E02 *E37RK8AH* 93
COMPANIES HOUSE 23/01/95

1970906.

Henderson Strata Investments plc

Objective

The Company aims to achieve above average capital growth through an international portfolio of smaller companies.

Financial Highlights

	Year ended 31 October 1994	Year ended 31 October 1993	% Change
Net assets	**£47.49m**	£45.32m	+4.8
Net asset value per ordinary share	**284.0p**	271.0p	+4.8
Earnings per ordinary share	**1.00p**	1.36p	−26.5
Dividend per ordinary share	**0.50p**	1.40p	−64.3

The recommended final dividend of 0.50p net per ordinary share, if approved, will be paid on 31 January 1995 to shareholders on the register at the close of business on 10 January 1995. The Company's shares will be quoted ex dividend from 19 December 1994.

Performance

	1 Year %	3 Years %	5 Years %
Net asset value total return*	+5.1	+56.5	+88.6
Share price total return*	+5.9	+88.0	+111.3
FT-SE-A All-Share Index total return	+2.0	+41.7	+78.9
Hoare Govett Smaller Companies Index (excluding investment trusts) total return	+1.9	+38.5	+37.9

*Source = AITC Services Limited – Total return assumes net dividends are reinvested and excludes transaction costs.

Chairman's Statement

Assets

The rise in the asset value over the past year at 4.8 per cent is again ahead of the FT-SE-A All-Share Index which fell 1.7 per cent. Both figures exclude income.

The Company is now placed first in the 'Smaller Companies' sector by the Association of Investment Trust Companies in respect of its net asset value return over five years.

Revenue

As I indicated at the time of the interim figures in June, the net revenue for the year has turned out to be much lower than last year and consequently the Board is recommending a reduced dividend of 0.50p net per ordinary share.

Personal Equity Plan ('PEP') Qualification

The directors have not previously declared a policy that Henderson Strata should be PEP qualifying because of the international spread of its investments and the restraint that such a policy could have on the managers of the portfolio. However, the directors now believe that a requirement to have over 50 per cent of the assets in qualifying investments within EU countries should not hold back future performance. Consequently the directors have declared that the Company is now PEP qualifying and from early 1995 it will be possible to invest in Henderson Strata through a PEP offered by Henderson Touche Remnant. Recognising that a PEP is a long term investment I have addressed the question of the life of the Company in the next paragraph.

Duration of Company

Shareholders will be aware that the Articles of Association provide that an ordinary resolution be passed at the Annual General Meeting in January 1996 to enable the Company to continue beyond that date. Your Board has considered the extent to which the policy would have to change if the Company were to be wound up in early 1996. Given the relatively illiquid nature of many of the underlying investments it would be prudent to begin realising cash early in 1995 and continue this process throughout the year. This would undoubtedly hold back growth in the Company's asset value particularly during a period of rising share prices.

The directors have decided, with this and also with the confirmed PEP qualifying status in mind, that shareholders should be given the opportunity to vote in favour of extending the life of the Company for another ten years at the Annual General Meeting in January 1995. If the resolution is passed it will mean that there will be no change in investment policy and shareholders should then be able to benefit from a further enhancement in the value of their investment given the encouraging outlook for smaller companies.

Review

Smaller company indices in the major world stockmarkets showed surprisingly little net change over the year. Japan recorded a rise of just under 5 per cent in capital terms as did Continental Europe while in the UK and US share prices ended slightly lower. The best opportunities were in the Far East which produced good returns although underlying share prices were volatile.

Diligent stock selection enabled us to produce a capital return ahead of the indices in most areas and we remained ruthless in our determination to concentrate on real growth stocks.

Investments

The past year has seen little change in the top holdings but sales of shares in Tibbett & Britten and Fairey Group have resulted in Ashtead Group and Druck Holdings becoming the top two investments held by the Company. Ashtead, which is involved in plant hire, has had a particularly good year with profits rising two and a half times to £7 million. This resulted from its consistent policy of investing in people, plant and facilities throughout the recession. Trading in the current year continues to show substantial improvement. Druck also has a policy of investing heavily and, in its case, in research and development. This has made it a leader in the specialist market of electronic pressure measuring devices with some 75 per cent of turnover going to export markets. Progress remains encouraging.

Outlook

The global economic outlook remains favourable for stockmarket investment with recovery well underway in all the major economies, fuelling large gains in corporate earnings. The main threat to this encouraging picture would be a sharp rise in inflation and interest rates, but we believe there is little risk of this happening at this stage. Inflationary fears have been sparked by strong US growth and rising commodity prices. However, recent indications are that growth is slowing and that labour costs, which are the key driver of inflation, remain under good control.

Smaller companies remain exciting and potentially very rewarding investments. New issues in the UK, in particular, have shown how there can be significant returns, but have also highlighted some of the pitfalls. Undoubtedly though, new issues offer an opportunity to invest at an early stage in companies with well-above average prospects for capital growth. In the US it is much the same. Continental Europe has given the Company the opportunity to participate in smaller companies resulting from the restructuring of some of the largest companies; these offer good value, as illustrated by recent successful investments in Sweden. This is in direct contrast to Japan where new issues are not usually floated at attractive levels. The position is similar in the other markets of the Far East and it is unlikely that new issues from those areas will feature to any great extent in the portfolio.

I urge you to vote in favour of the extension of the Company's life as we believe the prospects are as encouraging as they were when the Company was launched in 1985.

Frans ten Bos
Chairman
1 December 1994

Management Team

Standing from left to right: Stephen Peak, Heather Manners.
Seated: Davina Walter, Richard Smith, William Garnett

The Management Team

Your directors have appointed Henderson Financial Management Limited, a wholly owned subsidiary of Henderson Administration Group plc, to manage the investment portfolio in furtherance of the Company's objectives. The terms of the appointment are given in the Directors' Report on page 13.

