Registered No. 25526

The Henderson Smaller Companies Investment Trust plc

Report & Accounts for the year ended 31 May 2002

Contents

The Henderson Smaller Companies Investment Trust plc

The Henderson Smaller Companies Investment Trust is a plc owned by our shareholders. We hold a portfolio of investments which are professionally managed by a team from Henderson Global Investors. To maximise long-term returns, we invest in a UK portfolio of smaller companies, and allow the winners to run. The stock list at 31 May 2002 comprised 97 holdings with a market value of £273 million. As an investment trust, we are exempt from tax on the capital gains arising on our investments. The majority of the directors are independent of the investment manager.

Benchmark

FTSE SmallCap Index (excluding investment companies)

Who's who
Directors and management

***Peter Cadbury** (Chairman) has a corporate advisory firm, Peter Cadbury & Co Limited. He is 59 and joined the Board in 1989. He was formerly Deputy Chairman of Morgan Grenfell & Co Limited, the investment banking arm of Deutsche Bank.

John Alexander was appointed Manager of the Company in 1987. He is 43 and joined the Board in 1988. He joined Touche, Remnant & Co. (which was subsequently acquired by Henderson Global Investors) from Hill Samuel in 1984.

***Sally Davis** is 48 and was appointed a director in April 2001. She is a President within BT Ignite, responsible for UK operations and for Applications Hosting globally. BT Ignite is BT's business services and solutions business – serving customers worldwide. A former Vice President of Bell Atlantic and NYNEX, she is a Fellow of University College London.

***Dudley Fishburn** is Associate Editor of The Economist and Treasurer of the National Trust. He is Chairman of HFC Bank plc and a director of Cordiant plc, Philip Morris Inc and other companies. He is 56 and joined the Board in 1996. He was for nine years a Member of Parliament.

***Paul Manduca** is chief executive of Rothschild Asset Management International. He is 50 and joined the Board in 1987. A former Manager of the Company, he became successively chairman and chief executive of Touche, Remnant & Co., deputy managing director of Henderson Administration Group plc and chief executive of Threadneedle Asset Management Limited. He is a former chairman of the AITC.

***Michael Meyer FCIS** is Chairman of Direct Message PLC and of Remote Controlled Lighting Limited. He co-founded Emess PLC in 1976, serving as Chairman and Chief Executive until 2000. He is 52 and joined the Board in 1990. He will retire as a director at the Annual General Meeting on 27 September 2002.

***Max Taylor** is Deputy Chairman of Aon Limited. He is 54 and joined the Board in 1993. He was formerly an executive director of Willis Corroon Group plc and was Chairman of Lloyd's from 1998 to 2001.

*Independent director and member of the Audit Committee and of the Management Engagement Committee, both of which are chaired by Mr Cadbury.

Andrew Stack manages the portfolio with John Alexander. He is a Divisional Director, UK Smaller Companies at Henderson Global Investors where he has been a member of the Specialist UK Smaller Companies team since 1988.

Geoffrey Rice ACIS has acted as company secretary since 1998. He is an authorised representative of Henderson Secretarial Services Limited, the corporate company secretary.

Chairman's statement

Peter Cadbury

Last year we reported stockmarket volatility, and warned of more to come. Our cautious outlook turned out to be correct, as the downturn in technology stocks accelerated, and action was taken to rebalance the portfolio. In spite of these warnings, it gives me no satisfaction to report a 45% drop in net asset value.

Our valuations are now considerably lower. Conditions have not, however, changed to the extent that this causes us to alter our philosophy – which is the commitment to growth. The fundamentals of our approach have been reviewed, and we have adjusted the portfolio to suit difficult times.

Dividend

The growth companies we invest in tend to retain the bulk of their earnings. Capital growth, not income, is our priority. In general we expect to pay only nominal dividends, and propose for this year once again a single and final dividend of 0.5p, paid out of reserves.

Share buy-backs

We continue to monitor our discount. During the year we purchased 26.1 million shares for cancellation at a favourable discount, representing 16.1% of those in issue on 31 May 2001. These buy-backs enhanced net asset value by £9.9 million. Since the year end we have bought back a further 3.0 million shares, and our buy-back authority was renewed at the EGM on 26 June 2002.

Board membership

Michael Meyer, who has been a director for the past 12 years, has decided not to seek re-election at the AGM on 27 September. We have greatly benefited from his advice and we shall miss him.

Prospects

A great deal of bad news is out, and the prevailing gloom is already discounted in our share price. While the short term is painful for us all, I can only restate our continued confidence in the strategy. We will be monitoring performance very closely.

P H G Cadbury
Chairman
24 July 2002

Financial highlights

	31 May 2002	31 May 2001
Total net assets	**£246 million**	£533 million
Net asset value per ordinary share	**181.1p**	328.9p
Net asset value per ordinary share on an alternative basis*	**176.3p**	324.7p
Market price per ordinary share	**150.5p**	278.0p
Earnings per ordinary share	**(0.77)p**	(0.34)p
Dividend per ordinary share	**0.50p**	0.50p
Gearing†	**11%**	1%

*see note 18 on page 28

†defined here as borrowings, less cash balances and deposits, as a percentage of shareholders' funds

Performance

Comparative total return figures for periods to 31 May 2002:

	1 year %	3 years %	5 years %	10 years %
The Henderson Smaller Companies Investment Trust plc:				
net asset value per share*	(44.5)	(40.9)	(27.3)	34.4
FTSE SmallCap Index (excluding investment companies)†	(14.5)	10.7	29.5	134.0
FTSE All-Share Index†	(9.6)	(7.8)	27.4	164.6
techMARK All-Share Index†	(41.9)	(38.5)	20.4	n/a

*Source: AITC Services Limited

†Source: Datastream

Historical record

Year end	Net asset value per ordinary share in pence	Earnings per ordinary share in pence	Net dividends per ordinary share in pence
31 May 1992	155.4	3.49	3.70
31 May 1993	182.6	4.31	3.80
31 May 1994	207.7	3.99	3.80
31 May 1995	201.5	4.06	3.90
31 May 1996	264.4	5.02	3.95
31 May 1997	261.0	4.15	3.95
31 May 1998	344.1	3.10	3.95
31 May 1999	311.8	2.33	3.95
31 May 2000	423.8	1.14	0.50
31 May 2001	328.9	(0.34)	0.50
31 May 2002	**181.1**	**(0.77)**	**0.50**

