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Henderson Strata Investments plc

Report & Accounts for the year ended
31 October 2002



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COMPANIES HOUSE 01/03/03

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Henderson Strata Investments plc seeks to achieve above average capital growth through an international portfolio of smaller companies.

Strategy

Your directors have recently conducted a comprehensive review of strategy. This has involved looking at the approach adopted by the managers. The following are some of the points we have analysed and considered:

- the contribution of each geographical area to the overall performance
- the volatility of performance in each area
- the risks associated with individual investments
- the risks taken through sector exposure.

Stocks

Additionally, we have looked at the appropriateness of the investment style and stock selection approach and have concluded that the focus on buying individual stocks, often referred to as a 'bottom-up, stock selection process', should remain the basis for constructing the portfolio. This process involves looking for companies which have most or all of the following characteristics:

- a strong franchise
- a clear strategy for growth
- capable of making significant profits
- sound cash generation
- strong management
- a reasonable valuation.

There will be a more stringent assessment of the levels of exposure to individual sectors following the extreme volatility of the share prices of technology companies. Their contribution to performance was exceptional during 1999 and early 2000 but has proved to be most disappointing in the last two years.

Opportunity

The guideline for the maximum market capitalisation of new investments has been raised in certain areas and for the UK is now £1 billion, for the US and the Pacific US\$1.5 billion, for Europe £500 million and for Japan Yen 200 billion.

It is unlikely there will be major changes to the geographical spread of the portfolio. The predominance of UK investments is likely to be maintained, given the more consistent returns achieved over the longer term from that area.

Directors and other Information

Directors

F H ten Bos (Chairman)
R D H Bryce
S R Burley
G B Burnett
R W Smith
E T Whitley

Manager

Henderson Global Investors Limited,
an AMP Company, authorised and regulated
by the Financial Services Authority
4 Broadgate
London EC2M 2DA

Secretary

Henderson Secretarial Services Limited,
represented by G S Rice ACIS

Registered Office

4 Broadgate
London EC2M 2DA
Telephone: 020 7638 5757

Registered Number

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

Registrar

Computershare Investor Services PLC
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Telephone: 0870 702 0010

Auditors

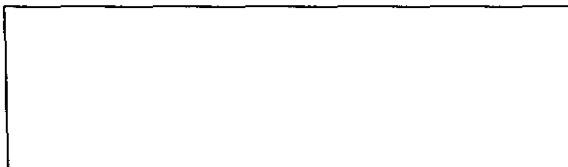
PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

Stockbrokers

Cazenove
12 Tokenhouse Yard
London EC2R 7AN

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY



Directors

***Frans ten Bos** (Chairman) (age 65) is the former Chairman of Wace Group plc. He joined the board in 1988.

***Hamish Bryce** (age 61) is Chairman of Heywood Williams plc and a former Chairman of TLG plc and of Norcros p.l.c.. He joined the board in 1993.

***Stephen Burley** (age 55) is a director of Rio Tinto Pension Investments Limited and an investment adviser to the BAE SYSTEMS Pension Fund and to the Central Board of Finance of the Church of England. He joined the board in 1985.

***George Burnett** (age 56) is Chief Executive of Ashtead Group plc. He is Chairman of the Governors of the Surrey Institute of Art and Design, University College. He joined the board in 1995.

Richard Smith (age 51) is a director of Henderson Electric and General Investment Trust plc. He joined the board in 1985.

Edward Whitley (age 48) is Chief Executive of International Financial Services London. He was formerly a partner of Cazenove & Co.. He joined the board in 1990.

*Independent director and a member of the audit committee and of the management engagement committee. All the directors are members of the nominations committee. Mr ten Bos is Chairman of all three committees.

Management Team

The Management Team

The directors have appointed Henderson Global Investors Limited, an AMP Company, to manage the investment portfolio. The terms of the appointment are given on page 16 in the Report of the Directors.

The portfolio managers:

Richard Smith

has had overall responsibility for the Company's investments since 1985; he specialises in the United Kingdom. He is actively involved in the day to day management of portfolios.

Colin Hughes

specialises in the United Kingdom. He joined the team in 2002 but has many years of investment experience at Henderson.

Ann Hall

has been responsible for the North American portfolio since 1996. She also manages other US funds, including the Henderson American Smaller Companies Fund.

Simon Savill

has been responsible for the Continental European portfolio since 1999. He is also portfolio manager of Henderson European Micro Trust plc.

Andrew Millward

took over responsibility for the Japanese portfolio early in 2002.

John Crawford

has been responsible for the Pacific portfolio since August 2002.

Financial Highlights

	Year ended 31 October 2002	Year ended 31 October 2001
Total net assets	£53.5m	£85.6m
Net asset value per share	308.23p	486.00p
Share price	214.0p	422.5p
Revenue loss per share	(1.23)p	(7.85)p
Dividend per share	nil	nil

Performance

to 31 October 2002

	1 Year %	5 Years %	10 Years %
Net asset value total return†	(36.6)	(37.8)	70.1
Share price total return†	(49.4)	(56.9)	47.1
FTSE SmallCap Index (excluding investment companies) total return*	(20.6)	(12.0)	100.8
FTSE All-Share Index total return*	(17.3)	(4.1)	114.4

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

Source: AITC Services Limited where marked†; Datastream where marked*.

The FTSE SmallCap Index (excluding investment companies) is the Company's benchmark.

Historical Record

Year ended 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/(loss) per ordinary share in pence	Dividend per ordinary share in pence
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
1995♦	58,797	351.7	–	2.35	1.40
1996	78,255	453.8	–	1.72	1.40
1997	86,111	495.5	–	(0.43)	0.50
1998	86,596	492.8	–	(1.69)	nil
1999	125,696	715.3	–	(2.05)	nil
2000	179,499	1,021.5	–	(11.69)	nil
2001	85,645	486.0	–	(7.85)	nil
2002	53,499	308.2	–	(1.23)	nil

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

* From commencement of business on 16 October 1985.

A special dividend of 1.10p was also paid.

♦ Restated, where applicable, for the change in accounting policy made in the 1996 accounts in respect of the recognition of dividend income. Periods prior to 31 October 1995 have not been restated.

Chairman's Statement

Net Assets

It has been another difficult year and the net asset value per share is down 36.6% compared to a fall of 22.6% recorded by the FTSE SmallCap Index (excluding investment companies). The severity of the fall in profits announced by many of the underlying investments, which had been expected to be more resilient to weakening economies, has led to particular weakness in their share prices.

Review

The major stockmarket indices hit their lowest levels for at least five years during September. This can be attributed to disappointing economic figures which still show few signs of sustained recovery. Companies too have shown little inclination to commit to major capital expenditure, thus inhibiting the much needed boost to activity at a time when consumer spending has looked increasingly likely to weaken. Doubts over the veracity of company results, particularly in the US, and fears of war in the Middle East have driven investors into bonds at the expense of equities. More attractive valuations did entice some equity buying in August but sentiment was fragile in the period leading up to the first anniversary of September 11th.

In the UK a slightly more robust economic background proved of little support as insurance companies came under regulatory pressures to protect their solvency requirements by shifting out of equities into bonds.

Portfolio Strategy

We have conducted a major review of strategy during the past six months and this has been covered on page 1. We are not making major changes to the way the portfolio is managed but we are determined to ensure that every opportunity to enhance asset value is explored, consistent with our philosophy of seeking out real growth opportunities.

In part as a result of our review of strategy, we have accelerated the realisation of holdings which have not met our expectations. A high proportion of the proceeds of these disposals has been retained because it has been difficult this year to find successful businesses with predictable growth prospects that stand on reasonable ratings. As a result, the borrowings of £5.5 million at our last year end have been repaid and we now hold cash deposits of just under £7 million.

This year for the first time we have bought back shares in the Company in the open market for cancellation. This has been done on five separate occasions at discounts to asset value between 23.9% and 33.9%. We shall continue to buy back our own shares when we believe it appropriate to do so.

Outlook

It remains hard to predict the levels of corporate profitability likely to be generated in 2003. This will have a restraining influence on the market, especially as many forecasts currently look too high. Nevertheless, much of this uncertainty is discounted in share prices which have already fallen sharply during 2002. Any signs of optimism could translate into a healthy rise in the coming months.

Frans ten Bos

Chairman

13 December 2002

Ten Largest Holdings (all United Kingdom except where stated)

These holdings total £10,360,000 and represent 22.6% of the investments as at 31 October 2002. They illustrate the broad spread of investments held within the portfolio.

