finance fees £57,000 and PricewaterhouseCoopers LLP independent review fees £124,000.

## Notes to the Financial Statements (continued)

### 5 Taxation

	2014 £'000	2013 £'000
<b>Net return on ordinary activities before taxation</b>	<b>1,544</b>	<b>5,706</b>
The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are noted below:		
Corporation tax 22% (2013: 23.5%)	340	1,341
Non-taxable dividends	(399)	(189)
Non-taxable gains on investments	(201)	(1,490)
Gains on disposal of non-qualifying offshore funds	8	–
Write-off of withholding tax no longer reclaimable	–	6
Movement in unutilised management expenses	252	338
<b>Total taxation charge for the year</b>	<b>–</b>	<b>6</b>

The Company is subject to taxation on gains arising from the realisation of investments in non-qualifying offshore funds but is otherwise exempt from taxation on chargeable gains. Excess management expenses are available to be offset against future taxable profits including any profits on the disposal of interests in non-qualifying offshore funds. The position as at the year end is as follows:

	2014 £'000	2013 £'000
Excess management expenses	11,945	19,819
Unrealised appreciation on non-qualifying offshore funds	(10,791)	(6,174)
<b>Excess management expenses</b>	<b>1,154</b>	<b>13,645</b>

No deferred tax asset on excess management expenses has been recognised as they are unlikely to be utilised against taxable profits within the foreseeable future.

### 6 Dividends on equity shares

	2014 £'000	2013 £'000
2013 final dividend paid 1.5p (2012: 2.0p)	716	955

The proposed final dividend of 3.0p per share is subject to shareholder approval at the Annual General Meeting and has not been included as a liability in these financial statements. This dividend of £1,432,000 (2013: £716,000) is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £1,685,000 (2013: £405,000).

### 7 Returns/Net asset value per ordinary share

Returns per share are based on a weighted average of 47,751,404 (2013: 47,811,425) ordinary shares in issue during the year.

Total return per ordinary share is based on the total return for the year of £1,544,000 (2013: £5,700,000).

Capital loss per ordinary share is based on the net capital loss for the year of £141,000 (2013: return of £5,295,000).

Revenue return per ordinary share is based on revenue after taxation for the year of £1,685,000 (2013: £405,000).

The net asset values per share are based on the net assets of £139,408,000 (2013: £138,580,000) divided by the number of shares in issue at the year end of 47,751,404 (2013: 47,751,404).

## Notes to the Financial Statements (continued)

### 8 Fixed assets – Investments at fair value through profit or loss

	2014 £'000	2013 £'000
Listed investments	65,715	60,065
Unlisted investments	54,218	59,126
	<b>119,933</b>	<b>119,191</b>

	Listed £'000	Unlisted £'000	2014 £'000	2013 £'000
<b>Valuation at 1 October</b>	<b>60,065</b>	<b>59,126</b>	<b>119,191</b>	<b>122,531</b>
Investment holding (losses)/gains at 1 October	(3,442)	19,537	16,095	9,024
<b>Cost at 1 October</b>	<b>63,507</b>	<b>39,589</b>	<b>103,096</b>	<b>113,507</b>
Purchases of investments at cost	25,852	5,714	31,566	30,829
Proceeds from sale of investments	(19,577)	(10,312)	(29,889)	(42,143)
Net gains on sale of investments	2,913	2,040	4,953	903
Transfers	(801)	801	–	–
<b>Cost at 30 September</b>	<b>71,894</b>	<b>37,832</b>	<b>109,726</b>	<b>103,096</b>
Investment holding (losses)/gains at 30 September	(6,179)	16,386	10,207	16,095
<b>Valuation at 30 September</b>	<b>65,715</b>	<b>54,218</b>	<b>119,933</b>	<b>119,191</b>
Net gains on sale of investments	2,913	2,040	4,953	903
Movement in investment holding (losses)/gains	(2,737)	(3,151)	(5,888)	7,071
<b>Total gains/(losses) on investments</b>	<b>176</b>	<b>(1,111)</b>	<b>(935)</b>	<b>7,974</b>
Total gains/(losses) on CFD liabilities held at fair value through profit or loss (see note 10)	2,040	–	2,040	(1,627)
<b>Total gains on investments held at fair value through profit or loss</b>	<b>2,216</b>	<b>(1,111)</b>	<b>1,105</b>	<b>6,347</b>