Your portfolio managers are:

Richard Smith *

a director of Henderson Administration Group plc who has overall responsibility for the Company's investments and specialises in the United Kingdom. He is a director of four investment trust companies and is actively involved in the day to day management of their portfolios.

Davina Walter *

is responsible for the North American portfolio. Davina is also responsible for the US portfolios of two other investment trusts.

William Garnett *

is responsible for the Japanese portfolio. He also manages the investment portfolio of HTR Japanese Smaller Companies Trust PLC.

Heather Manners *

is responsible for the Pacific portfolio. She also manages the HTR Asian Enterprise Fund and is Deputy Manager of TR Pacific Investment Trust plc.

Stephen Peak *

is responsible for the Continental Europe portfolio. Since September 1994 he has been a director of TR European Growth Trust PLC.

* Director of the Investment Management Division of Henderson Financial Management Limited.

Directors

*Frans ten Bos (Chairman) (age 57), is Chairman of Wace Group plc.

*Stephen Burley (age 47), is a director of R.T.Z. Pension Investments Ltd.

*Hamish Bryce (age 53) is Executive Chairman of TLG plc.

Edward Whitley (age 40) is a partner of Cazenove & Co.

Davina Walter (age 40) is a director of the Investment Management Division of Henderson Financial Management Limited.

Richard Smith (age 43) is a director of Henderson Administration Group plc, Electric and General Investment Company plc, English National Investment Company plc, Lowland Investment Company plc and of Henderson Touche Remnant Investment Trust Management Limited.

*Member of the Audit Committee and of the Management Engagement Committee.

Nine Year Record

Year to 31 October	Total assets less current liabilities in £'000	Net asset value per ordinary share in pence††	Net asset value per warrant in pence	Earnings per ordinary share in pence	Dividend per ordinary share in pence
1985*	14,400	96.0	–	–	–
1986	20,729	133.1	33.1	1.90**	0.50†
1987	19,790	127.4	27.4	0.75	0.58
1988	22,371	142.8	42.8	1.11	0.70
1989	25,829	163.5	63.5	1.67	1.15
1990	21,089	135.2	35.2	1.83	1.32
1991	29,480	185.3	85.3	1.56	1.40
1992	29,736	186.3	86.3	1.45	1.40
1993	45,315	271.0	–	1.36	1.40
1994	47,492	284.0	–	1.00	0.50

* Represents a 16 day period to 31 October 1985

** From commencement of business on 16 October 1985

† A special dividend of 1.10p was also paid

†† Assuming full subscription of warrants in issue between 16 October 1985 and 31 January 1993. All warrants had been exercised as at 31 January 1993

Geographic Review

United Kingdom

£'000	20 Largest investments by value		% of total portfolio
1,278	Ashtead Group	*Plant and tool hire*	2.8
1,168	Druck Holdings	*Manufacturer of precision measuring equipment*	2.5
1,086	Domestic & General	*Domestic appliance insurance*	2.4
1,012	Serco Group	*Facilities and project management*	2.2
896	Forth Ports	*Port operator*	1.9
860	Tibbett & Britten	*Distribution services*	1.8
712	Maunders (J) Group	*Housebuilder*	1.5
709	*British Polythene	*Manufacturer of polythene products*	1.5
632	Claremont Garments	*Clothing manufacturer*	1.4
619	Control Techniques	*Manufacturer of electronic drives for motors*	1.3
608	Finelist	*Distribution of car parts*	1.3
571	Frost Group	*Petrol retailing*	1.2
569	Pizza Express	*Restaurants*	1.2
531	Filtronic Comtek	*Devices for mobile communication equipment*	1.2
521	RJB Mining	*Coal mining*	1.1
521	Fairey Group	*Manufacturer of specialist engineering equipment*	1.1
489	Vinten Group	*Broadcast and photographic equipment*	1.0
488	Birkby	*Space management and hire purchase*	1.0
483	Tilbury Douglas	*Construction and specialist contracting*	1.0
473	Bemrose Corp	*Security printing and promotional products*	1.0
14,226			30.4

*Includes 7½% Cum Conv Red Pref Shares

Portfolio comment

UK smaller company share prices performed strongly in late 1993 and during the first two months of 1994. Since then they have slipped back and also lost ground relative to major companies. Part of this can be attributed to the flood of new issues, some of which have been of dubious quality, and to the high ratings which smaller companies had reached relative to bigger companies.

Activity in the new issue market has been exceptionally high in the past twelve months. Some companies have quite clearly been floated too early. Reasons for this have varied but undoubtedly pressure from venture capital investors seeking to recover their loans has played its part. Overall we have declined many, taken short term profits in some and been very careful in adding only to those which we believe will return well-above average growth. In particular we have seen good capital returns from **Finelist,** a distributor of car parts and also **Inspec,** a manufacturer of speciality chemicals. **Filtronic Comtek,** which is a supplier of complex devices to the mobile telecommunications industry, was floated in mid-October and has already moved to a significant premium.

We believe returns from smaller companies in the UK should prove rewarding in 1995 particularly after a period of disappointing performance relative to major companies. This will be driven by good earnings growth and strong cash generation.