1. Taylor & Francis

Value £1,970,000

Taylor & Francis is a leading international academic publisher of journals and books. Steady growth, augmented by judicious acquisitions, has pushed profits ahead and it remains a sound investment with a strong cash flow.

2. Clinton Cards

Value £1,508,000

Clinton Cards is the largest specialist retailer in the UK of greetings cards and related products. Trading from just under 700 stores at present, there is potential for at least 1,000 stores across the UK and Southern Ireland. Larger stores are proving very successful and concessions within major retailers and specialist sites selling just calendars have enhanced profitability.

3. Galen

Value £1,182,000

Galen is a pharmaceutical company specialising in women's health, dermatology and urology. It has a clear strategy for sustained growth through extending the patent life of some of its products, through expanding into new specialist areas and through in-licensing complementary products.

4. Helphire

Value £1,032,000

Helphire offers short-term car hire on credit to victims of car accidents where they have not been at fault. The cost is recovered from the insurers of the other party involved in the accident. Credit repair of the damaged car is also involved. More recently it has become involved in claims management and other services for major insurance companies who recognise that Helphire is an expert in this area. The potential for growth is significant.

5. Interserve

Value £930,000

Interserve delivers a comprehensive and integrated range of services to the public and private sectors to support their core operations. It has a strong presence in the public sector where there is substantial spending planned by the Government. Earnings visibility is high with a strong order book stretching out well beyond ten years.

6. Arrk Corporation (*Japan*)

Value £789,000

Arrk provides support for new product development by focusing primarily on design. The company provides sample models and works with leading firms within a range of industries.

7. royalblue

Value £747,000

royalblue develops software and provides services for financial trading systems covering the US, European, Japanese and Asian markets. The company is at the forefront of the move to automation of the entire dealing process with seamless transfer to final confirmation of a trade. The revenue model is now based on rental of a system and not a one-off licence sale.

8. Informa

Value £743,000

Informa is a broadly based business to business information supplier with significant market positions in the fields of telecoms and media; maritime trade and transport; finance and insurance; law and tax; commodities and energy; and life sciences. Revenues are derived from exhibitions, sponsorship, subscriptions and advertising and thus dependent on a pick-up in economic activity.

9. Forth Ports

Value £731,000

Forth Ports manages ports in different parts of the UK covering dry cargo, containers, timber and coated pipes. Warehousing is a growing business at the ports. Property is also a major part of the activities with both residential and business development in Scotland in conjunction with different partners.

10. Taiyo Ink (*Japan*)

Value £728,000

Taiyo Ink manufactures and sells resist ink for use in the printed circuit board industry. The company has a global presence through its network of manufacturing and sales subsidiaries.

Classification of Investments

at 31 October 2002

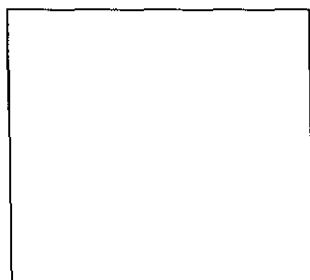
	United Kingdom %	North America %	Continental Europe %	Japan %	Pacific %	Total 2002 %	Total 2001 %
Resources							
Oil & Gas	0.5	1.0	-	-	-	1.5	0.5
	<u>0.5</u>	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.5</u>	<u>0.5</u>
Basic Industries							
Chemicals	-	-	-	2.6	-	2.6	0.3
Construction & Building Materials	0.5	-	-	-	-	0.5	0.5
	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>2.6</u>	<u>-</u>	<u>3.1</u>	<u>0.8</u>
General Industrials							
Aerospace & Defence	-	1.2	0.2	-	-	1.4	0.3
Diversified Industrials	-	4.1	-	-	-	4.1	0.3
Electronic & Electrical Equipment	1.4	0.4	-	0.8	0.7	3.3	4.4
Engineering & Machinery	0.9	0.3	3.8	1.4	-	6.4	2.5
	<u>2.3</u>	<u>6.0</u>	<u>4.0</u>	<u>2.2</u>	<u>0.7</u>	<u>15.2</u>	<u>7.5</u>
Cyclical Consumer Goods							
Automobiles & Parts	0.6	0.1	-	-	0.4	1.1	1.8
Household Goods & Textiles	-	-	2.3	-	-	2.3	2.4
	<u>0.6</u>	<u>0.1</u>	<u>2.3</u>	<u>-</u>	<u>0.4</u>	<u>3.4</u>	<u>4.2</u>
Non-Cyclical Consumer Goods							
Food Producers & Processors	0.3	2.2	-	1.9	-	4.4	2.8
Health	0.3	0.8	0.2	-	-	1.3	7.5
Packaging	-	1.3	-	-	-	1.3	1.0
Pharmaceuticals	3.8	-	-	-	-	3.8	3.3
	<u>4.4</u>	<u>4.3</u>	<u>0.2</u>	<u>1.9</u>	<u>-</u>	<u>10.8</u>	<u>14.6</u>
Cyclical Services							
Distributors	1.9	0.3	-	-	-	2.2	2.3
General Retailers	4.7	2.3	2.4	0.5	0.4	10.3	4.1
Leisure, Entertainment & Hotels	1.2	0.6	-	1.5	-	3.3	12.3
Media & Photography	10.6	2.6	-	-	-	13.2	11.8
Support Services	5.1	0.3	1.3	2.1	-	8.8	10.7
Transport	1.6	0.9	-	-	-	2.5	0.4
	<u>25.1</u>	<u>7.0</u>	<u>3.7</u>	<u>4.1</u>	<u>0.4</u>	<u>40.3</u>	<u>41.6</u>
Non-Cyclical Services							
Food & Drug Retailers	-	0.4	-	-	1.9	2.3	0.5
Telecommunication Services	-	-	-	-	-	-	0.5
	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>-</u>	<u>1.9</u>	<u>2.3</u>	<u>1.0</u>
Utilities							
Electricity	-	-	-	-	-	-	0.2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>
Information Technology							
Information Technology Hardware	0.7	1.3	1.3	0.2	-	3.5	3.0
Software & Computer Services	9.8	-	1.0	0.5	-	11.3	20.9
	<u>10.5</u>	<u>1.3</u>	<u>2.3</u>	<u>0.7</u>	<u>-</u>	<u>14.8</u>	<u>23.9</u>
Financials							
Banks	-	0.2	-	-	-	0.2	0.5
Insurance	1.3	-	-	-	-	1.3	0.2
Life Assurance	-	0.3	-	-	-	0.3	0.3
Real Estate	0.6	-	-	-	-	0.6	-
Speciality & Other Finance	3.4	2.8	-	-	-	6.2	4.7
	<u>5.3</u>	<u>3.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8.6</u>	<u>5.7</u>
Total at 31 October 2002	49.2	23.4	12.5	11.5	3.4	100.0	
Total at 31 October 2001	56.2	22.4	11.3	10.1	-		100.0

There were no convertible or fixed interest securities at either 31 October 2002 or 31 October 2001. All holdings are equity shares, with the exception of the unquoted investment (see page 9) which is a limited partnership that invests in equity shares.

United Kingdom Review

Review

It has been another disappointing year for smaller companies in the UK with the FTSE SmallCap Index (excluding investment companies) falling 22.6% in capital terms. During the year there have been a few brighter moments but with so many companies announcing a fall in profits the trend has been steadily downwards. The top 100 UK companies recorded a fall of just under 20%.



Richard Smith

Activity

Early in the year some of the bigger holdings were reduced to maintain a more balanced portfolio of UK companies. These included **Fitness First** and **Taylor & Francis** which remain major holdings. Fitness First has had a difficult trading period in recent months and remains under review pending possible corporate activity. Some profits were taken on **Pizza Express** in late June and the holding was sold completely when poorer sales trends in and around London proved difficult to reverse.

The high exposure to technology and media companies was reduced during the year and new holdings were bought in a number of companies including **Forth Ports**, **Aga Foodservice**, **Paladin** and **Connaught**. Each gives exposure to different parts of industry with the latter two perhaps not well-known to investors. Paladin is involved in acquiring and then boosting production from a portfolio of oilfields as far afield as Indonesia but also close to home in the North Sea. Connaught is involved in the regeneration of council properties in the UK on long-term contracts. More recently, through the purchase of GasForce, it has extended its operations into the installation and maintenance of gas-fired systems, for small and medium-sized businesses.