A guide to our investments

Investment portfolio

at 31 May 2002

	Valuation as at 31 May 2002 £'000	% of portfolio
Interserve	13,940	5.10
Galen	12,962	4.74
Fitness First	11,025	4.03
BTG	10,401	3.80
Informa	8,245	3.02
Marlborough Stirling	7,992	2.92
Clinton Cards	7,243	2.65
Xansa	6,703	2.45
Pizza Express	6,610	2.42
Helphire	6,525	2.39
10 largest	91,646	33.52
Games Workshop	6,462	2.36
Taylor & Francis	6,142	2.25
The Innovation Group	5,794	2.12
Anite	5,430	1.99
*Tribal	4,719	1.73
*Systems Union	4,625	1.69
N Brown	4,610	1.69
ITNET	4,556	1.67
Metal Bulletin	4,236	1.55
Scipher	4,224	1.54
20 largest	142,444	52.11
Parthus Technologies	4,166	1.52
Highbury House Communications	4,094	1.50
Diagonal	3,825	1.40
Intec Telecom Systems	3,672	1.34
*Tenon	3,618	1.32
Druck	3,500	1.28
ICM Computer	3,473	1.27
GWR	3,427	1.25
London Bridge Software	3,414	1.25
Luminar	3,159	1.16
30 largest	178,792	65.40
Trifast	3,122	1.14
Geest	3,120	1.14
royalblue	3,007	1.10
Porvair	2,980	1.09
Game	2,948	1.08
Selfridges	2,901	1.06
Kunick	2,670	0.98
Parity	2,571	0.94
Dicom	2,567	0.94
*Science Systems	2,556	0.94
40 largest	207,234	75.81
Spectris	2,483	0.91
Go-Ahead	2,402	0.88
Penna Consulting	2,380	0.87
Tibbett & Britten	2,280	0.83
Vardy	2,215	0.81
Rotork	2,169	0.79
*Transense Technologies	2,161	0.79
Capital Radio	2,160	0.79
Euromoney	2,158	0.79
Henlys	2,076	0.76
50 largest	229,718	84.03

	Valuation as at 31 May 2002 £'000	% of portfolio
Psion	2,070	0.76
Bovis Homes	2,024	0.74
†Ubinetics	1,907	0.70
Abbot	1,895	0.69
Wilmington	1,846	0.68
Westbury	1,758	0.64
Marshalls	1,757	0.64
Parkman	1,744	0.64
Expro International	1,736	0.63
Aga Foodservice	1,632	0.60
60 largest	248,087	90.75
Ultra Electronics	1,580	0.58
Ashtead	1,575	0.58
Filtronic	1,520	0.56
Mayborn	1,408	0.51
Lambert Howarth	1,273	0.46
Scottish Radio	1,206	0.44
Axon	1,193	0.44
Generics	1,111	0.41
Topps Tiles	1,021	0.37
Financial Objects	930	0.34
70 largest	260,904	95.44
Imagination Technologies	924	0.34
Torotrak	890	0.33
TTP Communications	825	0.30
South Staffordshire	824	0.30
Greggs	774	0.28
NXT	742	0.27
Guardian IT	704	0.26
*Iomart	616	0.23
*GW Pharmaceuticals	611	0.22
McCarthy & Stone	593	0.22
80 largest	268,407	98.19
Coffee Republic	590	0.22
Thomas Jourdan	544	0.20
Isotron	419	0.15
Stratagem	377	0.14
*E-Primefinancial	362	0.13
Zen Research	359	0.13
*ReNeuron	330	0.12
*NRX Global	289	0.10
TT Electronics	285	0.10
Knowledge Support Systems	272	0.10
90 largest	272,234	99.58
Genetix	264	0.09
Bespak	241	0.09
*Thomson Intermedia	218	0.08
Onemonday	188	0.07
Netbenefit	75	0.03
*Veos	74	0.03
*Tornado	69	0.03
TOTAL	**273,363**	**100.00**

**quoted on the Alternative Investment Market*

† unquoted

Managers' review

Factors affecting the year's performance

John Alexander

Andrew Stack

Market derating

The prime cause of the year's drop in value was the market derating of companies large and small, given momentum by corporate profit downgrades, the postponement of a recovery in investment spending, and accountancy scandals. Investors uncertain about the future, about the accounting that lies behind the future, and the link between economic recovery and corporate profitability, were less willing to pay high valuation multiples.

Valuation multiples have converged, as stocks perceived to be safe were rerated from very low levels and sentiment turned strongly against the technology, media and telecoms sector (TMT). As this sector shrank in value, its overall weighting in the index dropped, making it less of a must-have, and feeding the decline.

The type of holdings the trust targets were in the front line when high price earnings ratios were compressed. Multiples were progressively reduced. By the year end they fell into the high teens, and even below the market average of 17.5.

Corporate environment

The corporate environment was characterised by a freeze in boardroom expenditure. While private companies continued to invest, public companies under the pressure of regular reporting, and focused on short term earnings per share performance, showed a strong reluctance. Our stocks were disproportionately affected, since many fall within the business to business sector – companies providing services to other companies, such as IT services, advertising and other media services, and the licensing of intellectual property.

Managers' review

Action taken to mitigate difficult conditions

Summary of our thinking

In the last three months of 2001 our net asset value rose 29.5%. But ugly conditions returned in the new year, which added some steel to the review of our investment approach. This confirmed our commitment to the philosophy of quality growth. While keeping the fundamental shape, style, focus and direction of the trust, we recognised the need to reduce some sharp edges of risk.

These are difficult times for making real money, and protection is a higher priority. As a tornado tears through our nursery, we need more of a wind break to protect our saplings while the storm lasts. For the short term at least, we need the shelter of growth from other areas. We changed tack a little in order to keep to the ultimate course.

In spreading the portfolio, we have returned to some companies of high quality that are old friends. We judged it wise to make some movement away from the business-to-business area and give more emphasis to the consumer area. By introducing companies in other sectors, we identified lower valuation multiples, diversified risk, and took advantage of buoyant areas of spend. The process started slowly in 2001 and speeded up towards the end of our year, with the main changes made in April and May. A timescale of six months will be needed before we begin to see results. Meanwhile any significant upturn in information technology services and media, the classic areas we support, is likely to be delayed until mid 2003.

Detail of action taken

1 – to reduce our big bets

Reducing big bets is likely to remain a permanent part of our thinking. In April and May holdings which had grown to represent 5% or more of the trust were cut back. In total sales of £32.9 million, Fitness First was reduced from 7.4% to 4.0%, Interserve from 6.6% to 5.1%, Pizza Express from 5.2% to 2.4%, and Taylor & Francis from 5.0% to 2.3%. The cumulative weighting of those four companies dropped from 24.2% to 13.8%.

2 – to reduce overweight sectors

We made disposals of £45.4 million, targeting in particular the IT and media sectors.

sector	trust weighting 31 May 2001 %	**trust weighting 31 May 2002 %**	FTSE SmallCap (ex investment companies) index 31 May 2002 %
IT services	29.5	**22.9**	5.9
Media & photography	17.2	**12.4**	4.2
Leisure & hotels	10.1	**10.9**	6.2

We would expect to remain heavily overweight in media and information technology services, as an expression of the trust's philosophy. But we have softened the contrast.