Richard Smith

Geographic Review

continued

North America

£'000	20 Largest investments by value		% of total portfolio
417	Gulf South Medical	*Distribution for nursing home industry*	0.9
402	Sports & Recreation	*Sporting goods retailer*	0.9
384	Illinois Central	*Railroad*	0.8
380	Viking Office Products	*Mail order office products*	0.8
374	Integrated Health Services	*Sub acute care provider*	0.8
361	Sybron Corporation	*Dental and laboratory supplies*	0.8
353	Autozone	*Auto parts retailer*	0.8
335	Green Tree Financial	*Consumer finance*	0.7
334	Lincare	*Home healthcare*	0.7
329	Ren Corporation	*Dialysis centres*	0.7
315	Phycor	*Multi specialty medical clinics*	0.7
310	Express Scripts	*Prescription drug programmes*	0.7
303	Robert Half	*Temporary skilled personnel*	0.6
299	Richfood Holdings	*Wholesaler of food and related products*	0.6
294	Kent Electronics	*Distributor of connectors and components*	0.6
291	Omnicare	*Pharmacy management for long term health care*	0.6
275	Heilig Meyers	*Home furnishings retailer*	0.6
275	Vencor Inc	*Long term care hospitals*	0.6
273	Cavalier Homes	*Manufactured housing*	0.6
263	Broadcasting Partners	*Radio broadcaster*	0.5
6,567			14.0

Portfolio comment

In the US, small stocks were virtually unchanged on the year as markets were hampered by a background of rising interest rates. This performance masks considerable volatility within the period with small stocks showing a fall of over 13% at one stage from their March 1994 all time highs. At the same time, small companies have been experiencing strong earnings growth, making valuations appear attractive. New issues were a strong feature at the beginning of the year, however, activity has tailed off in recent months reflecting short term interest rate uncertainties.

Within the portfolio there are a number of themes reflected in the stock selection. The first is "outsourcing" which allows companies to operate more efficiently and lower their costs. The additions in this area are: **Gulf South Medical, Robert Half, Richfood** and **Omnicare**. Another notable theme is demographics and seeking companies that serve the ageing US population. Examples are: **Integrated Health Services, Lincare, Omnicare** and **Vencor**. The final theme is radio broadcasting which is at an interesting stage of development following the change in ownership rules which have allowed one company to increase the number of radio stations it owns from 7FM and 7AM stations to 20 of each. The fund has exposure to this industry through **Broadcasting Partners.**

Davina Walter

Geographic Review

continued

Continental Europe

£'000	All investments by value		% of total portfolio
640	Kalmar Industries	*Heavy lift trucks*	1.3
516	Arjo	*Patient handling equipment*	1.1
469	Munksjö	*Paper conglomerate*	1.0
406	Getronics	*Computer services*	0.8
357	Danske Traelast	*Timber merchant and DIY*	0.8
355	Höganäs	*Industrial powders*	0.8
324	Publicis	*Advertising agency*	0.7
306	Europe No 1 Communication	*Commercial radio*	0.6
290	Fust	*Electrical retailer*	0.6
242	Weru	*Window and door manufacturer*	0.5
222	Sita	*Waste management*	0.5
220	Schibsted	*Newspaper publisher*	0.4
177	CEP Communications	*Book publishing*	0.4
166	Audiofina	*Pan European Radio and TV*	0.4
165	Tiptel Ag	*Telephony equipment*	0.4
119	Kampa Haus	*System built housing manufacturer*	0.3
48	Brau Union	*Brewer*	0.1
5,022			10.7

Portfolio comment

Anticipation and confirmation of recovery in Europe have provided a sound backdrop for smaller companies. This has gone some way to offset the increasingly harsh market conditions following the increase in US interest rates in February.

Over the past year we have expanded the overall number of holdings from 13 to 17. We have also expanded the geographical scope with particular emphasis on Sweden as we were attracted by a number of individual companies which offered excellent value relative to equivalents in other markets. Elsewhere in Scandinavia we have initiated a holding in **Danske Traelast**, Denmark's leading timber merchant and DIY chain. The other new holdings were in the major markets, **Tiptel**, a German producer of telephone equipment, **Fust**, a Swiss electrical retailer and **CEP Communications**, the French publisher.

Stock issuance has been an ongoing feature over the last year. Corporate re-structuring has seen a high number of companies spinning off divisions by obtaining a separate listing. This has caused bouts of 'indigestion' for investors but has also created opportunities as deal prices have had to be cut to be successful. In fact our four new Swedish holdings are all in companies listed over the last year.

With Europe returning to normal growth levels we believe that smaller companies have the capacity to do well. They tend to be more responsive to an improving business cycle and will no doubt produce positive earnings surprises helped by the cost cutting of recent years.

Stephen Peak

Japan

£'000	All investments by value		% of total portfolio
528	Nittetsu Mining	*Mining*	1.2
520	Asatsu	*Advertising agency*	1.1
513	Nakayama Steel Works	*Steel manufacturer*	1.1
467	Sumitomo Sitix	*Silicon and titanium manufacturer*	1.0
465	Tsudakoma	*Textile machinery manufacturer*	1.0
435	Foster Electric	*Electrical components manufacturer*	0.9
428	Toyo Ink Manufacturing	*Ink manufacturer*	0.9
393	Aiya	*Restaurant chain*	0.8
10	Kishu Paper	*Paper manufacturer*	0.0
3,759			8.0

Portfolio comment

The Tokyo Stock Exchange Second Section rose just under 5% (7% in sterling terms). Henderson Strata's Japanese portfolio rose 20.6% adjusted for sterling. The portfolio profited from its re-orientation, made last year, away from more defensive companies and towards companies that will benefit from economic recovery.

Over the year some changes were made to the portfolio. **Koito Industries**, a manufacturer of information equipment, was the last of the more defensive companies to be sold. **Nippon Densan**, the manufacturer of spindle-motors for hard disc drives, was sold as it is likely to experience increasing competition from other Asian-based production. Profits were also taken on **Wako Securities**, which had performed extremely well since its purchase in early 1993 when sentiment surrounding the stockmarket was so much poorer.

New purchases included **Sumitomo Sitix**, a manufacturer of silicon for the semiconductor industry; **Aiya**, a well managed restaurant chain and **Toyo Ink**, an ink manufacturer. All companies seem well-set to benefit from an expanding economy and in each case have introduced a new product or service which will boost business further.