List of Investments at 31 October 2002

£'000			% of total portfolio	£'000			% of total portfolio
1,970	Taylor & Francis	scientific journals and books	4.3%	501	Diagonal	computer software installation	1.1%
1,508	Clinton Cards	greeting card retailer	3.3%	482	†Systems Union	software services	1.0%
1,182	Galen	pharmaceuticals	2.6%	481	Metal Bulletin	information on specialist areas	1.0%
1,032	Helphire	credit hire and repair	2.3%	446	GWR	local radio	1.0%
930	Interserve	integrated support services	2.0%	444	ITNET	business process outsourcing	1.0%
747	royalblue	software systems	1.6%	424	Intercare	manufacture and distribution of pharmaceuticals	0.9%
743	Informa	business information	1.6%	420	BTG	patenting and licensing	0.9%
731	Forth Ports	port operations and property development	1.6%	415	†Tenon	business services	0.9%
657	New Look	retailer of women's clothes	1.4%	405	AGA Foodservice	foodservice equipment including Aga	0.9%
564	†PRI	professional indemnity insurance	1.2%	373	Tribal	professional support services	0.8%
560	Taylor Nelson Sofres	global market research	1.2%	371	Xansa	business technology services	0.8%
532	Fitness First	health and fitness clubs	1.2%	358	Trifast	fastener distribution	0.8%
508	Dicom	document management solutions	1.1%	329	Scottish Radio	local radio	0.7%
504	ICM Computer	systems integration and continuity	1.1%				

United Kingdom Review

continued

Outlook

Business spending and investment has remained low all this year as a direct result of corporate profits being under pressure. While interest rates have recently been cut in the US, fears of a continuing strong rise in house prices means that UK interest rates are probably now at their low point in the cycle. Economic recovery will at best be patchy in the coming months with companies most sensitive to any pick-up in demand, albeit from depressed levels, the leaders in any stockmarket recovery. Current portfolio investment is being directed to such companies which include **Abacus**, a distributor of semi-conductors, and **Umeco**, which is involved in distribution services to the aerospace industry.

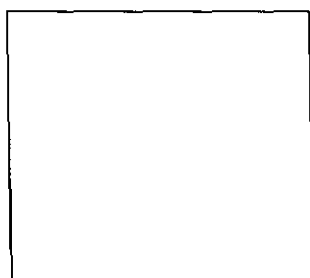
£'000		% of total portfolio	£'000		% of total portfolio	
322	†Enterprise		79	†GW Pharmaceuticals		
	<i>utility and public sector services</i>	0.7%		<i>prescription medicines from cannabis</i>	0.2%	
320	Highbury House		77	*Henderson Unquoted		
	Communications			Growth II	<i>unquoted investment fund</i>	0.2%
	<i>magazine publisher</i>	0.7%	55	NXT	<i>high technology licensing</i>	0.1%
317	Spectris		52	†E-Primefinancial	<i>virtual bank</i>	0.1%
	<i>precision instrumentation and controls</i>	0.7%	41	Imagination		
286	Ashtead			Technologies	<i>technology for new developments</i>	0.1%
	<i>plant and tool hire</i>	0.6%	41	Knowledge Support		
282	Laird			Systems	<i>optimum pricing software</i>	0.1%
	<i>producer and services in electronics</i>	0.6%	37	Coffee Republic	<i>coffee bars</i>	0.1%
271	†Connaught		33	†omart	<i>internet telecommunications</i>	0.1%
	<i>property services</i>	0.6%	28	†NRX Global	<i>maintenance information</i>	0.1%
262	London Bridge Software		28	†Thomson Intermedia	<i>advertising analysis</i>	0.1%
	<i>computer software development</i>	0.6%	27	Genetix	<i>genomics and proteomics</i>	0.1%
240	†Codascisys		25	Genetics	<i>technology development and licensing</i>	0.1%
	<i>information technology services</i>	0.5%	21	†ReNeuron Holdings	<i>bio-pharmaceuticals</i>	0.0%
230	McCarthy & Stone		20	NetBenefit	<i>domain name registration and services</i>	0.0%
	<i>sheltered housing</i>	0.5%	12	Veos	<i>female healthcare</i>	0.0%
229	Marlborough Stirling		6	Innovation	<i>software for the insurance industry</i>	0.0%
	<i>software and services to the financial sector</i>	0.5%				
225	Paladin Resources					
	<i>acquisition and operation of oil wells</i>	0.5%				
206	Scipher					
	<i>technology development</i>	0.4%				
201	TTP Communications					
	<i>wireless systems</i>	0.4%				
166	Financial Objects					
	<i>financial software</i>	0.4%				
159	Torotrak					
	<i>transmission systems</i>	0.3%				
157	Parity					
	<i>computer systems development</i>	0.3%				
142	Nestor Healthcare					
	<i>services to the healthcare sector</i>	0.3%				
125	Pura					
	<i>edible oils</i>	0.3%				
106	†Transense Technologies					
	<i>non-contact stress measurement</i>	0.2%				
89	Parthus Technologies					
	<i>mobile device solutions</i>	0.2%				
79	Anite					
	<i>systems consultancy</i>	0.2%				
			22,613		49.2%	
				†Quoted on the Alternative Investment Market		
				*Unquoted investment		

North America Review

Review

Equity markets continued to tumble in the year to end October 2002. Smaller growth stocks in which Strata invests have been particularly poor performers, with the Russell 2000 Growth Index falling by 19% compared to a 2% decline in the Russell 2000 Value Index. The composite Russell 2000 fell by 10%. Smaller companies still outperformed larger companies as the S&P 500 fell by 16.4% over the same period.

US growth remained lacklustre despite a series of interest rate reductions. The combination of falling corporate profits and accounting scandals from fallen angels such as Tyco, Enron & Worldcom, sapped investors' confidence.



Ann Hall

Activity

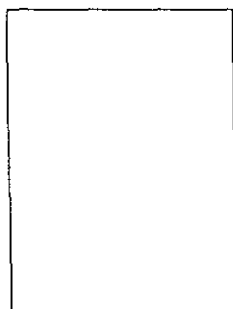
Within the portfolio we reduced our cyclical exposure at the start of the year as it became apparent that the economic recovery would take longer than anticipated. We pared back the weighting in stocks such as **Navistar**, a heavy-duty truck manufacturer, and **Mettler Toledo**, an instrument manufacturer.

New holdings in the fund included **Hollywood Entertainment**, a video rental chain. The company is currently benefiting from a strong backlog of hit film titles available to rent, such as Harry Potter and Lord of the Rings. Within healthcare we purchased **Eon Labs**, a generic drug manufacturer which is forecast to grow its earnings by 20% over the next few years.

List of Investments at 31 October 2002

£'000			% of total portfolio	£'000			% of total portfolio
523	Performance Food	food distributor	1.1%	258	Entercom		
451	Scholastic	educational publisher	1.0%		Communications	radio operator	0.6%
439	United Defense			249	Kansas City		
	Industries	defence	1.0%		Southern Inds	railway	0.5%
431	Constellation Brands	alcoholic beverage producer and distributor	0.9%	248	Mettler Toledo	manufacturer of life science equipment	0.5%
395	Blackrock	fund manager	0.9%	232	American Capital		
358	American Medical				Strategies	specialty finance	0.5%
	Systems	manufacturer of medical devices	0.8%	216	Eon Labs	generic drug manufacturer	0.5%
344	Cox Radio	local radio station operator	0.7%	216	Priority Healthcare	pharmaceuticals distributor	0.5%
314	Hollywood			207	Accredo Health	specialty pharmaceuticals distributor	0.5%
	Entertainment	video rental chain	0.7%	207	MSC Industrial Direct	facilitates playing games on the internet	0.5%
309	Tupperware	food storage products	0.7%	199	Tektronix	manufacturer of electronic testing equipment	0.4%
304	Advance Auto Parts	auto part chain	0.7%	192	FBR Asset Investment	real estate investment trust	0.4%
304	Financial Federal	plant and tool hire	0.7%	189	Amphenol	technology	0.4%
300	Amerisource Bergen	drug distributor	0.7%	186	Intersil	wireless technology	0.4%
279	Rayovac	manufacturer of batteries	0.6%	180	US Freightways	trucking company	0.4%
277	Patterson UTI Energy	energy driller	0.6%	179	Duane Reade	drug store retailer	0.4%

Japan Review



Andrew Millward

Review

The last twelve months have seen the Japanese stockmarket suffer its third consecutive annual decline, caused mainly by weak overseas equity markets and a poor domestic economy. After a troubled 2001, there was a burst of investor enthusiasm from February to May on hopes of a global economic recovery, but then stocks sank to new lows as sentiment deteriorated. Concerns re-surfaced that demand within the all-important US economy was set to falter again, and this would have a large impact upon corporate profits within the export-led Japanese economy. Against this background there has been a distinct lack of effective policy response from the Government, which has so far made little headway in tackling the persistent problems of deflation and bank bad debts, despite making encouraging announcements about their intentions and resolve to do so. Consequently both bond yields and the yen fell, and within the equity market there was no hiding place as large, medium and small cap indices all recorded heavy losses. The Tokyo Second Section index, including dividends, recorded a fall of 20.8% in sterling terms over the twelve months.