3 – to increase holdings in underweight areas

We increased our weighting in four areas, taking advantage of the buoyancy in retailing and the increasing importance of the health sector. We also found attractive stocks in electronics & electricals, and automobiles. This was a touch on the tiller rather than a major shift. Together the eight companies we added represented 4.6% of the trust at the year end.

sector	company	FTSE 250 constituent	rationale
Retailers	Game Group	yes	25% market share in retailing computer software games
	Selfridges	yes	Leading department store developing a powerful brand
	Topps Tiles	no	Highly focused, aggressively managed tile retailer
Electronics & electricals	Spectris	yes	A process technology company
	TT Electronics	no	Electronics and electrical equipment manufacturer
Health & care	Isotron	no	Leading worldwide provider of sterilisation devices
	Bespak	no	Innovator in drug delivery
Automobiles	Vardy	no	New and used car sales and finance

4 – to move into new areas

In order to balance our aggressive growth companies with value and quality growth companies, we moved into seven sectors where the trust was not represented. Three were strong sector choices. Oil & gas benefits from good pricing and the trend towards outsourced services, construction & building from the increasing requirement for homes and interest rates at a 40 year low, and aerospace & defence from increased defence awareness post 11 September 2001. In four further sectors our choices were stock specific.

sector	trust weighting 31 May 2001 %	**trust weighting 31 May 2002 %**	FTSE SmallCap (ex investment companies) index 31 May 2002 %
Oil & gas	0.0	**1.4**	2.8
Construction & building	0.0	**2.3**	5.7
Aerospace & defence	0.0	**0.6**	1.7
Engineering & machinery	0.0	**2.2**	4.3
Food production	0.0	**1.2**	2.1
Transport	0.0	**1.8**	3.7
Food retail	0.0	**0.5**	1.3

Altogether we added 14 companies, which represented 9.4% of the trust at the year end.

sector	company	FTSE 250 constituent	rationale
Oil & gas	Abbot Group	no	International energy service provider
	Expro International	yes	Development and production services in the oil and gas sectors
Construction & building	Bovis Homes	yes	Leading brand in housebuilding
	McCarthy & Stone	yes	75% market share in sheltered housing
	Marshalls	yes	Specialist landscape, clay and stone products group
	Westbury	yes	Acquisitive housebuilder
Aerospace & defence	Ultra Electronics	no	The collection, control, integration and display of data
Engineering & machinery	Aga Foodservice	yes	Consumer products and food service equipment
	Henlys	no	Leading bus and coach manufacturer
	Rotork	yes	World leader in the electric actuation market
Food production	Geest	yes	Produces and sells fresh chilled prepared food to retailers
Transport	Go-Ahead	yes	Rail, bus and airport ground handling
	Tibbett & Britten	yes	International contract logistics provider
Food retail	Greggs	yes	Vertically integrated retail baker

Some of these are companies we have held in the past. Most are important players in the markets they occupy.

5 – good housekeeping

We continued to manage discount to NAV via share buy-backs. During the year we spent £44.9 million on shares for cancellation, representing 16.1% of our portfolio at the start of the year. Cumulatively some 25% of the Company has been bought back.

Summary of action taken

The liquidity in our underlying holdings enabled us to move money around and change 16% of our portfolio to provide a better balance of risk and growth. Our presence in the aggressive growth sector was reduced, and we repopulated the more defensive area of quality growth. These sales amounted to £55.3 million. As a result our TMT exposure was cut from about 70% to below 50%. Slimming down our big bets resulted in a drop in our top ten holdings from 45.5% to 33.5% of the trust. The weighting of the top 30 also dropped as a consequence, down from 74.5% to 65.4%. The stock list was extended. In these tactical changes, the essential slant of the portfolio was retained.

Managers' review

Outlook

We have experienced a severe bear market in the concentrated area of technology stocks. There are signs that derating is now going into overshoot territory, which is the final phase before the turn. Our valuation multiples are now lower than the market, showing the right sort of values at the bottom of our business cycle. There is a bottom out there, and it seems likely that it is not very far away.

Meanwhile many of our companies, even against a difficult trading backdrop, are not going backwards and are still producing cash. The economics of these businesses are being tested, and they are delivering broadly what we would expect at this low point. The trust is in the areas which have been at the sharp point of investor disappointment – though not necessarily of business performance disappointment.

The future is hard to call. No doubt we have not heard the last of the bad news, but some business fundamentals are on our side. In a world where the big get bigger and stronger, companies have to invest to stay in the game. Competition is in the end what drives boardrooms to sanction an increase in capital expenditure. In tough times technology and outsourcing have a huge part to play in helping businesses become more efficient. Many of our companies provide solutions that deliver demonstrable business benefits and attractive returns on investment to customers.

When corporate profitability eventually rebounds, capital expenditure will kick in more strongly, with IT spend representing about half the total. It is not within our power to say when the good times will come again. In an atmosphere of heightened emotion we simply focus on the fundamentals of our companies. Our difficulties are those of time, not of substance. Computers will not become unimportant. The e tool is one that businesses will increasingly rely on. Outsourcing will grow. It remains the case that companies currently being spurned could make a great deal of money over the longer term. Bear markets are buying opportunities.

J R Alexander and A N Stack
24 July 2002

Report of the directors

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

Activities and business review

A review of the business is given in the Chairman's statement and in the Managers' review.

Status

The Company is an investment company as defined in 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 May 2001, although approval for that year is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

The Company intends to continue as a fully qualifying investment trust company under the regulations governing Personal Equity Plans and Individual Savings Accounts.

Assets

The Group's net assets decreased during the year from £533.2 million to £246.3 million. The net asset value per ordinary share was 181.1p at 31 May 2002 compared with 328.9p at the previous year end, a decrease of 44.9%.

Revenue and dividend

The Group's net loss on ordinary activities after taxation for the year was £1,181,000 (2001: net loss of £569,000).

The directors recommend a final dividend of 0.5p per ordinary share (2001: 0.5p). Subject to approval at the annual general meeting, the final dividend will be paid on 1 October 2002 to shareholders on the register of members on 6 September 2002.

Donations

During the year the Company made charitable donations of £3,000. No political donations were made.

Directors

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

Mr E C Elstob served as a director until his retirement from the board on 28 September 2001.

The interests of the directors in the ordinary shares of the Company at 1 June 2001 and 31 May 2002 were as follows:

	Ordinary shares of 25p each	
	31 May 2002	1 June 2001
With beneficial interest:		
J R Alexander	**90,966**	80,877
P H G Cadbury	**13,300**	11,500
S M Davis	**773**	–
J D Fishburn	**4,021**	3,021
P V S Manduca	**15,662**	5,662
M S Meyer	**6,000**	4,500
J M P Taylor	**5,960**	4,992
With non-beneficial interest:		
J R Alexander	**22,428◆***	32,356◆*

◆includes 9,928 held in a trust as part of a Henderson executive incentive scheme; the shares are expected to vest beneficially in Mr Alexander in due course.
* includes 500 held in his capacity as a trustee of the Signe Trust.

No director had an interest in the preference or debenture stocks of the Company. There were no changes in the directors' interests between the year end and 24 July 2002.

The directors retiring by rotation are Mr P H G Cadbury, Mr M S Meyer and Mr J D Fishburn. Mr Cadbury and Mr Fishburn being eligible, offer themselves for re-election. Mr Meyer has indicated his intention to retire from the board on 27 September 2002.

Mr Alexander is an executive of Henderson Global Investors (Holdings) plc and is remunerated by that company in respect of services provided to The Henderson Smaller Companies Investment Trust plc under the terms of the management agreement.

No director has, or during the financial year had, a contract of service with the Company. No director is or was materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business.

Corporate governance

A formal statement on corporate governance is set out on pages 13 to 15.

Report of the directors

continued

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. There were no trade creditors at 31 May 2002.

Investment Manager

Investment management, UK custodial, accounting, administrative and company secretarial services are provided to the Company by subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson"). The management agreement between the Company and Henderson provides for the payment of a composite annual management fee which is calculated as a percentage of the average value of the assets under management on the last day of each of the two calendar years preceding the calendar year in respect of which the calculation is made. Throughout the year ended 31 May 2002 the management fee rate applicable on the assets was 0.4 per cent. Assets under management for the purpose of calculating the management charge exclude any holdings in funds managed by Henderson. The management fee is payable quarterly in advance. VAT is payable on the fee where applicable.