The outlook for smaller companies remains bright; however following such strong moves over the last couple of years this may already be reflected in their share prices to a certain extent. The economy now seems set on recovery, we expect real GDP growth of some 3% in 1995. This augurs well for small companies and further gains in share prices should be seen.

William Garnett

Geographic Review

continued

Pacific

£'000	All investments by value		% of total portfolio
586	Siam Selective	*Investment trust specialising in Thailand*	1.2
523	Seamico	*Unlisted finance company*	1.2
496	Dah Sing Financial	*Banking and financial services*	1.1
447	Arab Malaysian Finance	*Finance company*	0.9
352	Faulding	*Pharmaceutical manufacturer*	0.8
336	Bukit Sembawang Estates	*Property developer*	0.7
325	Westmont Bhd	*Offshore fabricator and shipbuilder*	0.7
318	Samsung Radiator	*Manufacturer of radiators for motor vehicles*	0.7
304	GP Batteries	*Manufacturer of specialist batteries*	0.7
251	Vitasoy International	*Food and beverages manufacturer*	0.5
240	HK Aircraft	*Aircraft maintenance company*	0.5
127	Ryoden Dev	*Property developer*	0.3
116	Nylex Berhad	*PVC and related products*	0.2
4,421			9.5

Portfolio comment

In the Pacific the investment environment was broadly positive over the financial year and the stockmarkets produced good returns although this masks something of a roller coaster ride. Following the sharp rises at the end of 1993 Pacific investors had to come to terms with rising US – and in some cases – domestic interest rates. Most of the region's markets consequently suffered severe corrections. Only in the last quarter of the financial year did sentiment improve markedly as investors regained confidence in the absence of inflation.

Economic growth rates in the region remain strong and forecasts for 1995 are for much of the same. Despite such a good economic backdrop smaller companies have fared badly in the volatile stockmarkets with the notable exception of Malaysia.

Looking ahead the risk of economic overheating has been reduced by pre-emptive rises in interest rates in the leading economies of the world. The outlook for the Pacific remains favourable and the economic upturn has resulted in strong company profits growth. Stockmarket valuations currently leave little room for disappointments, but amongst smaller companies some attractive opportunities can still be found.

Disposals in the year included **Sime Darby (HK)**, which distributes BMW and Mitsubishi cars, among others, in Hong Kong. The shares had performed well and were sold in anticipation of slowing demand from both Hong Kong and China as interest rates rise and economic growth decelerates.

Heather Manners

Analysis of Investments

at 31 October 1994

		United Kingdom £'000	North America £'000	Continental Europe £'000	Japan £'000	Pacific £'000	Total 31 Oct 1994 £'000	Total 31 Oct 1993 £'000
Mineral Extraction (2.2%)	Extractive industries	521	-	-	-	-	**521**	538
	Oil exploration & production	-	-	-	528	-	**528**	379
		521	-	-	528	-	**1,049**	917
General Manufacturers (38.6%)	Building & construction	2,473	-	-	-	-	**2,473**	2,011
	Construction & property	-	-	476	-	463	**939**	795
	Diversified industrials	1,485	70	2,079	1,408	-	**5,042**	3,601
	Electronic & electrical equipment	2,928	-	761	435	240	**4,364**	5,439
	Engineering	1,739	337	-	465	318	**2,859**	3,210
	Engineering, vehicles	143	-	-	-	-	**143**	-
	Printing, paper & packaging	2,249	-	-	10	-	**2,259**	2,152
		11,017	407	3,316	2,318	1,021	**18,079**	17,208
Consumer Groups (11.7%)	Consumer products	-	-	1,160	-	556	**1,716**	1,175
	Household	152	-	-	-	-	**152**	2,990
	Health	692	593	-	-	-	**1,285**	824
	Others	-	1,801	546	-	-	**2,347**	502
		844	2,394	1,706	-	556	**5,500**	5,491
Services (31.0%)	Distributors	1,316	1,691	-	-	-	**3,007**	1,665
	Leisure & hotels	569	377	-	-	-	**946**	1,740
	Media	506	161	-	-	-	**667**	863
	Retailers, food	-	-	-	393	-	**393**	474
	Retailers, general	1,087	1,952	-	-	-	**3,039**	3,860
	Support services	2,006	632	-	520	-	**3,158**	2,653
	Transport	2,931	384	-	-	-	**3,315**	2,727
		8,415	5,197	-	913	-	**14,525**	13,982
Other Services and Businesses (3.5%)	Other services	984	303	-	-	352	**1,639**	422
		984	303	-	-	352	**1,639**	422
Financials (9.8%)	Insurance	1,253	-	-	-	-	**1,253**	1,337
	Merchant banks	-	-	-	-	1,529	**1,529**	2,769
	Other financial	433	717	-	-	-	**1,150**	360
	Property	598	-	-	-	-	**598**	337
		2,284	717	-	-	1,529	**4,530**	4,803
Miscellaneous (3.2%)	Miscellaneous	-	542	-	-	963	**1,505**	1,730
		-	542	-	-	963	**1,505**	1,730
		24,065	**9,560**	**5,022**	**3,759**	**4,421**	**46,827**	44,553
Total (100.0%)	**% of Total at 31 October 1994**	**51.4%**	**20.4%**	**10.7%**	**8.0%**	**9.5%**	**100.0%**	
	% of Total at 31 October 1993	50.7%	22.8%	8.9%	8.3%	9.3%		100.0%

Stock convertible into ordinary shares amounting to £299,000 has been amalgamated in the investment groups shown above.

Directors' Report

The directors present their Annual Report and Audited Accounts of the Company for the year ended 31 October 1994.