Activity

The main holdings within the Japan portfolio remain similar to the previous year's list, with the majority of activity taking place amongst the smaller holdings. Of the transactions undertaken in existing stocks, the holding in PCB ink maker **Taiyo Ink** was added to, and the position in **Fuji Seal** trimmed back slightly following strong performance. New holdings established over the period included specialty mushroom producer **Hokuto**, call-centre operator **Moshi Moshi Hotline** and leading resistor manufacturer **Koa**. On the disposals side were stocks such as **New Japan Radio** (semiconductors), **Sorun** (software), **Intelligent Wave** (financial software) and **Sodexho Japan** (hospital catering).

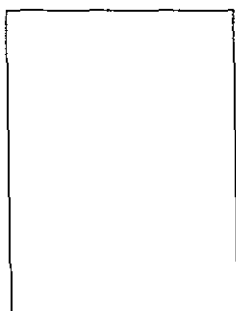
Outlook

Current sentiment surrounding the stockmarket is incredibly depressed. Lack of a coherent plan to clean up the banks and halt deflation within the economy has caused foreign investors to shy away from the market, while domestic investors still have no significant appetite for equities. However, progress within corporate Japan is far more encouraging, with recent half-year results showing sharply rising profits despite no growth in sales. The forecast P/E ratio for the market (excluding financials) is now only 20 times – an unusually low level for Japanese equities and one that should attract investors back to the market once the current bout of pessimism has passed.

List of Investments at 31 October 2002

£'000		% of total portfolio	£'000		% of total portfolio		
789	Arrk	CAD and prototype manufacturer	1.7%	307	H.I.S.	discount travel agent	0.7%
728	Taiyo Ink	specialty inks producer	1.6%	240	Otsuka Kagu	furniture retailer	0.5%
641	Tsubaki Nakashima	manufacturer of bearings	1.4%	228	Cresco	software	0.5%
491	C Two Network	discount food retailer	1.1%	209	Moshi Moshi Hotline	call centre and telemarketing	0.4%
462	Fuji Seal	manufacturer of shrink wrap packaging	1.0%	75	Sotec	specialty PC designer	0.2%
372	Hokuto	specialty mushroom producer	0.8%				
366	Koa	manufacturer of photo-resists	0.8%				
349	Konami Sports	health clubs operator	0.8%				
				5,257			11.5%

Pacific Review



John Crawford

Review

The year to 31 October 2002 has been a peculiar year for Asian stock markets. During the first eight months of the year, markets across Asia enjoyed strong positive returns as the correlation with US markets finally started to break down, leaving solid underlying economic and corporate performance as the key driver for stock returns. Small cap stocks, in particular, posted strong gains throughout this period. However, the final four months of the year have seen the correlation with US markets reassert itself, with sharp corrections in many of the previous high flyers.

Portfolio Activity

Portfolio activity has been limited after the Company's decision in the summer to reinvest in the Asian region. The portfolio is heavily skewed towards consumption with holdings in **Foodlands, Toll Holdings** and **Fisher & Paykel Appliances** in Australia/New Zealand (food retailing/logistics/white goods companies), **Café de Coral** and **Convenience Retail** in Hong Kong (fast food/convenience food stores) and **Lotte Confectionery** and **Chilsung** in Korea (confectionery/soft drinks companies). There are two further holdings in stocks which are geared to global rather than Asian demand, **Billabong** (Australian extreme sports apparel) and **Techtronic** (Hong Kong power tools). Both offer solid growth despite the global economic malaise.

Outlook

Asian economies remain strong with current account surpluses, high foreign exchange reserves, low interest rates and lower levels of short term and foreign debt. Demographics are supportive and consumption is starting to improve across the region (with the exception of Hong Kong and Taiwan). Valuations remain attractive and earnings should continue to grow at rates in excess of those seen in other markets globally. Finally restructuring continues at the margin and we expect this to drive up return on capital. All of this supports a positive view in the medium term for Asian markets. In the short term however we are likely to be at the mercy of movements in developed markets.

List of Investments at 31 October 2002

£'000		% of total portfolio	£'000		% of total portfolio
197	Foodland Assoc	0.4%	169	Techtronic Industries	0.4%
	<i>food retailing</i>			<i>electrical retailer</i>	
195	Billabong International	0.4%	162	Café de Coral	0.3%
	<i>surfwear clothing manufacturer</i>			<i>fast food</i>	
191	Fisher & Paykel		137	Convenience Retail	
	Appliances	0.4%		Asia	0.3%
	<i>white goods retailer</i>			<i>food retailing</i>	
184	Lotte Chilsung				
	Beverage	0.4%			
	<i>beverages</i>				
177	Lotte Confectionery	0.4%			
	<i>confectionery manufacturer</i>		1,583		3.4%
171	Toll Holdings	0.4%			
	<i>logistics company</i>				

Report of the Directors

The directors present the audited accounts of the Company and their report for the year ended 31 October 2002.

Activities and Business Review

A review of the business is given in the Chairman's Statement on page 5 and the Portfolio Reviews on pages 8 to 14.

Status

The Company is an investment company as defined by section 266 of the Companies Act 1985 and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 October 2001 and the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

PEPs and ISAs

The Company intends to continue as a fully qualifying investment trust company under the Personal Equity Plan regulations. It intends also to continue to qualify under the Individual Savings Account regulations. The Company is a participant in the Henderson Selection ISA, details of which are set out on the inside back cover.

Life of the Company

On 19 January 1995 the shareholders agreed, in general meeting, that the Company should continue in existence at least until the year 2005.

At the first annual general meeting convened for a date on or after 1 January 2005, and at every tenth annual general meeting thereafter, the members will be asked to approve the continuation of the Company by ordinary resolution. If any such ordinary resolution is not passed, the directors will convene an extraordinary general meeting within three months at which proposals for the liquidation or reconstruction of the Company will be put forward.

Assets

At 31 October 2002 the total net assets were £53,499,000. The net asset value per share was 308.2p, a decrease of 36.6% over the previous year.

Revenue

The Company's gross revenue for the year was £997,000, a decrease of 0.3% from the figure for the preceding year.

The net revenue loss on ordinary activities after taxation was £216,000, compared to a net loss of £1,384,000 in the previous year. The directors are not able to recommend the payment of a dividend.

Directors

The directors of the Company at the date of this report, all of whom served throughout the year under review, are listed on page 2.

At the forthcoming annual general meeting, Mr R D H Bryce and Mr E T Whitley will retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Mr R W Smith is an executive of Henderson Global Investors (Holdings) plc and is remunerated by that company in respect of services provided to Henderson Strata Investments plc under the management agreement (which since 1 November 2000 has provided for the payment of a performance fee).

Mr E T Whitley was until 30 April 2001 a partner of Cazenove & Co., which was one of the stockbrokers through which the Company bought and sold investments.

There were no contracts during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No director has a contract of service with the Company.

Directors' Interests

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

	31 October 2002	1 November 2001
<i>Beneficial interest:</i>		
F H ten Bos	20,842	19,184
R D H Bryce	13,983	4,986
S R Burley	10,100	10,100
G B Burnett	8,507	3,507
R W Smith	32,950	32,800
E T Whitley	14,000	14,000
<i>Non-beneficial interest:</i>		
R W Smith	7,700	4,850

Between the year end and the date of this report, Mr Bryce increased his holding to 14,088 ordinary shares by the regular purchase of shares through the Henderson Investment Trust Share Plan. No other changes to the directors' interests have been notified.