The management agreement provides for the percentage rates to be reviewed every three years. The rates were last subject to review in 1999; the next review is scheduled for 2002, any changes to take effect from 1 January 2003.

The management agreement may be terminated by either party but in certain events the Company would be required to pay compensation to Henderson of an amount equal to one year's management charges. Compensation is not payable if one year's notice of termination is given.

The Investment 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.

Registered Auditors

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

Substantial share interests

As at 24 July 2002 the following had declared an interest in 3% or more of the issued ordinary shares of the Company:

M&G Investment Management Limited	7.09%
Royal London Asset Management Limited	6.85%
The Standard Life Investments Group	6.23%
Clerical Medical Investment Management Limited	5.71%
British Steel Pension Fund	5.16%
Henderson Global Investors Limited*	4.57%

*on behalf of discretionary managed clients, including AMP life funds

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued share capital as at 24 July 2002.

Preference stock

In a circular to shareholders and preference stockholders dated 24 February 1999, the Company proposed to offer to purchase for cancellation all the Company's outstanding preference stock at £1 per unit, being the par value of the preference stock units. At an extraordinary general meeting of the Company held on 22 March 1999 these proposals, together with the related changes to the Articles of Association, were approved. At 31 May 2002 acceptances had been received in respect of £865,720 of the stock, leaving £9,280 in issue. It is intended that the offer will remain open until such time as all the preference stock has been acquired and, accordingly, a resolution will be put to the annual general meeting in September 2002 to renew the Company's powers to repurchase it.

Share buy-back facility

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

At the annual general meeting in September 2001 a special resolution was passed giving the Company authority, until the conclusion of the annual general meeting in 2002, to make market purchases for cancellation of the Company's own ordinary shares up to a maximum of 23,382,147 shares (being 14.99% of the issued ordinary share capital as at 28 September 2001). As at 31 May 2002 the Company had valid authority, outstanding until the conclusion of the annual general meeting in 2002, to make market purchases for cancellation of 3,378,172 shares.

Report of the directors
continued

During the year ended 31 May 2002 the Company purchased for cancellation a total of 26,108,095 of its own ordinary shares, representing 16.1% of the ordinary shares in issue at 31 May 2001. These purchases, which cost £44.6 million excluding stamp duty, were funded from the realised capital reserves. A further 1,250,000 shares were bought back between the year end and 26 June 2002.

At an extraordinary general meeting held on 26 June 2002 a special resolution was passed giving the Company authority, until the conclusion of the annual general meeting in 2002, to make market purchases for cancellation of the Company's own ordinary shares up to a maximum of 20,196,176 shares (being 14.99% of the issued ordinary share capital as at 26 June 2002). Between the date of the extraordinary general meeting and the date of this report 1,760,000 shares were bought back.

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 19,932,352 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 believe that buying back the Company's own shares in the market, at appropriate times and prices, is in the best interests of shareholders generally. The Company will make either a single purchase or a series of purchases at appropriate times and prices, within guidelines set from time to time by the Board, with the aim of maximising the benefits to shareholders. 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. Shares will not be bought back 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 2003.

Amendments to the Articles of Association

The existing Article 100 of the Company's Articles of Association restricts the aggregate fees paid to the directors to a sum equal to five per cent of the net income of the Company for each financial year in excess of £80,000. The Company invests in companies that typically provide a low level of dividends and this, when combined with the reduced size of the Company following share repurchases, means that the limit is potentially unduly restrictive. The Board does not envisage increasing the fees of the directors in the foreseeable future but is recommending an amendment so that there is an absolute rather than a floating limit. In particular, removal of the uncertainty will assist the future recruitment of directors. A maximum limit of £150,000 per annum is proposed. A number of other minor amendments to the Articles are also being proposed. These allow for communications between the Company and shareholders to be by electronic mail and reflect the implementation of the Financial Services and Markets Act 2000, as well as clarifying a number of minor drafting points.

A special resolution to approve these amendments will be put to the annual general meeting (notice of which is given on pages 32 and 33).

By order of the Board
G S Rice
For and on behalf of
Henderson Secretarial Services Limited,
Secretary
24 July 2002

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 seven non-executive directors, the majority of whom are independent of the Company's Investment Manager (Henderson Global Investors Limited). Their biographical details, set out on page 2, demonstrate a breadth of investment, industrial, commercial and professional experience with an international perspective.

The Board meets at least six 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 Board has set limits on the concentration of new investments, on the use of derivatives and on the extent to which borrowings may be used. The application of these and other restrictions, including those which govern the Company's tax status as an investment trust, are reviewed regularly at meetings of the Board. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment 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 Investment 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 and every director stands for re-election at intervals of not more than three years.

The Chairman of the Company is a non-executive 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.

The Board has not established a nominations committee to make recommendations on the appointment of new directors. Each director is invited to submit nominations and external advisers are also used to identify potential candidates. The nominations list is considered by the Board as a whole in accordance with its agreed procedures.

Board committees

The Board has established Audit and Management Engagement Committees with defined terms of reference and duties. The membership of these committees is set out on page 2.

Corporate governance
continued

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 Investment 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 Investment Manager.

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 23. Currently the directors' fees are paid at the following annual rates: the Chairman £26,500; the other independent directors £15,000; no fees are paid in respect of the director who is also a fund manager. The directors have undertaken to use part of their fees, after statutory deductions, to purchase shares in the Company.

Relations with shareholders

The Investment Manager has an annual programme of meetings with institutional shareholders and matters raised at these meetings are reported to the Board.

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 Investment Manager make a presentation to the meeting. The Company has adopted a nominee share code which is set out on page 34.

Accountability and audit

The directors' statement of responsibilities in respect of the accounts is set out on page 16. The report of the independent auditors is set out on page 17. The Board has delegated contractually to external agencies, including the Investment 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 is so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the Investment Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Investment 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 Investment 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 May 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 Investment 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 Investment 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 Investment Manager, and which reports the details of any known internal control failures. The Board receives each year from the Investment Manager a report on its internal controls (a 'FRAG 21' report) which includes a report from the Investment 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.

Environmental and human rights policy and the exercise of voting powers

The Cadbury Report emphasises that:
The way in which institutional shareholders use their power to influence the standards of corporate governance is of fundamental importance. Their readiness to do this turns on the degree to which they see it as their responsibility as owners, and in the interest of those whose money they are investing, to bring about changes in companies when necessary.

In this regard, Henderson Global Investors Limited, the Company's Investment Manager, follows a corporate governance procedure covering the requirements of the Combined Code in full. The Investment Manager votes with the procedure in mind and enjoys the benefits of having a stand alone Socially Responsible Investment Team which regularly reviews the Company's portfolio in order to identify any compliance and investment risks. The Investment Manager encourages its investee companies to adopt best practice in all matters relating to the environment, employment and human rights, reflecting the growing appreciation of the importance of such issues.

Statement of compliance

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

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 the Group and of the net revenue of the Group 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 Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent auditors

to the members of The Henderson Smaller Companies Investment Trust plc

We have audited the financial statements which comprise the Group statement of total return, the balance sheets and the Group cash flow statement and notes 1 to 28.

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.