Principal Activities and Business Review

The Company is an investment company as defined in Section 266 of the Companies Act 1985. It carries on the business of an investment trust and has been approved in respect of the year ended 31 October 1993 by H. M. Inspector of Taxes under Section 842 of the Income and Corporation Taxes Act 1988. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Company is not a close company and has no employees.

A review of the business is given in the Chairman's Statement and the Geographic Review.

Revenue and Dividends

The Company's gross revenue for the year was £841,000, an increase of £15,000 over the preceding year. Net revenue for the year after taxation and available for the ordinary shareholders was £167,000, compared to £222,000 in the previous year, a decrease of £55,000.

The directors recommend that, subject to approval at the Annual General Meeting, a final dividend of 0.50p net per ordinary share be paid on 31 January 1995 to shareholders on the register at close of business on 10 January 1995. The balance of £83,000 has been transferred to the revenue reserve.

Assets

At 31 October 1994 total net assets were £47,492,000 and the net asset value per 25p ordinary share was 284.0p, an increase of 4.8% from the previous year.

Directors

The directors of the Company at the date of this report, all of whom were directors throughout the financial year, are shown on page 5.

At the forthcoming Annual General Meeting Mr S R Burley and Mr R W Smith will retire by rotation and, being eligible, will offer themselves for re-election.

Mr E T Whitley is a partner of Cazenove & Co., which is one of the stockbrokers through which the Company buys, sells and lends investments.

Mr R W Smith is a director of Henderson Administration Group plc.

Mrs D J Walter is a director of the Investment Management Division of Henderson Financial Management Limited.

Subject to the above, no director was a party to, or had an interest in, any contract or arrangement with the Company at any time during the year that was significant in relation to the Company's business. No director had a service contract with the Company.

Directors' Interests

The interests of the directors in the Company's ordinary share capital on the dates set out below were as follows:

	Ordinary shares of 25p 31.10.94	31.10.93
Beneficial interest:		
F ten Bos	5,000	5,000
S R Burley	10,100	10,100
R W Smith	9,000	9,000
D J Walter	3,000	3,000
E T Whitley	–	–
R D H Bryce	876	–

Between the year end and the date of this report Mr Bryce has increased his beneficial shareholding to 963 ordinary shares.

No changes in the remaining directors' interests have been notified. No director holds any non-beneficial interest in the ordinary shares of the Company.

Substantial Shareholdings

The following shareholders had notified the Company of interests comprising 3% or more of the Company's ordinary share capital at 16 November 1994:

	%
Henderson Administration Group plc discretionary managed clients	34.37
Witan Investment Company plc (Also included in Henderson Administration Group plc discretionary managed clients)	21.71
Cazenove & Co. (held on behalf of clients)	11.96
W H Smith Pension Trust	7.48
R.T.Z. Pension Investments Limited	5.83
Merchant Investors Assurance Co. Ltd	5.59

Management Company

Investment management, accounting, secretarial and administrative services are provided to the Company by wholly owned subsidiary companies of Henderson Administration Group plc. Until 31 March 1994, the annual management fee, paid quarterly, was 1% of the value of the Company's net chargeable assets. With effect from 1 April 1994 the quarterly management fee is one quarter of 1% of the average value of the Company's net chargeable assets at the end of the preceding quarter and the corresponding quarter in the preceding year. Compensation amounting to two years' fees is payable in certain circumstances on termination of the appointment. The fee for administering stock lending is 25% of the interest earned from the activity. The Manager uses certain services which are paid for or provided by various brokers. In return it places business, which may include transactions relating to the Company, with these brokers.

Personal Equity Plans ('PEPs')

As explained in the Chairman's Statement the Company will, in future, be conducting its investment policy so as to comply with the 50% EU equities rule as required under the PEP regulations and it is the Board's intention to continue to satisfy these requirements.

Annual General Meeting

The Annual General Meeting of the Company will be held on 19 January 1995 at 2.30pm at 3 Finsbury Avenue, London, EC2M 2PA.

The Notice of the Meeting appears on page 25. Five resolutions will be proposed as items of Special Business at the meeting and explanations of these resolutions are given in a separate letter to shareholders enclosed with this Report.

Registered Auditors

The auditors, Coopers & Lybrand, have indicated their willingness to continue in office. A resolution proposing their re-appointment and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

By Order of the Board

Diane Penfold, ACIS
Henderson Secretarial Services Limited
Secretary
1 December 1994

Corporate Governance

The Code of Best Practice by the Cadbury Committee on the Financial Aspects of Corporate Governance ("the Code") was issued in December 1992. The directors consider that the systems and procedures in operation at that time largely reflected the terms and spirit of the Code.

However, since June 1993 the Company has complied formally with the Code, apart from those provisions which relate to the commentary on internal controls and the going concern basis of the accounts, in respect of which guidelines have yet to be published. The Board has an audit committee which meets annually with the Company's auditors and a management engagement committee (in lieu of a remuneration committee) to discuss the appointment and remuneration of the management company. Both these committees have specific terms of reference and comprise the independent non-executive members of the Board.

A schedule of matters to be specifically approved by the Board has been confirmed and individual directors may seek independent advice at the expense of the Company within certain parameters.

Report by the Auditors on Corporate Governance

We have reviewed the directors' statement above concerning the Company's compliance with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance, insofar as it relates to those paragraphs of the Code which the London Stock Exchange has specified for our review having regard to the Bulletin "Disclosures Relating to Corporate Governance" issued by the Auditing Practices Board.

Our procedures primarily comprised enquiry of appropriate directors and officers and examination of relevant documents. We are not required to review, and have not reviewed, the effectiveness of the Company's governance procedures.

Based on our review, we have satisfied ourselves that the directors' statement appropriately reflects the Company's compliance with specified paragraphs of the Code.