Report of the Directors

continued

Manager

Investment management, UK custodial, accounting, administrative and company secretarial services are provided to the Company by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") and by Cogent Investment Operations Limited (which ceased to be a subsidiary of AMP Limited, the ultimate holding company of Henderson, on 2 September 2002).

The management agreement between the Company and Henderson provides for the payment of a composite management fee which is calculated and paid quarterly in arrears. The fee is calculated as a percentage of the average value of the Company's net chargeable assets as at the last day of each calendar quarter and the last day of the corresponding calendar quarter in the preceding year. (The net chargeable assets are defined as total assets less current liabilities before deducting prior charges; prior charges include any short term borrowings to be used for investment purposes. The value of any investments in funds managed by Henderson are excluded).

The current fee arrangements were agreed with effect from 1 November 2000 and are subject to review after three years.

The base fee is 0.85% per annum on the first £200 million of funds under management, 0.6% on the next £100 million and 0.4% thereafter. The percentage applicable throughout the year ended 31 October 2002 (and throughout the preceding year) was 0.85%.

A performance fee was introduced with effect from 1 November 2000. This is calculated as 10% of the amount by which the total net assets outperform the benchmark index, plus a hurdle of 2%, over the relevant accounting year. The benchmark index is the FTSE SmallCap Index (excluding investment companies) on a total return basis. There is a cap on the aggregate fees payable in any one accounting year such that the total of the base fee and the performance fee will not together exceed 1.5% of total net assets (measured as the average of the total net assets at the start and end of the relevant accounting year). There is a high water mark at the start of subsequent accounting years but any underperformance is carried forward for this purpose for

not more than three years. No performance fee is payable if the net asset value per share falls by more than 10% over the relevant accounting year. No performance fee is payable in respect of the year ended 31 October 2002, nor in respect of the preceding year.

The management agreement may be terminated by either party but in certain circumstances the Company will be required to pay compensation amounting to one year's management fees. Compensation is not payable if one or more year's notice is given.

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.

Corporate Governance

A formal statement on corporate governance is set out on pages 19 and 20.

The Payment of Creditors

It remains the Company's policy for the forthcoming financial year to obtain the best terms for all business and therefore there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. At 31 October 2002 the Company had no trade creditors.

Substantial Shareholdings

As at 13 December 2002 the following shareholders had notified the Company of interests comprising 3% or more of the Company's issued ordinary share capital:

	%
Witan Investment Trust plc	20.5
Other discretionary managed clients of Henderson Global Investors (Holdings) plc	1.4
	<hr/> 21.9
Rio Tinto Pension Investments Limited	5.2

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company, and to authorise the directors to determine their remuneration, will be proposed at the forthcoming annual general meeting.

Report of the Directors

continued

Issues of New Shares

The directors have not used the powers granted to them at the annual general meeting in February 2002 to allot new ordinary shares for cash on a non pre-emptive basis. The directors wish to renew these powers at the forthcoming annual general meeting. Accordingly, resolutions to give the Board authority to allot shares for cash on a non pre-emptive basis will be proposed and are set out in full in the Notice of Annual General Meeting on pages 34 and 35.

The resolutions, if passed, will give the directors authority to issue shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £216,960 (equivalent to 867,840 ordinary shares of 25p each and 5 per cent of the Company's existing issued ordinary share capital as at the date of this report). The directors intend to use the authority to issue new ordinary shares if or when they believe it to be advantageous to the Company's existing shareholders to do so. New shares are not allotted at other than a premium to the net asset value per ordinary share. The authority will lapse unless renewed at the annual general meeting in 2004.

Share Buy-Backs

The Company's Articles of Association permit the Company to purchase its own shares and to fund any such purchases from its accumulated realised capital profits.

At the annual general meeting in February 2002 a special resolution was passed giving the Company authority, until the conclusion of the annual general meeting in 2003, to make market purchases for cancellation of the Company's own ordinary shares up to a maximum of 2,641,590 shares (being 14.99% of the issued ordinary share capital as at 7 February 2002). As at 31 October 2002 the Company had valid authority, outstanding until the conclusion of the annual general meeting in 2003, to make market purchases for cancellation of 2,376,090 shares. During the year ended 31 October 2002 the Company purchased for cancellation a total of 265,500 of

its own ordinary shares, representing 1.5% of the ordinary shares in issue at 31 October 2001. These purchases, which cost £704,000 excluding stamp duty, were funded from the realised capital reserves.

The Board considers that the Company should continue to have authority to make market purchases of its own ordinary shares for cancellation. Accordingly, a special resolution will be proposed at the forthcoming annual general meeting to authorise the Company to make market purchases for cancellation of up to 14.99% of the ordinary shares in issue at the date of the annual general meeting (equivalent to 2,601,791 ordinary shares if there is no change in the issued ordinary share capital between the date of this report and the annual general meeting). Under the Listing Rules of the UK Listing Authority, this is the maximum percentage of its equity share capital that a company may purchase through the market pursuant to such authority.

The directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of shareholders generally. Shares will not be bought at a price that is less than 25p (the nominal value) or more than 5% above the average middle market price of the shares over the preceding five business days. The directors intend to seek a fresh authority at the annual general meeting in 2004.



By order of the Board

G S Rice
For and on behalf of
Henderson Secretarial Services Limited,
Secretary
13 December 2002

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.

The financial statements are published on the <http://its.henderson.com> website, which is a website maintained by the Company's Manager, Henderson Global Investors Limited ("Henderson"). The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

Application of the Principles of the Code

The Board attaches importance to the matters set out in the Code and applies its principles. However, as an investment trust company, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus not all the provisions of the Code are directly applicable to the Company.

Directors

The Board currently consists of six non-executive directors, five of whom are independent of the Company's Manager (Henderson Global Investors Limited). Their biographical details, set out on page 3, demonstrate a breadth of investment, industrial, commercial and professional experience with an international perspective.

The Board meets at least four times a year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting, enabling the directors to seek clarification on specific issues or to probe further on matters of concern. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense. The directors have access to the advice and services of the corporate company secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed.

When a director is appointed he or she is offered an induction seminar which is held by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

Directors are appointed for specified terms, subject to re-election and to the provisions of the Companies Act. In accordance with the Company's Articles of Association, new

directors stand for election at the first annual general meeting following their appointment. The Board has agreed that every director will stand for re-election at intervals of not more than three years.

The Chairman of the Company is an independent director. A senior non-executive director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead when issues arise. Accordingly, concerns can be conveyed to any one of them.

Board Committees

The Board has established audit, management engagement and nominations committees with defined terms of reference and duties. The membership of these committees is set out on page 3.

The Audit Committee is responsible for the review of the annual report and the interim report, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. It also meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

The Management Engagement Committee is responsible for the regular review of the terms of the management contract with the Manager.

The Nominations Committee is responsible for making recommendations on the appointment of new directors. Each director is invited to submit nominations and external advisers may be used to identify potential candidates. The nominations list is considered by the Board as a whole in accordance with its agreed procedures.

Directors' Remuneration

The Board as a whole considers the directors' remuneration; therefore it has not appointed a separate remuneration committee for this purpose. Because the Company is an investment trust company and all its directors are non-executive, the Company is not required to comply with the provisions of the Code in respect of the remuneration of executive directors. The directors' fees paid during the year are detailed in note 7 to the accounts on page 27. Currently the directors' fees are paid at the following annual rates: the Chairman £12,500 and the other directors £8,000.

Corporate Governance

continued

Relations with Shareholders

The Board considers that the annual general meeting should provide an effective forum for individual investors to communicate with the directors. The annual general meeting is chaired by the Chairman of the Board who is also the Chairman of the Audit and Management Engagement Committees. Details of the proxy votes received in respect of each resolution are made available to shareholders. Representatives of the Manager make a presentation to the meeting. The Company has adopted a nominee share code which is set out on page 33.

Accountability and Audit

The directors' statement of responsibilities in respect of the accounts is set out on page 18. The report of the auditors is set out on page 21. The Board has delegated contractually to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, either the Chairman or another director attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Manager's compliance and risk department on an ongoing basis.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The process was fully in place from 31 December 2000 and up to the date of approval of this annual report. In addition the Board has conducted its annual review of the effectiveness of the Company's system of internal control, covering all the

controls, including financial, operational and compliance controls and risk management. This review took into account points raised during the year in the Board's regular appraisal of specific areas of risk. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the Company's business risks and these are analysed and recorded in a risk map. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls (a 'FRAG 21' report) which includes a report from the Manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and of its key suppliers.