#### Transaction costs

Fixed asset investments are categorised as 'financial assets at fair value through profit or loss'. Transaction costs on the acquisition and disposal of portfolio investments are charged to Capital Reserve. In the year to 30 September 2014 these costs amounted to £45,000 (acquisitions £33,000 and disposals £12,000). In the year to 30 September 2013 these costs amounted to £56,000 (acquisitions £32,000 and disposals £24,000).

### 9 Debtors

	2014 £'000	2013 £'000
Accrued income	65	17
Due from brokers	964	–
Prepayments and other receivables	8	9
	<b>1,037</b>	<b>26</b>

### 10 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
CFD liabilities held at fair value through profit and loss	–	2,040
Due to brokers	–	134
Other creditors	582	289
	<b>582</b>	<b>2,463</b>

# Notes to the Financial Statements (continued)

## 11 Share capital

	2014 £'000	2013 £'000
<b>Allotted, issued and fully paid</b>		
47,751,404 (2013: 47,751,404) ordinary 25p shares	11,938	11,938
Every shareholder has the right to one vote for each share held.		
Of the above shares in issue, the movements in the ordinary 25p shares held in treasury were as follows:		
As at start of year	–	14
Cancelled during the year	–	(14)
<b>At end of year</b>	<b>–</b>	<b>–</b>

No shares (2013: 564,142) were bought back for immediate cancellation during the year (2013: cost £1,366,000). During the year ended 30 September 2013 57,924 shares held in treasury were cancelled.

## 12 Retained earnings

	2014 £'000	2013 £'000
<b>Capital reserve</b>		
At 1 October	108,430	104,501
Movement in investment holding (losses)/gains	(3,848)	5,444
Gains on realisation of investments at fair value	4,953	903
Currency (losses)/gains	(147)	49
Finance costs	(175)	(310)
Investment management fees	(879)	(735)
Transaction costs	(45)	(56)
Share buy backs	–	(1,366)
<b>At 30 September</b>	<b>108,289</b>	<b>108,430</b>

The capital reserve includes investment holding gains amounting to £10,207,000 (2013: £14,055,000) as disclosed in notes 8 and 10.

	2014 £'000	2013 £'000
<b>Revenue reserve</b>		
At 1 October	731	1,281
Net revenue return	1,685	405
Dividends paid	(716)	(955)
<b>At 30 September</b>	<b>1,700</b>	<b>731</b>

## 13 Substantial interests

Interests of 20% or more of equity share capital (all ordinary shares).

Company	Country of incorporation and operation	Six month period end	% of equity held	Aggregate capital and reserves £'000	Post tax losses £'000	Dividends received £'000	Valuation £'000
Armadillo Investments Limited (in liquidation)	Guernsey	25.07.14 <sup>1</sup>	25.0	508	n/a	–	132

<sup>1</sup> the latest liquidator's statement

# Notes to the Financial Statements (continued)

## 14 Financial information on significant unlisted investments

In accordance with the Listing Rules, the following information is provided for the unlisted investments in the Company's ten largest investments.

Company	Business	Earnings per share £	Dividend per share	Dividend cover	Net assets attributable £'000
BlackRock European Hedge Fund Limited	Investment company	28.6	–	n/a	5,057
Value Partners China Greenchip Limited	Investment company	0.65	–	n/a	6,002

Earnings per share figures are for the year ended 31 December 2013.

Net assets are at 30 September 2014.

The above investments are held at net asset value which is judged to represent fair value.