Coopers & Lybrand
Chartered Accountants
London
6 December 1994

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue of the Company for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors to the Shareholders of Henderson Strata Investments plc

We have audited the accounts on pages 16 to 23.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the Company as at 31 October 1994 and of its revenue, total recognised gains and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and
Registered Auditors
London
6 December 1994

Revenue Account

for the year ended 31 October 1994

		1994 £'000	1993 £'000
Notes 1 & 2	Income from fixed asset investments		
	Franked	513	507
	Unfranked	190	212
		703	719
	Other interest receivable and similar income		
	Interest on short-term deposits	35	51
	Other income	103	56
	Gross revenue	841	826
Note 3	Administrative expenses	592	517
	Net revenue before interest payable and taxation	249	309
Note 4	Interest payable	14	3
	Net revenue from ordinary activities before taxation	235	306
Note 5	Taxation on ordinary activities	68	84
	Net revenue from ordinary activities after taxation	167	222
	Dividends		
	Proposed final ordinary of 0.50p net per share (1993: 1.40p)	84	234
Note 11	Transfer to (from) revenue reserve	83	(12)

		1994 pence	1993 pence
Note 6	Earnings per ordinary share	1.00	1.36

The notes on pages 20 to 23 form part of these accounts

Balance Sheet

at 31 October 1994

		1994 £'000	1993 £'000
	Fixed asset investments		
Notes 1 & 7	Listed in United Kingdom	**23,842**	21,454
	Listed abroad	**22,249**	21,603
	Unlisted at market value	**-**	1,136
	Unlisted at directors' valuation	**736**	360
	Total fixed assets	**46,827**	44,553
	Current assets		
Note 8	Debtors	**122**	1,241
	Cash at bank and short term deposits	**1,355**	817
		1,477	2,058
Note 9	**Creditors**		
	Amounts falling due within one year	**812**	1,296
	Net current assets	**665**	762
	Total net assets	**47,492**	45,315
	Capital and reserves		
Note 10	Called-up share capital	**4,180**	4,180
Note 11	Reserves – non distributable		
	Share premium account	**11,924**	11,924
	Realised profits	**20,202**	12,991
	Unrealised profits	**10,789**	15,906
Note 11	Revenue reserve	**397**	314
	Total shareholders' funds	**47,492**	45,315

These accounts were approved by the directors on 1 December 1994 and signed on their behalf by:

F ten Bos

R W Smith

The notes on pages 20 to 23 form part of these accounts

Statement of Total Recognised Gains and Losses

for the year ended 31 October 1994

	1994 £'000	1993 £'000
Non-distributable profits		
Realised gains on fixed asset investments	**7,505**	5,430
Net (loss)/gain on foreign exchange	**(294)**	103
Unrealised (losses)/gains on fixed asset investments	**(5,117)**	8,643
Transfer to non-distributable reserves	**2,094**	14,176
Distributable profits		
Net revenue from ordinary activities after taxation	**167**	222
Total recognised gains for the year	**2,261**	14,398

Reconciliation of Movement in Shareholders' Funds

	1994 £'000	1993 £'000
Net revenue from ordinary activities after taxation	**167**	222
Dividends	**(84)**	(234)
	83	(12)
Allotment of ordinary shares following exercise of warrants	**-**	354
Premium on allotment of ordinary shares following exercise of warrants	**-**	1,061
Increase in non-distributable reserves	**2,094**	14,176
	2,177	15,579
Shareholders' funds at 1 November 1993 (1992)	**45,315**	29,736
Shareholders' funds at 31 October 1994 (1993)	**47,492**	45,315

Historical Cost Profits and Losses

There are no differences between the amounts reported in the Revenue Account and their historical cost equivalents.

The notes on pages 20 to 23 form part of these accounts

Cash Flow Statement

for the year ended 31 October 1994

		1994 £'000	1993 £'000
	Operating activities		
	Cash received from investments	591	508
	Bank interest received	33	56
	Interest received from stock-lending activity	1	2
	Underwriting commission received	98	54
	Investment management fees paid	(416)	(454)
	Cash paid to and on behalf of directors	–	(24)
	Other cash payments	(7)	(25)
Note 12(i)	Net cash inflow from operating activities	300	117
	Servicing of finance		
	Interest paid	(14)	(3)
	Dividends paid	(234)	(214)
	Net cash outflow from servicing of finance	(248)	(217)
	Taxation		
	UK corporation tax recovered	58	33
	UK income tax recovered	46	–
	Overseas tax recovered	5	15
	Tax recovered	109	48
	Investing activities		
	Purchases of investments	(24,453)	(20,298)
	Sales of investments	25,124	17,181
	Net cash inflow (outflow) from investing activities	671	(3,117)
	Net cash inflow (outflow) before financing	832	(3,169)
	Financing		
Note 12 (ii)	Proceeds from warrants exercised in the year	–	1,415
Note 12 (iii)	Increase/(decrease) in cash and cash equivalents	832	(1,754)

The notes on pages 20 to 23 form part of these accounts

Notes to the Accounts

Note 1 Accounting policies

a The Company prepares its accounts on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards.

b Listed investments are valued at their middle market price and elsewhere either at their closing or middle prices as published by various recognised sources without regard to the size of the investment. Unlisted investments are valued by the directors according to the information available.

c Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

d Realised and unrealised capital gains and losses, together with exchange differences arising on the translation of foreign currency assets and liabilities are dealt with in the non-distributable reserves.

e Dividend income from investments is included where the dates of payment fall within the year. Interest on fixed interest securities is included on an accruals basis. This represents a change in accounting policy in respect of interest on fixed interest securities. The effect of this change on the 1993 comparatives is not material and, accordingly, no adjustments have been made to the prior year. If scrip is taken in lieu of dividends in cash, the gross amount of the dividend is credited to the revenue account. Bank interest, other income and expenses ar[e] accounted for on an accruals basis.

f Provision is made for deferred taxation using the liability method on all timing differences to the extent that it is probable that a liability or asset will crystallise.