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors will review from time to time whether a function equivalent to an internal audit is needed.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Exercise of Voting Powers

The Board has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

Statement of Compliance

The directors consider that the Company has complied throughout the year ended 31 October 2002 with all the relevant material provisions set out in Section 1 of the Code.

Independent Auditors' Report

to the members of Henderson Strata Investments plc

We have audited the financial statements which comprise the statement of total return, the balance sheet and the cash flow statement and notes 1 to 22.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for and only for the Company's members in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the investment review, the Report of the Directors and the Corporate Governance statement.

We review whether the Corporate Governance statement reflects the Company's compliance with the seven

provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

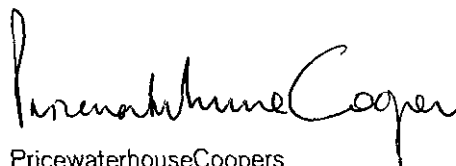
Basis of audit opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 October 2002 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

13 December 2002

Statement of Total Return (incorporating the revenue account)

for the year ended 31 October 2002

Notes	Year ended 31 October 2002			Year ended 31 October 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
2	-	(31,223)	(31,223)	-	(93,025)	(93,025)
3	888	-	888	870	-	870
4	109	-	109	130	-	130
	997	(31,223)	(30,226)	1,000	(93,025)	(92,025)
5	(891)	-	(891)	(1,442)	-	(1,442)
6, 7	(216)	-	(216)	(204)	-	(204)
	(110)	(31,223)	(31,333)	(646)	(93,025)	(93,671)
8	(68)	-	(68)	(699)	-	(699)
	(178)	(31,223)	(31,401)	(1,345)	(93,025)	(94,370)
9	(38)	-	(38)	(39)	-	(39)
	(216)	(31,223)	(31,439)	(1,384)	(93,025)	(94,409)
	-	-	-	-	-	-
	(216)	(31,223)	(31,439)	(1,384)	(93,025)	(94,409)
10	(1.23)p	(177.67)p	(178.90)p	(7.85)p	(527.92)p	(535.77)p

The revenue columns of this statement represent the revenue accounts of the Company.

The notes on pages 25 to 32 form part of these accounts.

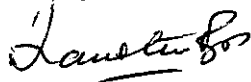
Balance Sheet

at 31 October 2002

Notes	2002 £'000	2001 £'000
11 Fixed asset investments		
Listed investments at market value:		
United Kingdom	19,884	46,220
Overseas	23,301	39,253
	43,185	85,473
AIM investments at market value	2,640	3,897
Unquoted investments at directors' valuation	98	191
	45,923	89,561
Current assets		
12 Debtors	171	1,215
Cash at bank	7,694	625
	7,865	1,840
13 Creditors: amounts falling due within one year	(289)	(5,756)
Net current assets/(liabilities)	7,576	(3,916)
Total net assets	53,499	85,645
Capital and reserves		
15 Issued share capital	4,339	4,406
16 Capital reserves		
Share premium account	16,479	16,479
Capital redemption reserve	67	-
Realised profits	71,291	73,494
Unrealised profits	(34,933)	(5,206)
16 Revenue reserve	(3,744)	(3,528)
17 Equity shareholders' funds	53,499	85,645
18 Net asset value per ordinary share	308.23p	486.00p

These accounts were approved by the directors on 13 December 2002 and were signed on their behalf by:

F H ten Bos



R W Smith



The notes on pages 25 to 32 form part of these accounts.

Cash Flow Statement

for the year ended 31 October 2002

Notes	2002 £'000	2002 £'000	2001 £'000	2001 £'000
19	Net cash inflow/(outflow) from operating activities		5	(789)
	Servicing of finance			
	Interest paid	(70)	(700)	
	Net cash outflow from servicing of finance	(70)		(700)
	Taxation			
	Tax recovered	18	12	
	Net tax recovered	18		12
	Financial investment			
	Purchase of investments	(21,298)	(37,479)	
	Sale of investments	34,690	51,687	
	Net cash inflow from financial investment	13,392		14,208
	Financing			
	Net loans repaid	(5,510)	(13,601)	
	Purchase of own shares	(707)	-	
	Issue of ordinary shares	-	555	
	Net cash outflow from financing	(6,217)		(13,046)
20	Increase/(decrease) in cash	7,128		(315)
Reconciliation of net cash flow to movement in net funds/(debt)				
	Increase/(decrease) in cash as above	7,128		(315)
	Cash outflow from movement in debt	5,510		13,601
	Exchange movements	(59)		(25)
	Movement in net funds/(debt)	12,579		13,261
	Net debt at 1 November	(4,885)		(18,146)
20	Net funds/(debt) at 31 October	7,694		(4,885)

The notes on pages 25 to 32 form part of these accounts.

Notes to the Accounts

1 Accounting policies

a Basis of accounting

The accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies* (the "SORP") dated December 1995. All of the Company's operations are of a continuing nature.

b Valuation of fixed asset investments

Listed and quoted investments are valued at their closing middle market prices. Unquoted investments are valued by the directors taking into account the information available on the investee companies and funds held by the Company.

c Capital gains and losses

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 capital reserves.

d Income

Dividends receivable from equity shares are credited to the revenue account on an ex-dividend basis. Bank deposit interest is accounted for on an accruals basis.

e Expenses and interest payable

All administrative expenses, including the management fee, and interest payable are accounted for on an accruals basis and charged wholly to the revenue account. Expenses which are incidental to the purchase or sale of a fixed asset investment are included within the cost or deducted from the proceeds of the sale of the investment.

f Deferred taxation

Financial Reporting Standard 19 has been adopted for the year ended 31 October 2002. No restatement of prior period comparatives is required.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

g Foreign currency

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

h Financial instruments

The Company has not utilised any derivative instruments in the year under review. The Company has taken advantage of the exemption allowed under Financial Reporting Standard 13 and excluded short term debtors and creditors from disclosures under financial instruments where allowed (see note 14 on page 29 and 30).

2 Total capital gains and losses on investments	2002 £'000	2001 £'000
Realised losses based on historical cost	(2,727)	(27,627)
Less: amount recognised as unrealised in the previous year	1,290	16,094
Realised losses based on carrying value at the previous balance sheet date	(1,437)	(11,533)
Net movement in unrealised depreciation	(29,727)	(81,467)
Net loss on foreign exchange	(59)	(25)
	<u>(31,223)</u>	<u>(93,025)</u>

Notes to the Accounts

continued

3 Income from fixed asset investments	2002 £'000	2001 £'000
Franked:		
Dividends from listed investments	559	563
Dividends from AIM investments	13	-
Dividends from unquoted investments	5	4
	<u>577</u>	<u>567</u>
Unfranked:		
Dividends from listed investments	297	299
Scrip dividends from listed investments	7	-
Interest from unquoted investments	7	4
	<u>311</u>	<u>303</u>
	<u>888</u>	<u>870</u>

4 Other interest receivable and similar income	2002 £'000	2001 £'000
Deposit interest	98	83
Stock lending commission	10	39
Underwriting commission	1	8
	<u>109</u>	<u>130</u>

At 31 October 2002 the total value of securities on loan by the Company for stock lending purposes was £113,000 (2001: £3,360,000). The maximum aggregate value of securities on loan at any time during the year ended 31 October 2002 was £2,314,000 (2001: £6,779,000). Collateral, which is revalued on a daily basis at a level equivalent to 110% of the market value of the securities lent, is provided against all loans, usually in the form of Crest DBVs; the content of Crest DBVs is subject to a concentration limit of 10%.

5 Management fee (all charged to revenue)	2002 £'000	2001 £'000
Management fee	833	1,365
Irrecoverable VAT	58	77
	<u>891</u>	<u>1,442</u>

A summary of the terms of the management agreement is given on page 16 in the Report of the Directors.