## 15 Financial instruments

### Risk management policies and procedures

As an investment trust company the Company invests in equities and other investments for the long-term so as to secure its investment objectives as stated in the Strategic Report. In pursuing its investment objective, 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 equity price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises Hiportfolio software;
- the IT tools to which the Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Arc Logics operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - Hiportfolio for portfolio holdings and valuations.

These are supplemented by in-house developments: Derivatives Risk and Compliance database ("DRAC") and Counterparty Exposure ("CER") reports.

Appropriate guidelines for the management of the Company's financial instruments and gearing have been established by the Board of Directors. Specifically, gearing (borrowings and gross exposure of long-only CFDs) is targeted to fall between 0 and 20% of total assets. The Company does not use currency hedging nor is it the Company's policy to invest materially in derivatives.

Market risk exists where there are changes in share prices, equity valuations, interest rates and the liquidity of financial instruments. The Company addresses this risk by owning a diversified portfolio of investments covering a range of market capitalisation, sectors and geographic regions. Market price risk management is part of the Company management process and is typical of equity related investment. The portfolio is managed so as to minimise the effects of adverse price movements and results from detailed and continuing analysis with an objective of maximising overall returns to shareholders.

## Notes to the Financial Statements (continued)

### 15 Financial instruments (continued)

Liquidity risk exists where the Company is a forced seller of its investments at times where there may not be sufficient demand for these assets. Although some holdings are unlisted or trade on illiquid markets and are by their nature less liquid than larger companies, the Company maintains a long term investment view and is rarely required to sell its investments in a forced manner. In addition, the Company maintains an overdraft facility to ensure that the Company is not a forced seller of its investments.

Interest rate risk exists where the returns generated from the investments are less than the cost of borrowing. This risk has been mitigated by operating with a relatively small level of gearing at most times. The level will only be increased where an opportunity exists to add to net asset value performance.

Credit risk exists where a counterparty fails to discharge an obligation or commitment entered into with the Company. Henderson monitors counterparty risk as part of the overall investment management process. This risk is reduced by using counterparties that are substantial, well financed organisations which are reviewed on a regular basis. Most investment transactions are conducted on-market and are delivery versus payment. The Company's principal counterparties are bankers State Street, money market funds provider Deutsche Bank and CFD provider UBS. Henderson only uses trade execution broker organisations that are authorised by the Financial Conduct Authority.

#### Sensitivity analysis

The following table details the impact on returns and net assets of the Company to changes in the principal drivers of performance, namely investment returns, foreign currencies and interest rates. The calculations are based on the balances at the respective balance sheet dates and are not representative of the year as a whole.

	2014 £'000	2013 £'000
<b>Investment portfolio</b>		
10% increase in price of investments <sup>1</sup>	12,336	13,345
10% decrease in price of investments <sup>1</sup>	(12,336)	(13,345)
<b>Other assets/liabilities</b>		
Interest rate +0.5%	97	107
Interest rate -0.5%	(97)	(107)
<b>Foreign currency</b>		
US Dollar strengthens by 5% against Sterling	2,471	2,966
US Dollar weakens by 5% against Sterling	(2,471)	(2,966)
Hong Kong Dollar strengthens by 5% against Sterling	300	269
Hong Kong Dollar weakens by 5% against Sterling	(300)	(269)
Euro strengthens by 5% against Sterling	338	249
Euro weakens by 5% against Sterling	(338)	(249)

<sup>1</sup> For CFDs, this is calculated as the effects of a movement in the underlying share price.

## Notes to the Financial Statements (continued)

### 15 Financial instruments (continued)

The Company's investment policy is to hold investments and cash balances with gearing being provided by a bank overdraft and the use of long-only CFDs. All financial assets and liabilities are carried at fair value. The fair value is the same as the carrying value of all financial assets and liabilities.

The Company has the following foreign currency exposures.