Note 2 Income from fixed asset investments

		1994 £'000	1993 £'000
Listed	– dividends	699	694
	– interest	4	–
Unlisted	– dividends	–	25
		703	719

Note 3

	1994 £'000	1993 £'000
i) Administrative expenses include:		
Management fee	534	469
Bank charges and safe custody fees	19	13
Auditors' remuneration	8	8
ii) Directors' emoluments		
Fees	15	[illegible]
Salaries and other benefits	45	3[illegible]
Performance related bonus	12	[illegible]
Payments to pension scheme	6	[illegible]
Total emoluments excluding amounts paid to third parties	78	5[illegible]
Amounts payable to third parties, including Henderson	14	1[illegible]

Two directors received emoluments from Henderson Administration Limited ("Henderson") for th[e] services to Henderson Administration Group plc. The proportion of their emoluments, including pension contributions, which related to the management of the affairs of the Company amounted [to] £63,000 (1993: £48,000). This amount, together with the amounts paid directly by the Compa[ny] to the non-executive directors, is included in the emoluments for services as directors.

Notes to the Accounts

continued

The directors' total emoluments, excluding amounts paid to third parties (including Henderson) include the following:

	Chairman		Highest Paid	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Fees	6	6	–	–
Salaries and other benefits	–	–	27	20
Performance related bonus	–	–	8	3
Payments to pension scheme	–	–	3	4
	6	6	38	27

The directors' total emoluments, excluding amounts paid to third parties (including Henderson) and excluding payments to pension schemes, fell within the following bands:

	1994	1993
	£'000	£'000
£0 – £5,000	3	3
£5,001 – £10,000	1	1
£15,001 – £20,000	–	1
£20,001 – £25,000	1	1
£30,001 – £35,000	1	–

Note 4 Interest payable is in respect of a bank overdraft repayable within one year.

Note 5 Taxation on ordinary activities

	1994	1993
	£'000	£'000
Tax credits applicable to franked income	107	114
Foreign withholding taxes	30	33
Prior year adjustment	1	–
	138	147
Overseas taxation reclaimable	(10)	(8)
Management expenses relieved against franked investment income	(49)	(58)
	79	81
Transfer (from)/to deferred taxation account	(11)	3
	68	84

i) The movement in deferred tax account is:

At 1 November 1993 (1992)	1	5
Transfer (to)/from revenue account	(11)	3
Transfer to/(from) taxation recoverable	11	(7)
At 31 October 1994 (1993)	1	1

ii) Surplus franked investment income amounts to £335,000 (1993: £174,000) and is available to frank future dividends.

Notes to the Accounts

continued

Note 6 Earnings per ordinary share

The earnings per ordinary share on the net basis are calculated on the net revenue from ordinary activities after taxation of £167,000 (1993: £222,000) and on the weighted average number of ordinary shares in issue during the year ended 31 October 1994 of 16,720,000 shares (1993: 16,363,393) in accordance with the Financial Reporting Standard No. 3.

Note 7 Fixed asset investments

i) There are contingent liabilities in respect of an underwriting commitment of £260,000 (1993: £1,363,000) and capital commitments in respect of securities not fully paid up of £52,000 (1993: £77,000).

ii) Changes in fixed asset investments:

	Valuation 1 Nov 1993 £'000	Purchases £'000	Sales £'000	Unrealised Appreciation/ (Depreciation) £'000	Valuation 31 Oct 1994 £'000	Cost 31 Oct 1994 £'000
United Kingdom	22,590	9,115	9,145	1,505	24,065	16,109
North America	10,171	7,021	7,576	(56)	9,560	9,059
Continental Europe	3,950	3,647	2,834	259	5,022	4,335
Japan	3,624	2,315	3,191	1,011	3,759	3,071
Pacific	4,218	1,861	1,327	(331)	4,421	3,464
	44,553	23,959	24,073	2,388	46,827	35,038

Note 8 Debtors

	1994 £'000	1993 £'000
Sales for future settlement	–	1,051
Other debtors	–	12
Prepayments and accrued income	19	57
Taxation recoverable	103	121
	122	1,241

Note 9 Creditors

	1994 £'000	1993 £'000
Purchases for future settlement	505	999
Recommended final ordinary dividend	84	234
Taxation payable	1	1
Other creditors	222	62
	812	1,296

Note 10 Share capital

	1994 £'000	1993 £'000
Authorised:		
16,720,000 ordinary shares of 25p each	4,180	4,180
Issued, allotted and fully paid:		
16,720,000 ordinary shares of 25p each	4,180	4,180

Notes to the Accounts

continued

Note 11 Reserves

	Non-distributable			Distributable
	Share Premium £'000	Realised £'000	Unrealised £'000	Revenue £'000
At 1 November 1993	11,924	12,991	15,906	314
Gains/(losses) on fixed asset investments	–	7,505	(5,117)	–
Net loss on foreign exchange	–	(294)	–	–
Transfer from revenue account	–	–	–	83
At 31 October 1994	**11,924**	**20,202**	**10,789**	**397**

Note 12 Notes to the cash flow statement

	1994 £'000	1993 £'000
i) Reconciliation of operating revenue to net cash inflow from operating activities		
Net revenue before interest payable and taxation	**249**	309
Decrease/(increase) in prepayments and accrued income	**39**	(28)
Decrease/(increase) in other debtors	**11**	(5)
Increase in other creditors	**159**	17
Tax on unfranked investment income	**(51)**	(62)
Tax on franked investment income included within income from UK companies	**(107)**	(114)
Net cash inflow from operating activities	**300**	117