6 Other administrative expenses (all charged to revenue)	2002 £'000	2001 £'000
Auditors' remuneration for audit services	11	10
Directors' fees for services to the Company (note 7)	53	53
Share plan administration and marketing fees payable to the management company	17	5
Other expenses	107	140
Irrecoverable VAT	28	(4)
	<u>216</u>	<u>204</u>

Notes to the Accounts

continued

7 Directors' emoluments

The directors' emoluments stated in note 6 are those actually paid by the Company. However, one director, Mr R W Smith, is employed by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") and part of his remuneration relates to the provision of services to Henderson Strata Investments plc. Under the Companies Act 1985, it is necessary to state the proportion of the emoluments he receives from Henderson which relate to the management of the Company even though the Company does not pay these emoluments and is not involved in their determination. The Company has been informed that the applicable proportion of the emoluments paid by Henderson (including performance related bonus) was £46,000 (2001: £36,000). This amount, together with the amounts paid directly by the Company to the other directors, is included in the analysis stated below:

	2002 £'000	2001 £'000
Directors' fees paid by the Company to directors	41	41
Directors' fees paid by the Company to third parties	12	12
Total of the directors' fees paid by the Company	<u>53</u>	<u>53</u>
Salaries and other benefits paid by Henderson	30	26
Performance related bonus paid by Henderson (including amounts relating to prior years)	16	10
Total emoluments paid by Henderson (and not borne by the Company)	<u>46</u>	<u>36</u>
Pension contributions paid by Henderson	<u>3</u>	<u>2</u>

The pension contributions represent those paid by Henderson on behalf of Mr R W Smith to a non-contributory defined benefit pension scheme.

8 Interest payable	2002 £'000	2001 £'000
On bank loans and overdrafts repayable within one year	<u>68</u>	<u>699</u>

9 Taxation on net loss on ordinary activities	2002 £'000	2001 £'000
(a) Analysis of the charge for the year		
UK corporation tax at 30% (2001: 30%)	-	-
Foreign withholding taxes	42	44
Tax credits attributable to French dividend income	(4)	(5)
	<u>38</u>	<u>39</u>

Notes to the Accounts

continued

9 Taxation on net loss on ordinary activities (continued)

(b) Factors affecting the taxation charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	2002 £'000	2001 £'000
Net loss on ordinary activities before taxation	(178)	(1,345)
Corporation tax at 30% (2001: 30%)	(53)	(404)
Franked dividend receipts not chargeable to corporation tax	(173)	(170)
Stock dividends	(2)	-
Excess expenses	236	578
Income taxable in different periods	(1)	4
Overseas withholding tax	38	39
Overseas withholding tax deductible as an expense	(12)	(14)
Expenses not deductible for tax purposes	5	6
Taxation on net loss on ordinary activities	38	39

(c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year.

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £2,323,000 (2001: £2,087,000) arising as a result of unrelieved management expenses and unrelieved business charges. These expenses could only be utilised if the Company were to generate taxable profits in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

10 Loss per ordinary share

The revenue loss per ordinary share is based on the net loss on ordinary activities after taxation of £216,000 (2001: £1,384,000) and on the weighted average number of ordinary shares of 25p each in issue during the year of 17,573,511 (2001: 17,621,117).

The capital return per ordinary share is based on the net capital losses for the year of £31,223,000 (2001: £93,025,000) and on the weighted average number of ordinary shares of 25p each in issue during the year, as stated above.

11 Changes in fixed asset investments	Valuation	Purchases	Sales	Appreciation/ (depreciation)	Valuation	Cost
	1 November 2001 £'000				31 October 2002 £'000	31 October 2002 £'000
United Kingdom	50,298	8,516	(14,440)	(21,761)	22,613	45,127
North America	20,074	6,378	(12,508)	(3,202)	10,742	11,877
Continental Europe	10,147	1,848	(3,261)	(3,006)	5,728	11,592
Japan	9,042	2,172	(3,062)	(2,895)	5,257	10,383
Pacific	-	2,329	(371)	(375)	1,583	1,877
	89,561	21,243	(33,642)	(31,239)	45,923	80,856

Notes to the Accounts

continued

12 Debtors	2002 £'000	2001 £'000
Sales for future settlement	8	988
Other debtors	14	63
Prepayments and accrued income	131	140
Taxation recoverable	18	24
	171	1,215

13 Creditors: amounts falling due within one year	2002 £'000	2001 £'000
Bank loans and overdrafts	-	5,510
Purchases for future settlement	-	62
Other creditors	289	184
	289	5,756

14 Derivatives and other financial instruments

The policies described below applied in both the year ended 31 October 2002 and the year ended 31 October 2001.

(a) Management of risk

The Company's financial instruments comprise:

- equity shares which are held in accordance with the Company's investment objective as set out on page 1;
- sterling term loans used as a cost effective method of financing the Company's investments; and
- cash and short term debtors and creditors which arise from the Company's investing activities.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from these financial instruments are due to fluctuations in market prices, foreign currency exchange rates and interest rates. There may also be risks due to a shortage of liquid funds, leaving the Company unable to meet funding commitments. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained constant throughout the year under review.

Market price risk

An investment trust company is exposed to market risk due to fluctuations in the market prices of the investments held in its portfolio. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets, together with stock selection covering a range of smaller companies, are other factors which act to reduce market price risk. The portfolio managers actively monitor market prices throughout the year and report to the Board, which meets regularly to consider investment strategy.

Foreign currency risk

The Company's total return and balance sheet can be affected by fluctuations in foreign currency exchange rates as a portion of the Company's assets are denominated in currencies other than sterling. The international spread of investments acts to reduce this risk. From time to time the Company will hold foreign currency cash balances as well as foreign currency balances due to and receivable from brokers. These assets and liabilities arise from the Company's investing activities. This exposure is short term and not material.

Interest rate risk

The Company used its banking facilities to draw down sterling loans during the year; there were no loans outstanding at the year end (2001: £5,510,000). The loans were all made on a short term basis and therefore the Company was not exposed to any material risk due to interest rate fluctuations.

Notes to the Accounts

continued

14 Derivatives and other financial instruments (continued)

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

Credit risk

The Company places funds with authorised deposit takers from time to time and is therefore potentially at risk from the failure of any such institution of which it is a creditor. The Company expects to place any deposits on a short term basis only.

The Company lends securities from its UK portfolio, within limits set by the Board. It receives collateral to cover the securities lent, usually in the form of Crest DBVs. This collateral is subject to concentration limits, to a margin and to regular revaluation.

(b) Interest rate risk profile of the financial assets and financial liabilities

Financial assets

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date.

Financial liabilities

The financial liabilities of the Company at 31 October 2002 comprise short term sterling bank loans of £nil (2001: £5,510,000) that bear interest at rates based on the lending banks' floating interest rate.

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

All of the Company's financial liabilities at 31 October 2002 mature within one year (2001: one year).

As at 31 October 2002 the Company had committed multicurrency loan facilities of £15 million. The terms of these facilities are subject to annual review by the providers.

(d) Currency exposure

Some of the Company's financial assets are denominated in currencies other than sterling with the effect that the balance sheet and the total return can be affected by currency movements.

Currency	Monetary assets £'000	2002 Monetary liabilities £'000	Net monetary assets £'000	Monetary assets £'000	2001 Monetary liabilities £'000	Net monetary assets £'000
US dollars	11,035	-	11,035	20,878	(62)	20,816
Japanese yen	5,257	-	5,257	9,075	-	9,075
Euros	4,327	-	4,327	6,340	-	6,340
Swiss francs	746	-	746	1,783	-	1,783
Australian dollars	563	-	563	-	-	-
Norwegian kroner	556	-	556	1,054	-	1,054
Hong Kong dollars	473	-	473	-	-	-
Korean won	361	-	361	-	-	-
New Zealand dollars	190	-	190	-	-	-
Swedish kroner	122	-	122	358	-	358
New Taiwan dollars	72	-	72	78	-	78
Singapore dollars	12	-	12	-	-	-
Greek drachma	-	-	-	793	-	793
Total	23,714	-	23,714	40,359	(62)	40,297

(e) Fair values of financial assets and financial liabilities

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

Notes to the Accounts

continued

15 Share Capital	2002 £'000	2001 £'000
Authorised: 20,000,000 ordinary shares of 25p each (2001: 20,000,000)	5,000	5,000
Allotted, issued and fully paid: 17,356,850 ordinary shares of 25p each (2001: 17,622,350)	4,339	4,406

During the year the Company made authorised market purchases for cancellation of 265,500 of its own issued ordinary shares of 25p each, representing 1.51% of the issued share capital as at 31 October 2001. The total consideration paid for these shares was £707,000 (nominal value: £67,000) and the main reason for the purchases was to enhance the net asset value per ordinary share for the remaining shareholders.