	2014 £'000	2013 £'000
<b>Fixed asset investments</b>		
– US Dollar	49,345	57,979
– Euro	6,762	4,958
– Hong Kong Dollar	6,002	5,370
– Singapore Dollar	394	605
<b>Bank</b>		
– US Dollar	78	1,342
– Euro	6	30
<b>Debtors</b>		
– US Dollar	50	1
<b>Exchange rate</b>		
– US Dollar	1.621	1.619
– Euro	1.283	1.196
– Hong Kong Dollar	12.588	12.559
– Singapore Dollar	2.067	2.032

Where appropriate, gearing is utilised in order to enhance net asset value. The Company does not invest in fixed rate securities other than where the Company has substantial cash resources. In this situation, the Company has typically held short dated UK Government Securities, or money market funds. Investments, which comprise mainly equity investments, are valued as detailed in the Company's accounting policies.

The Company only operates short-term gearing, which combined with the use of long-only CFDs, is limited to 20% of the Company's net asset value. Borrowing is undertaken through an unsecured variable rate bank overdraft with interest being charged based on prevailing interest rates. The fair value is not materially different from the carrying value of all financial assets and liabilities as disclosed in notes 8, 9 and 10.

Classification of financial instruments at fair value	2014 £'000	2013 £'000
Level 1	64,812	56,602
Level 2	36,038	33,703
Level 3	19,083	26,846
<b>Total</b>	<b>119,933</b>	<b>117,151</b>

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. These are principally CFDs, where the price is based on the underlying quoted investment price, or investments in funds with redemption rights where the price is based on valuations provided by the funds' administrators.

Level 3 reflects financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by unobservable inputs. These include monthly priced funds and quarterly priced limited partnerships.

## Notes to the Financial Statements (continued)

### 15 Financial instruments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Valuation at 1 October 2013</b>	<b>56,602</b>	<b>33,703</b>	<b>26,846</b>	<b>117,151</b>
Investment holding (losses)/gains at 1 October 2013	(6,905)	20,726	234	14,055
<b>Cost at 1 October 2013</b>	<b>63,507</b>	<b>12,977</b>	<b>26,612</b>	<b>103,096</b>
Purchases of investments at cost	25,852	5,000	714	31,566
Proceeds from sale of investments	(18,994)	(4,275)	(6,620)	(29,889)
Net gains/(losses) on sale of investments	2,330	(285)	2,908	4,953
Transfers	(801)	801	–	–
Cost at 30 September 2014	71,894	14,218	23,614	109,726
Investment holding (losses)/gains at 30 September 2014	(7,082)	21,820	(4,531)	10,207
<b>Valuation at 30 September 2014</b>	<b>64,812</b>	<b>36,038</b>	<b>19,083</b>	<b>119,933</b>

The gains and losses included in the above table have all been included within (losses)/gains on investments in the Income Statement on page 34. The Directors believe that the use of reasonable possible alternative assumptions for its Level 3 holdings would not result in a valuation significantly different from the valuation included in these financial statements.

The Board has granted Henderson a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of investment.

#### Classification of financial instruments

The Board requires Henderson to operate within certain risk ranges of normal exposure, as detailed in the Report of the Directors and Fund Managers' Report.

	2014 £'000	2013 £'000
<b>CFD analysis</b>		
Number of holdings 1 (2013: 6)		
Gross exposure – all long	3,427	17,724
Net unrealised gains at 30 September	903	1,424
<b>Contractual maturity analysis</b>		
Creditors – due not later than one month	(582)	(423)
<b>Maximum credit risk analysis</b>		
At the year end the Company's maximum credit risk exposure was as follows:		
Bank	129	1,381
Money market funds	16,250	11,672
Cash held as CFD margin deposit	2,641	8,773
Accrued income	65	17
Prepayments and other receivables	8	9
Due from brokers	964	–
<b>Total maximum credit risk</b>	<b>20,057</b>	<b>21,852</b>

## Notes to the Financial Statements (continued)

### 15 Financial instruments (continued)

#### Capital management policies

The Company's management objectives are to provide shareholders with long term capital growth, deploying the proceeds of ordinary shareholders' equity and making tactical use of a restricted level of gearing.