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 Report of the directors, the Chairman's statement, the Managers' review 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 Group'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 affairs of the Company and the Group at 31 May 2002 and of the total return and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
24 July 2002

Group statement of total return (incorporating the consolidated revenue account)

for the year ended 31 May 2002

Notes		Year ended 31 May 2002 Revenue £'000	Year ended 31 May 2002 Capital £'000	Year ended 31 May 2002 Total £'000	Year ended 31 May 2001 Revenue £'000	Year ended 31 May 2001 Capital £'000	Year ended 31 May 2001 Total £'000
2	Total capital losses from investments	**–**	**(240,230)**	**(240,230)**	–	(162,352)	(162,352)
3	Income from fixed asset investments	**4,592**	**–**	**4,592**	4,506	–	4,506
4	Other interest receivable and similar income	**111**	**–**	**111**	926	–	926
	Gross revenue and capital losses	**4,703**	**(240,230)**	**(235,527)**	5,432	(162,352)	(156,920)
5	Management fee	**(2,734)**	**–**	**(2,734)**	(3,022)	–	(3,022)
6&7	Other administrative expenses	**(352)**	**–**	**(352)**	(344)	–	(344)
5&6	Irrecoverable VAT	**(416)**	**–**	**(416)**	(512)	–	(512)
	Net return/(loss) on ordinary activities before interest payable and taxation	**1,201**	**(240,230)**	**(239,029)**	1,554	(162,352)	(160,798)
8	Interest payable	**(2,381)**	**–**	**(2,381)**	(2,123)	–	(2,123)
	Net loss on ordinary activities before taxation	**(1,180)**	**(240,230)**	**(241,410)**	(569)	(162,352)	(162,921)
9	Taxation on net return on ordinary activities	**(1)**	**–**	**(1)**	–	–	–
	Net loss on ordinary activities after taxation	**(1,181)**	**(240,230)**	**(241,411)**	(569)	(162,352)	(162,921)
28	**Dividends – ordinary shares**						
	Final: 0.50p (2001: 0.50p)	**(654)**	**–**	**(654)**	(810)	–	(810)
	Transfer from reserves	**(1,835)**	**(240,230)**	**(242,065)**	(1,379)	(162,352)	(163,731)
10	**Loss per ordinary share**	**(0.77)p**	**(157.34)p**	**(158.11)p**	(0.34)p	(95.91)p	(96.25)p

The revenue columns of this statement represent the consolidated revenue accounts of the Group (see note 21 on page 30).

The notes on pages 21 to 31 form part of these accounts.

Balance sheets

at 31 May 2002

Notes		Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
11,12	**Fixed asset investments**				
&13	United Kingdom listed investments at market value	**251,208**	518,103	**251,208**	518,103
11	AIM investments at market value	**20,248**	30,036	**20,248**	30,036
11	Unquoted investments at directors' valuation	**1,907**	2,250	**1,907**	2,250
12	Subsidiary undertaking	**–**	–	**2,272**	3,960
		273,363	550,389	**275,635**	554,349
	Current assets				
14	Debtors	**1,815**	1,370	**1,815**	2,066
	Cash at bank and short term deposits	**40**	16,876	**38**	15,785
		1,855	18,246	**1,853**	17,851
15	**Creditors:** amounts falling due within one year	**(8,935)**	(15,434)	**(11,205)**	(18,999)
	Net current (liabilities)/assets	**(7,080)**	2,812	**(9,352)**	(1,148)
	Total assets less current liabilities	**266,283**	553,201	**266,283**	553,201
16	**Creditors:** amounts falling due after more than one year	**(20,000)**	(20,000)	**(20,000)**	(20,000)
	Total net assets	**246,283**	533,201	**246,283**	533,201
	Capital and reserves				
19	Called-up share capital	**34,004**	40,531	**34,004**	40,531
20	Other capital reserves	**208,472**	487,028	**210,744**	490,988
21	Revenue reserve	**3,807**	5,642	**1,535**	1,682
22 & 23	**Shareholders' funds** (including non-equity interests of £9,000; 2001: £9,000)	**246,283**	533,201	**246,283**	533,201
18	**Net asset value per ordinary share**	**181.1p**	328.9p	**181.1p**	328.9p

These accounts were approved by the directors on 24 July 2002.

P H G Cadbury } Directors Peter H G Cadbury

J R Alexander } J. R. Alexander

The notes on pages 21 to 31 form part of these accounts.

Group cash flow statement

for the year ended 31 May 2002

Notes		2002 £'000	2002 £'000	2001 £'000	2001 £'000
25	**Net cash inflow from operating activities**		**1,282**		1,284
	Servicing of finance				
	Debenture interest paid	**(2,100)**		(3,150)	
	Bank overdraft and loan interest paid	**(261)**		(23)	
	Net cash outflow from servicing of finance		**(2,361)**		(3,173)
	Taxation				
	UK tax recovered	**-**		10	
	Overseas tax recovered	**-**		33	
	Net tax recovered		**-**		43
	Financial investment				
	Purchases of investments	**(115,920)**		(117,448)	
	Sales of investments	**137,809**		129,405	
	Net cash inflow from financial investment		**21,889**		11,957
	Equity dividends paid		**(784)**		(852)
	Management of liquid resources				
	Cash withdrawn from deposit		**10,000**		10,000
	Financing				
	Purchase of ordinary shares	**(44,863)**		(25,038)	
	Drawdown of loans	**8,000**		–	
			(36,863)		(25,038)
26	**Decrease in cash**		**(6,837)**		(5,779)
	Reconciliation of net cash flow to movements in net (debt)/funds				
	Decrease in cash as above		**(6,837)**		(5,779)
	Cash inflow from management of liquid resources		**(10,000)**		(10,000)
	Cash inflow from debt financing		**(8,000)**		–
	Change in net debt resulting from cash flows		**(24,837)**		(15,779)
	Exchange movements		**1**		1
	Movement in net debt in the year		**(24,836)**		(15,778)
	Net (debt)/funds as at 1 June		**(3,124)**		12,654
26	**Net debt at 31 May**		**(27,960)**		(3,124)

The notes on pages 21 to 31 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 investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies* ("the SORP"). All of the Group's operations are of a continuing nature.

b Basis of consolidation

The Group accounts include the accounts of the Company and its wholly owned subsidiary undertaking, Henderson Smaller Companies Finance Limited.

c Valuation of fixed asset investments

Listed investments in the United Kingdom are valued according to the prices issued by the London Stock Exchange, being the closing mid-market prices for all investments other than FTSE 100 constituents and FTSE 100 reserve list constituents for which the last traded prices are used. Investments which are quoted but unlisted are valued at their closing or middle market prices as issued by various sources.

Unquoted investments are valued by the directors at the balance sheet date at cost, unless circumstances indicate that different valuations are warranted. In general, valuations are increased where a substantial arm's length transaction has occurred subsequent to acquisition at a price higher than cost and valuations are decreased where subsequent transactions have taken place at a price lower than cost or where the directors are aware that the company is experiencing operating difficulties.

d Capital gains and losses

Realised and unrealised capital gains and losses on fixed asset investments, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in the other capital reserves.

e Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. Income from fixed interest debt securities is recognised on a time apportionment basis and, if material, so as to reflect the effective yield on these securities. The trading profits of the subsidiary undertaking, which represent realised gains and losses on the sale of current asset investments, are dealt with in the Group statement of total return as a revenue item. Bank deposit interest is accounted for on an accruals basis.

f Expenses

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

g Deferred taxation

Financial Reporting Standard 19 has been adopted for the period ended 31 May 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.

h Foreign currency

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

i Financial instruments

The Group has not utilised any derivative instruments in the period under review, nor in the prior year, and has taken advantage of the exemption allowed under Financial Reporting Standard 13 and excluded short term debtors and creditors from disclosures under financial instruments in note 17.