16 Movements in reserves	Share Premium £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 1 November 2001	16,479	–	73,494	(5,206)	(3,528)
Transfer on disposal of assets	–	–	1,290	(1,290)	–
Net losses on fixed asset investments	–	–	(2,727)	(28,437)	–
Net loss on foreign exchange	–	–	(59)	–	–
Purchases of own shares	–	67	(707)	–	–
Revenue loss for the year	–	–	–	–	(216)
At 31 October 2002	16,479	67	71,291	(34,933)	(3,744)

17 Reconciliation of movement in equity shareholders' funds	2002 £'000	2001 £'000
Net loss on ordinary activities after taxation for the year	(216)	(1,384)
Purchases of own shares	(707)	–
Issue of ordinary shares	–	555
Decrease in other capital reserves	(31,223)	(93,025)
Net reduction in shareholders' funds	(32,146)	(93,854)
Shareholders' funds at 1 November	85,645	179,499
Shareholders' funds at 31 October	53,499	85,645

18 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £53,499,000 (2001: £85,645,000) and on the 17,356,850 ordinary shares in issue at 31 October 2002 (2001: 17,622,350).

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

	£'000
Total net assets at 1 November 2001	85,645
Purchases of own shares	(707)
Total net losses	(31,439)
Total net assets at 31 October 2002	53,499

Notes to the Accounts

continued

19 Reconciliation of operating revenue to net cash outflow from operating activities	2002 £'000	2001 £'000
Net loss before interest payable and taxation	(110)	(646)
Decrease in accrued income	12	10
Decrease in other debtors	51	32
Increase/(decrease) in other creditors	111	(134)
Tax on unfranked investment income deducted at source	(52)	(51)
Scrip dividends included in investment income	(7)	-
Net cash inflow/(outflow) from operating activities	5	(789)

20 Analysis of changes in net debt	1 November 2001 £'000	Cash Flow £'000	Exchange Movements £'000	31 October 2002 £'000
Cash at bank and short term deposits	625	7,128	(59)	7,694
Bank loans	(5,510)	5,510	-	-
	(4,885)	12,638	(59)	7,694

21 Contingent liabilities and capital commitments

There were no contingent liabilities in respect of underwriting commitments at 31 October 2002 (2001: £nil). There were no capital commitments in respect of securities not fully paid up (2001: £nil).

22 Related party transactions

Under the terms of an agreement dated 19 September 1996 the Company appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, secretarial, administrative and UK custody services. Henderson has contracted with Cogent Investment Operations Limited ("Cogent") to provide accounting, administrative and UK custody services. Prior to 2 September 2002 Cogent was a wholly owned subsidiary of AMP Limited ("AMP"), the ultimate holding company of Henderson. Since that date Cogent has been wholly independent of AMP.

Details of the fee arrangements for these services are given on page 16 in the Report of the Directors. The total of the fees payable under this agreement to Henderson in respect of the year ended 31 October 2002 was £833,000, excluding VAT, (2001: £1,365,000), of which £201,000 was outstanding at 31 October 2002 (2001: £88,000).

In addition to the above services, Henderson has provided the Company with share plan administration and marketing services during the year. The total fees payable for these services for the year ended 31 October 2002 amounted to £17,000, excluding VAT, (2001: £5,000) of which £5,000 was outstanding at 31 October 2002 (2001: £14,000).

General Shareholder Information

Release of results

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

AGM

The annual general meeting is held in London in February.

Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times and in other leading newspapers. The Financial Times also shows figures for the estimated net asset value per share and for the discount.

Internet

Details of the Company's share price and net asset value can be found on the Henderson website. The address is <http://its.henderson.com>

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via www.computershare.com. Please note that to gain access to your details on the Computershare site you will need the holder reference number on the top left hand corner of your share certificate.

ISIN/SEDOL number

The ISIN code/SEDOL (Stock Exchange Daily Official List) number of the Company's shares is GB0008536574.

Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Computershare Investor Services PLC, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator. 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) the number is 0800 959 598.

For investors through the Henderson Investment Trust Share Plan, Selection PEP or Selection ISA a textphone telephone service is available on 020 7850 5406. This service is available during normal business hours.

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors in the Henderson Investment Trust Share Plan and the Henderson Selection PEP or Selection ISA receive all shareholder communications. A letter of direction is provided to facilitate voting at general meetings of the Company.

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of Henderson Strata Investments plc will be held at 4 Broadgate, London EC2M 2DA on Thursday 13 February 2003 at 2.30 pm for the transaction of the following:

Ordinary Business

- 1 To receive the report of the directors and the audited accounts for the year ended 31 October 2002.
- 2 To re-elect Mr R D H Bryce as a director of the Company.
- 3 To re-elect Mr E T Whitley as a director of the Company.
- 4 To re-appoint PricewaterhouseCoopers as the 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:

as an Ordinary Resolution

- 5 THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £216,960 (being 5% of the issued share capital at 13 December 2002) PROVIDED THAT this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

as a Special Resolution

- 6 THAT, subject to resolution 5 being passed, the Board be and it is hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by resolution 5 as if sub-section (1) of section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;

(b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £216,960 (being 5% of the issued ordinary share capital at 13 December 2002); and

(c) to the allotment of equity securities at a price of no less than net asset value per share;

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

as a Special Resolution

- 7 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares"), provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the Ordinary Shares in issue at 13 February 2003, the date of the annual general meeting, (equivalent to approximately 2,601,791 Ordinary Shares at 13 December 2002, the date of this Notice of Annual General Meeting);

Notice of Annual General Meeting

continued

- (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 25p;
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time;
- (d) the authority hereby conferred will expire at the conclusion of the annual general meeting of the Company in 2004, or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time; and
- (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

G S Rice
for and on behalf of
Henderson Secretarial Services Limited,
Secretary
13 December 2002

Notes

- (i) Only those shareholders registered in the register of members of the Company at close of business on Tuesday 11 February 2003 shall be entitled to attend and vote at the Annual General Meeting ("the meeting") in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after close of business on 11 February 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (ii) A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company.
- (iii) A form of proxy is enclosed. To be valid the form of proxy must be completed and deposited at the office of the Registrar to the Company not less than 48 hours before the time appointed for holding the meeting. The return of the form of proxy duly completed will not preclude a member from attending and voting in person at the meeting. If shareholders so wish, the form of proxy may be returned in an envelope addressed to Computershare Investor Services PLC, FREEPOST, SWB1002, PO Box 1075, Bristol, BS99 3FA.
- (iv) The register of directors' interests, kept by the Company in accordance with the requirements of the Companies Act 1985, will be available for inspection at the annual general meeting.
- (v) By attending the meeting, members and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the meeting.

Registered Office:

4 Broadgate, London EC2M 2DA

Ways & means.

There are various ways of investing in Henderson Strata Investments plc - you can act quickly with a lump sum, invest gradually with monthly payments or enjoy a tax-efficient ISA.

The trust's shares are easily traded on the stock market. But there are also benefits in regular saving and tax-efficient wrappers. Here are some options to suit your own personal pace of investing.

The Henderson Investment Trust Share Plan is a straightforward savings scheme with a minimum lump sum investment of £500 or regular savings from £50 a month.

A **Henderson ISA** allows you to save tax-efficiently up to £7,000 p.a. with a minimum lump sum of £2,000 and regular savings from £100 a month.

A **Henderson Transfer PEP or ISA** allows you to transfer your existing PEP or ISA funds into the trust. Investments retain their tax-efficient status during and after transfer.

To find out more, visit

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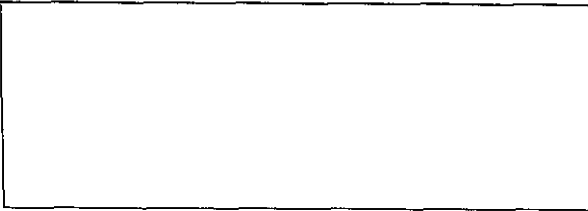
0800 832 832

or (44) 20 7818 1818 if phoning from abroad (please quote reference REPORT). You can also write to us at Henderson Global Investors, FREEPOST, Newbury RG14 2ZZ (no stamp required) or contact your professional adviser.

Henderson Investment Trusts

Please remember that past performance is not a guide to future performance. The value of your investment can fall as well as rise and you may not get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend on individual circumstances. Henderson Global Investors is the name under which Henderson Global Investors Limited, Henderson Investment Funds Limited, Henderson Fund Management plc and Henderson Administration Limited (all authorised and regulated by the FSA) provide investment products and services. We may record telephone calls for our mutual protection and to improve customer service. 4 Broadgate, London EC2M 2DA.





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