	2014 £'000	2013 £'000
Capital and reserves:		
Share capital	11,938	11,938
Share premium	10,966	10,966
Capital redemption reserve	6,515	6,515
Capital reserve	108,289	108,430
Revenue reserve	1,700	731
<b>Total shareholders' funds</b>	<b>139,408</b>	<b>138,580</b>

The Company's objectives for managing capital are detailed in the Strategic Report and have been complied with throughout the year. The Company normally restricts effective gearing (borrowings and gross exposure of long-only CFDs) to 20% of net assets, maintains a minimum share capital of £50,000 (as a public company) and adheres to the capital restrictions imposed by relevant company and tax legislation.

### 16 Transactions with the Manager

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 1 March 2013 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the Alternative Investment Fund Managers Directive) the Company has appointed subsidiaries of Henderson Group plc ("Henderson") to provide investment management, accounting, secretarial and administration services. Henderson has contracted BNP Paribas Securities Services to provide accounting and administration services.

Details of the fee arrangements for these services are given on page 3. The total of management fees paid or payable to Henderson under this agreement in respect of the year ended 30 September 2014 was £977,000 (2013: £nil. No investment management fees were charged for the first six months of management). In 2013 £817,000 was paid or payable to SVM Asset Management Limited who managed the portfolio until 31 March 2013. The amount outstanding at 30 September 2014 was £487,000 payable to Henderson (2013: £169,000 payable to SVM Asset Management Limited).

### 17 Commitments

The Company had outstanding commitments of £5.6 million (2013: £0.4 million) and no contingencies at 30 September 2014 (2013: nil).

# General Shareholder Information

## BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 15) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

## Disability Act

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

You can contact the Registrar, Computershare Investor Services PLC, who has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

## FCA restrictions

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the 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 the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

## Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times and other leading newspapers.

## Performance details/share price information

Details of the Company's share price and NAV per share can be found on the website [www.hendersonvaluetrust.com](http://www.hendersonvaluetrust.com). The Company's NAV is published weekly.

## Shareholder details

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

## 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 them when invited to do so by the Chairman. Investors via Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

## Warning to shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary at the number provided on page 15.

# Alternative Investment Fund Managers Directive

## Alternative Investment Fund Managers Directive Disclosures

Henderson and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a Key Investor Information Document ("KIID") which can be found on the Company's website [www.hendersonvaluetrust.com](http://www.hendersonvaluetrust.com). There have been no material changes to the disclosures contained within the KIID since publication in July 2014.

The periodic disclosures to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A full list of portfolio holdings is included on pages 11 and 12.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and Note 15 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. It is therefore anticipated that the Henderson Remuneration Policy and associated financial disclosures will be made with the Company's Annual Report from 2016.

## Leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. It defines two types of leverage, the gross method and the commitment method. These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect "netting" or "hedging arrangements". Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed below. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing

(through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities.

Leverage is considered in terms of the Company's overall "exposure" to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Henderson is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its net asset value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;
- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- derivative instruments which are converted into the equivalent position in their underlying assets;
- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis to the above, but may take into account the effect

# Alternative Investment Fund Managers Directive

(continued)

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of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The calculation of leverage assumes that a leverage percentage of 100% equates to zero leverage. A percentage above 100% would mean that the portfolio had leverage equal to the percentage amount above 100%.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	As a percentage of net assets	
	Gross method	Commitment method
Maximum level of leverage	400%	400%
Actual level	100%	100%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the KIID in relation to any special arrangements in place, the maximum level of leverage which Henderson may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.



Henderson Value Trust plc  
Registered as an investment company in Scotland Registration Number SC015905  
Registered office: Leven House, 10 Lochside Place,  
Edinburgh Park, Edinburgh EH12 9RG.

SEDOL number: Ordinary Shares: GB0001216000/0121600  
London Stock Exchange (EPIC) Code: HVTR  
Global Intermediary Identification Number (GIIN): AEFUI2.99999.SL.826  
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