Notes to the accounts

continued

2 Total capital losses from investments	2002 £'000	2001 £'000
Realised (losses)/gains based on historical cost	**(61,432)**	39,746
Amounts recognised as unrealised in previous years	**(4,452)**	(46,231)
Realised losses based on carrying value at previous balance sheet date	**(65,884)**	(6,485)
Net movement in unrealised depreciation	**(174,347)**	(155,868)
Net gain on foreign exchange	**1**	1
	(240,230)	(162,352)

3 Income from fixed asset investments	2002 £'000	2001 £'000
Franked:		
Listed investments	**4,516**	4,435
Unlisted investments	**18**	11
	4,534	4,446
Unfranked:		
Listed investments		
Dividend income	**58**	60
Total income from fixed asset investments	**4,592**	4,506

4 Other interest receivable and similar income	2002 £'000	2001 £'000
Bank interest	**89**	887
Underwriting commission	**22**	39
	111	926

5 **Management fees** (all charged to revenue)	2002 £'000	2001 £'000
Management fees	**2,734**	3,022
Irrecoverable VAT thereon	**431**	476
	3,165	3,498

A summary of the terms of the management agreement is given on page 11 in the Report of the directors.

Notes to the accounts

continued

6	Other administrative expenses	2002 £'000	2001 £'000
	Directors' fees (note 7)	**109**	106
	Auditors' remuneration for audit services (including £18,000 (2001: £18,000) relating to the parent undertaking)	**19**	19
	Other expenses payable to the management company	**17**	(12)
	Other expenses	**207**	231
	Irrecoverable VAT	**(15)**	36
		337	380

Other expenses payable to the management company relate to administration of the Henderson Investment Trust Share Plan.

7 Directors' emoluments

The directors' fees stated in note 6 are those actually paid by the Company. However, Mr J R Alexander is paid by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson"), part of which remuneration relates to the provision of services to The Henderson Smaller Companies Investment Trust 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 £99,000 (2001: £220,000). This amount, together with the amounts paid directly by the Company to the the other directors, is included in the analysis below:

	2002 £'000	2001 £'000
Directors' fees paid by the Company to directors	**109**	99
Directors' fees paid by the Company to third parties	**–**	7
Total directors' fees paid by the Company	**109**	106
Salaries and other benefits (paid by Henderson)	**99**	88
Performance related bonus (paid by Henderson)	**–**	132
Total emoluments	**208**	326
Pension contributions (paid by Henderson)	**12**	8

The pension contributions represent those paid by Henderson on behalf of Mr J R Alexander to a non-contributory defined benefit pension scheme. Mr Alexander was the highest paid director and his emoluments totalled £99,000. His accrued pension amounted to £32,000 per annum as at 31 May 2002 (2001: £29,000 per annum). This figure represents the pension that would be payable from normal pension age (age 60) had he left pensionable service as at 31 May 2002 (ignoring any Inland Revenue limits applicable to his leaving service at that date). It excludes allowance for increases between leaving service and retirement and any amounts attributable to voluntary contributions. The benefits include pension increases in retirement of up to 5% per annum and a contingent widow's pension of two thirds of the pension payable to the director.

The directors have undertaken to use part of their fees, after statutory payroll deductions, to purchase shares in the Company.

Notes to the accounts

continued

8	Interest payable	2002 £'000	2001 £'000
	Bank overdraft and loan interest	**281**	23
	Interest on debentures repayable wholly or partly after five years	**2,100**	2,100
		2,381	2,123

9 Taxation

(a) Taxation charge on ordinary activities

	2002 £'000	2001 £'000
Corporation tax at 30%	**–**	–
Overseas tax recoverable written off	**1**	–
	1	–

(b) Factors affecting the tax charge for the period

Approved investment trusts are exempt from tax on capital gains made within the investment trust.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	**(1,180)**	(569)
Loss on ordinary activities multiplied by the standard tax rate of corporation tax	**(354)**	(171)
Effects of:		
Non-taxable UK investment income	**(1,360)**	(1,334)
Excess management expenses	**1,699**	1,499
Overseas tax recoverable written off	**1**	–
Disallowed expenses	**15**	6
Current tax charge	**1**	–

(c) Provision for deferred taxation

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

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £4,878,000 (2001: £3,179,000) arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of the capital gains made by the Company changes or if the Company's investment profile changes.

10 Loss per ordinary share

The revenue loss per ordinary share is based on the losses attributable to the ordinary shares of £1,181,000 (2001: £569,000) and on the weighted average number of ordinary shares in issue during the year of 152,680,943 (2001: 169,276,109).

The capital loss per ordinary share is based on the net capital losses for the year of £240,230,000 (2001: £162,352,000) and on the weighted average number of ordinary shares in issue during the year of 152,680,943 (2001: 169,276,109).

Notes to the accounts

continued

11 Fixed asset investments

(a) Group

	£'000
Valuation at 1 June 2001	550,389
Unrealised appreciation	(22,658)
Cost at 1 June 2001	527,731
Additions at cost	101,464
Disposals at cost	(199,691)
Cost at 31 May 2002	429,504
Unrealised depreciation	(156,141)
Valuation at 31 May 2002	**273,363**

Included in total investments are unlisted investments at directors' valuation of £22,155,000 (2001: £32,286,000) of which £20,248,000 (2001: £30,036,000) relates to investments quoted on the Alternative Investment Market.

(b) Company	Investments £'000	Subsidiary undertaking £'000	Total fixed assets £'000
Valuation at 1 June 2001	550,389	3,960	554,349
Unrealised appreciation	(22,658)	(3,960)	(26,618)
Cost at 1 June 2001	527,731	–	527,731
Additions at cost	101,464	–	101,464
Disposals at cost	(199,691)	–	(199,691)
Cost at 31 May 2002	429,504	–	429,504
Unrealised (depreciation)/appreciation	(156,141)	2,272	(153,869)
Valuation at 31 May 2002	**273,363**	**2,272**	**275,635**

At 31 May 2002 0.41% of the portfolio was held in convertible securities (31 May 2001: 0.16%). There were no fixed interest securities in the portfolio at either date.

12 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital, fully paid, of £2 in its wholly owned subsidiary undertaking, Henderson Smaller Companies Finance Limited, which is registered in England and Wales and operates in the United Kingdom as an investment dealing company. The investment is stated in the Company's accounts at net asset value.

13 Substantial interests

The Group held interests in 3% or more of any class of capital in 31 investee companies. None of these investments are considered to be significant in the context of these accounts.