	1994 Share Capital Including Share Premium £'000	1993 Share Capital Including Share Premium £'000
ii) Analysis of changes in financing during the year		
At 1 November 1993 (1992)	**16,104**	14,689
Cash inflow from exercise of warrants	**–**	1,415
At 31 October 1994 (1993)	**16,104**	16,104

	1994 £'000	1993 £'000
iii) Analysis of changes in cash and cash equivalents during the year		
At 1 November 1993 (1992)	**817**	2,468
Net cash inflow/(outflow)	**832**	(1,754)
Net (loss)/gain on foreign exchange	**(294)**	103
At 31 October 1994 (1993)	**1,355**	817

Note 13 Loan facility

A loan facility of £2 million is available from the Company's bankers at 1% above the bank's base rate. The loan is secured by a Memorandum of Deposit.

Manager and Advisers

Manager
Henderson Financial Management Limited
3 Finsbury Avenue, London EC2M 2PA
Telephone:

BT	0171 638 5757
Mercury	0171 410 4100
Facsimile:	0171 377 5742
Telex:	884616 A/B GFRIAR G

A Member of IMRO

Registered Office
3 Finsbury Avenue
London EC2M 2PA
Telephone:

BT	0171 638 5757
Mercury	0171 410 4100
Facsimile:	0171 377 5742

Registered Number
Registered as an investment company in England No. 1940906

Secretary
Henderson Secretarial Services Limited, represented by Diane Penford, ACIS.

Registered Auditors
Coopers & Lybrand
Plumtree Court
London EC4A 4HT

Stockbroker
Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Registrar
The Royal Bank of Scotland plc
Registrar's Department
P.O. Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Solicitor
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Bankers
The Royal Bank of Scotland plc
67 Lombard Street
London EC3P 3DL

Morgan Stanley Trust Company
One Evertrust Plaza
Jersey City
New Jersey 07302 USA

Share Price
The share price is quoted daily in the Financial Times, The Daily Telegraph and The Times.

Key Dates

Financial year end:	31 October
Annual General Meeting:	19 January 1995
Final Dividend for 1994:	Payable 31 January 1995

The Company is a member of the Association of Investment Trust Companies

Notice of Meeting

Notice is hereby given that the ninth Annual General Meeting of Henderson Strata Investments plc will be held at 3 Finsbury Avenue, London EC2M 2PA on Thursday 19 January 1995 at 2.30 pm for the purpose of transacting the following business of the Company:

Ordinary Business

1 To receive the Report of the Directors and Accounts for the year ended 31 October 1994.

2 To declare a dividend.

3 To re-elect Mr S R Burley as a director of the Company.

4 To re-elect Mr R W Smith as a director of the Company.

5 To re-appoint Coopers & Lybrand as the registered auditors of the Company and to authorise the directors to determine their remuneration.

Special Business

To consider, and if thought fit, pass the following resolutions:

Special Resolution

6 THAT the Company's Articles of Association be altered by:

(a) the deletion of existing Article 1(M) and the substitution therefor of the following as a new Article 1(M):

"(M)(i) At the first Annual General Meeting of the Company convened for a date on or after 1 January, 2005 and, if the Company has not then been liquidated or reconstructed, at each tenth Annual General Meeting of the Company convened by the Directors thereafter, the members of the Company shall be asked to approve the continuation of the Company by ordinary resolution.

(ii) If any such ordinary resolution is not passed, the Directors shall convene an Extraordinary General Meeting of the Company for a date not more than three months after the date of the meeting at which the members declined to approve the continuation of the Company, at which the Directors shall put forward proposals for the liquidation or reconstruction of the Company for approval by the members of the Company.";

(b) the deletion of existing Article 1(K)(i) and the substitution therefor of the following new Article 1(K)(i):

"(i) at least three cash dividends have become payable on the shares during the relevant period and no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares at any time during the relevant period;";

(c) (i) the deletion from the first paragraph of Article 85(H) of the words: "is to his knowledge materially interested" and the substitution therefor of the words "has an interest which (taken together with any interest of any person connected with him) is a material interest;"

(ii) the deletion from Article 85(H)(vii) of the word "arrangement" and the substitution therefor in both cases of the word "share scheme";

(d) the deletion from the second sentence of Article 113 of the words "order of the" in both instances and the

Notice of Meeting

continued

addition, after the penultimate sentence, of the following new sentence:-

> "In addition, any such dividend or other sum may be paid by any bank or other funds transfer system or such other means and to or through such person as the holder or joint holders may in writing direct, and the Company shall have no responsibility for any sums lost or delayed in the course of any such transfer or where it has acted on any such directions."

Ordinary Resolutions

7 THAT with effect from 1 November 1994 the remuneration of the directors in each year shall not exceed the aggregate sum of £50,000.

8 THAT the authorised share capital of the Company be increased to £5,000,000 by the creation of 3,280,000 additional ordinary shares of 25p each.

9 THAT the Board be and it is hereby generally and unconditionally authorised in substitution for all subsisting authorities to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £209,000 PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

10 THAT, subject to the passing of the previous resolution, the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £209,000 and shall expire at the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Diane Penfold, ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
1 December 1994

Proxy Vote

i) A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

ii) To be valid the Form of Proxy must be completed and deposited at the office of the Company's Registrar not less than 48 hours before the time fixed for holding the meeting. A Form of Proxy for use at the above meeting is enclosed.

iii) The return of the Form of Proxy duly completed will not preclude a member from attending and voting at the meeting.

iv) In accordance with the requirements of the Companies Act 1985, the register of directors' interests will be available for inspection at the Annual General Meeting.

v) No director has a contract of service with the Company.