Notes to the accounts

continued

14 Debtors	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Securities sold for future settlement	**566**	116	**566**	116
Tax recoverable	**4**	5	**4**	5
Prepayments and accrued income	**1,228**	1,240	**1,228**	1,936
Other debtors	**17**	9	**17**	9
	1,815	1,370	**1,815**	2,066

15 **Creditors:** amounts falling due within one year	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Securities purchased for future settlement	–	14,456	–	14,456
Amounts owed to subsidiary undertaking	–	–	**2,271**	3,566
Proposed dividends	**680**	810	**680**	810
Accruals and deferred income	**204**	113	**203**	112
Other creditors	**51**	55	**51**	55
Bank loans	**8,000**	–	**8,000**	–
	8,935	15,434	**11,205**	18,999

16 **Creditors:** amounts falling due after more than one year	Group and Company 2002 £'000	Group and Company 2001 £'000
Debenture stock: redemption after more than five years:		
10.5% debenture stock 2016 (redeemable at par on 31 May 2016)	**20,000**	20,000

The Company may at any time purchase any of the debenture stock, in accordance with the provisions of the trust deed constituting and securing the debenture stock. However, it is not the Company's present intention to redeem the debenture stock before the final redemption date. Accordingly the debenture stock has been included in amounts falling due after one year by reference to the final redemption date. The debenture stock is secured by way of a floating charge on all of the Company's assets.

17 Financial instruments

(i) Management of risk

The Group's financial instruments may comprise:

- equity and non-equity shares and fixed interest securities that are held in accordance with the Group's investment objective as set out on page 1 of the report and accounts;
- debenture stock, preference stock, term loans and bank overdrafts, the main purpose of which is to raise finance for the Group's operations; and
- cash, liquid resources and short term debtors and creditors that arise directly from the Group's operations.

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

The main risks arising from the Group's financial instruments are market price risk and interest rate risk. The Board regularly reviews and agrees policies for managing both these risks and they are summarised below. These policies have remained constant throughout the year under review.

17 Financial instruments (continued)

Market price risk

Market risk arises mainly from uncertainty about the future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements and, indirectly, movements in exchange rates. 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 sector. Stock selection, including investment in companies which operate internationally, acts to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy.

Interest rate risk

The Group finances its operations through its debenture stock, preference stock and term loans as well as bank overdrafts and any retained revenues arising from operations. The Group borrows at both fixed and floating rates of interest and the Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Liquidity risk

The Group's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The maturity of the Group's existing borrowings is set out in paragraph (iii) below. Short term flexibility is achieved through the use of short term borrowing and overdraft facilities.

(ii) Risk profile of financial assets and financial liabilities

Financial assets

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

Financial liabilities

The interest rate profile of the Group's financial liabilities (which were all in sterling) was:

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
31 May 2002	**28,000**	**8,000**	**20,000**
31 May 2001	20,000	–	20,000

Fixed rate financial liabilities	
Weighted average interest rate %	Weighted average period for which interest rate is fixed
10.5	14 years
(2001: 10.5)	(2001: 15 years)

(iii) Maturity profile of the Group's financial liabilities

The Group's fixed rate financial liabilities of £20,000,000 (2001: £20,000,000) mature in more than five years. The Group's floating rate financial liabilities of £8,000,000 (2001: £nil) mature in less than one year.

As at 31 May 2002 the Company had a committed short term loan facility of £15,000,000 from which £8,000,000 had been drawn at the balance sheet date (2001: committed undrawn facilities of £25,000,000). In addition the Company had an uncommitted undrawn overdraft facility with a sub-custodian, the extent of which is determined by the sub-custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company (2001: uncommitted undrawn overdraft facility of £5,000,000). The facilities are subject to regular review by the providers.

Notes to the accounts

continued

17 Financial instruments (continued)

(iv) Currency exposure

Almost all of the financial assets and financial liabilities of the Group are denominated in sterling; therefore the net assets and total return are not affected by currency movements.

(v) Fair values of financial assets and financial liabilities

All of the financial assets of the Group are held at fair value.

Set out below is a comparison by category of the book values and fair values of the Group's fixed rate financial liabilities at 31 May 2002 and 31 May 2001:

	Book value 2002 £'000	**Fair value 2002 £'000**	Book value 2001 £'000	Fair value 2001 £'000
Preference stock	**9**	**9**	9	9
Long term borrowings	**20,000**	**26,488**	20,000	26,850

The fair values shown above have been calculated by reference to prices available from the markets on which the instruments involved are traded.

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 £246,274,000 (2001: £533,192,000) and on the 135,980,999 ordinary shares in issue at 31 May 2002 (2001: 162,089,094) (see note 19).

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Group the preference stock and the debenture stock at their market (or fair) values rather than at their par (or book) values. Details of the alternative values are set out in note 17(v) above. The net asset value per ordinary share at 31 May 2002 calculated on this basis was 176.3p (2001: 324.7p).

The movement during the year of the assets attributable to the ordinary shares was as follows:

	£'000
Total net assets at 1 June 2001	533,201
Less: preference stock	(9)
Net assets attributable to the ordinary shares at 1 June 2001	533,192
Total net return on ordinary activities after taxation	(241,411)
Dividends appropriated in the year:	
ordinary shares (including the write-back of an accrual)	(654)
Repurchase of 26,108,095 ordinary shares (see note 19)	(44,853)
Net assets attributable to the ordinary shares at 31 May 2002	246,274
Add: preference stock (see note 19)	9
Total net assets at 31 May 2002	**246,283**

Notes to the accounts

continued

19 Called up share capital	2002 £'000	2001 £'000
Authorised:		
875,000 preference stock units of £1 each (2001: 875,000)	**875**	875
188,000,000 ordinary shares of 25p each (2001: 188,000,000)	**47,000**	47,000
	47,875	47,875
Allotted, issued and fully paid:		
9,280 preference stock units of £1 each (2001: 9,280)	**9**	9
135,980,999 ordinary shares of 25p each (2001: 162,089,094)	**33,995**	40,522
	34,004	40,531

During the year the Company made market purchases for cancellation of 26,108,095 of its own issued ordinary shares. Details of these purchases are given on page 12 in the Report of the directors.

20 Other capital reserves

(a) Group	Capital redemption reserve £'000	Unrealised appreciation/ (depreciation) £'000	Other realised reserves £'000	Total £'000
At 1 June 2001	4,894	22,658	459,476	487,028
Transfer on disposal of investments (see note 2)	–	(4,452)	4,452	–
Net losses on investments	–	(174,347)	(65,884)	(240,231)
Net gains on foreign exchange	–	–	1	1
Purchase of own shares	6,527	–	(44,853)	(38,326)
At 31 May 2002	**11,421**	**(156,141)**	**353,192**	**208,472**

The reserve for unrealised depreciation at 31 May 2002 includes £3,491,770 in respect of the unrealised depreciation of unquoted investments (2001: depreciation of £3,273,444).

(b) Company	Capital redemption reserve £'000	Unrealised appreciation/ (depreciation) £'000	Other realised reserves £'000	Total £'000
At 1 June 2001	4,894	26,618	459,476	490,988
Transfer on disposal of investments (see note 2)	–	(4,452)	4,452	–
Net losses on investments	–	(176,035)	(65,884)	(241,919)
Net gains on foreign exchange	–	–	1	1
Purchase of own shares	6,527	–	(44,853)	(38,326)
At 31 May 2002	**11,421**	**(153,869)**	**353,192**	**210,744**

The reserve for unrealised depreciation at 31 May 2002 includes £1,219,799 in respect of the unrealised depreciation of unquoted investments (2001: appreciation of £686,759).

Notes to the accounts
continued

21	Revenue reserve	Group £'000	Company £'000
	At 1 June 2001	5,642	1,682
	Retained revenue for the year	(1,835)	(147)
	At 31 May 2002	**3,807**	**1,535**

As permitted by section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue on ordinary activities after taxation of the Company amounted to £507,000 (2001: £91,000).

22	Non-equity interests	2002 £'000	2001 £'000
	Shareholders' funds are analysed between equity and non-equity interests as follows:		
	Equity	**246,274**	533,192
	Non-equity	**9**	9
		246,283	533,201

The non-equity interests relate to the preference stock. The preference stock units carry the right to receive a non-cumulative dividend at a fixed rate of 0.001% payable on 1 June each year. On a winding-up of the Company, preference stockholders are entitled to repayment of the capital paid up thereon. The preference stock does not entitle the holder to attend or vote at any general meeting of the Company, except where the dividend is six months in arrears or on a resolution to liquidate the Company.

23	Group reconciliation of movement in shareholders' funds	2002 £'000	2001 £'000
	Net loss on ordinary activities after taxation	**(1,181)**	(569)
	Dividends	**(654)**	(810)
		(1,835)	(1,379)
	Decrease in other capital reserves	**(240,230)**	(162,352)
	Purchase of own ordinary shares	**(44,853)**	(25,038)
	Net decrease in shareholders' funds	**(286,918)**	(188,769)
	Shareholders' funds at 1 June	**533,201**	721,970
	Shareholders' funds at 31 May	**246,283**	533,201

24 Contingent liabilities

There were no capital commitments in respect of underwriting commitments as at 31 May 2002 (2001: £nil).

Notes to the accounts

continued

25	Reconciliation of net revenue return to net cash inflow from operating activities	2002 £'000	2001 £'000
	Net revenue return before interest payable and taxation	**1,201**	1,554
	Increase in accrued income	**(73)**	(186)
	Decrease/(increase) in debtors	**87**	(53)
	Increase/(decrease) in creditors	**67**	(25)
	UK income tax deducted at source	**–**	(6)
		1,282	1,284

26	Analysis of changes in net debt	At 1 June 2001 £'000	Cashflow £'000	Exchange movements £'000	At 31 May 2002 £'000
	Net cash:				
	Cash at bank and overdrafts	16,876	(16,837)	1	**40**
	Less: deposits treated as liquid resources	(10,000)	10,000	–	**–**
		6,876	(6,837)	1	**40**
	Liquid resources:				
	Deposits included in cash	10,000	(10,000)	–	**–**
	Debt:				
	Debts falling due within one year	–	(8,000)	–	**(8,000)**
	Debts falling due after more than one year	(20,000)	–	–	**(20,000)**
		(20,000)	(8,000)	–	**(28,000)**
	Net debt	(3,124)	(24,837)	1	**(27,960)**

27 Related party transactions

Under the terms of an agreement dated 31 March 1995, the Company has appointed wholly owned subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, UK custodial, accounting, administrative and company secretarial services. Details of the fee arrangements for these services are given on page 11 in the Report of the directors. The total of the fees payable to Henderson under this agreement in respect of the year ended 31 May 2002 was £2,734,000 (excluding VAT) (2001: £3,022,000) of which £174,000 was prepaid at 31 May 2002 (2001: £277,000). In addition to the above services, Henderson has provided the Company with share plan and personal equity plan administration services. The total fees paid or payable for these services for the year ended 31 May 2002 were £17,000 (2001: write-back of £12,000). In respect of the share plan services £7,000 (2001: £7,000) was outstanding at 31 May 2002.

28 Dividend

The recommended final dividend of 0.5p per ordinary share, subject to approval at the annual general meeting, will be paid on 1 October 2002 to shareholders on the register of members at the close of business on 6 September 2002.

The final dividend accrued in respect of the year ended 31 May 2002, at 0.5p per ordinary share, amounts to £680,000. The buy-backs of the Company's ordinary shares, after 31 May 2001 but before the record date of the final dividend for the year ended on that date, resulted in a write-back of £26,000 for dividends accrued in respect of the year ended 31 May 2001 but not in the event payable. The £654,000 shown is the sum of these two figures.

Notice of annual general meeting

Notice is hereby given that the one hundred and fourteenth Annual General Meeting of The Henderson Smaller Companies Investment Trust plc ("the Company") will be held at 4 Broadgate, London EC2M 2DA on Friday 27 September 2002 at 2.00 pm for the following purposes:

Ordinary Business

1 To receive the report of the directors and the audited accounts for the year ended 31 May 2002.

2 To declare a final dividend.

3 To re-elect Mr P H G Cadbury as a director of the Company.

4 To re-elect Mr J D Fishburn as a director of the Company.

5 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 a Special Resolution

6 THAT the Company be and is hereby authorised in accordance with section 164 of the Companies Act 1985 ("the Act") to purchase (within the meaning of section 163 of the Act) the preference stock units of £1 each in the capital of the Company (prior to 1 May 1999, the 4½ per cent. cumulative preference stock units of £1 each in the capital of the Company) (the "Preference Stock") pursuant to contracts arising from acceptance of the offer to purchase Preference Stock made by the Company on the terms described in the Circular to holders of ordinary shares and Preference Stock dated 24 February 1999.

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 27 September 2002, the date of the Annual General Meeting, (equivalent to approximately 19,932,352 Ordinary Shares at 24 July 2002, the date of this Notice of Annual General Meeting);

(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 2003 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.

Notice of annual general meeting
continued

as a Special Resolution

8 THAT the Articles of Association be amended and supplemented in the manner shown in the document produced to the meeting and signed by the Chairman for identification.

By order of the Board
G S Rice
For and on behalf of
Henderson Secretarial Services Limited,
Secretary
24 July 2002

Notes

(i) Only those ordinary shareholders registered in the register of members of The Henderson Smaller Companies Investment Trust plc at close of business on Wednesday 25 September 2002 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 25 September 2002 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, to 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 shareholder 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) This notice is sent for information only to holders of the preference stock and the debenture stock who are not entitled to attend or vote at the meeting.

(v) The register of directors' interests, kept by the Company in accordance with requirements of the Companies Act 1985, will be available for inspection at the meeting.

(vi) The attendance at the meeting of members and their proxies and representatives is understood by the Company to confirm their agreement to receive any communications made at the meeting.

Registered Office:
4 Broadgate, London EC2M 2DA

General shareholder information

Release of results

Half year results are announced in late January or early February. Full year results are announced in late July or early August.

AGM

The annual general meeting is held in London in September.

Dates of dividend and interest payments

Ordinary shares: final dividend announced in late July or early August and paid in October.

10½% debenture stock 2016: interest paid on 31 May and 30 November.

Final dividend warrants

Dividend warrants for the 2002 final dividend will be posted on 27 September 2002 to shareholders on the register on 6 September 2002. The dividend will be paid on 1 October 2002.

Payment of dividends

Dividends can be paid to shareholders by means of BACS; mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 35 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

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 and 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**

ISIN/SEDOL number

The ISIN/SEDOL (Stock Exchange Daily Official List) number of the Company's shares is GB0009065060.

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 Company's Registrar, 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 in 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, Selection PEP or Selection ISA receive all shareholder communications. A letter of direction is provided to facilitate voting at general meetings of the Company.

History

The Company was incorporated under the Companies Acts 1862 to 1886 on 16 December 1887 with the name of The Trustees, Executors and Securities Insurance Corporation, Limited. The name was changed in August 1917 to The Trustees Corporation Limited, in April 1982 to TR Trustees Corporation PLC, in October 1990 to TR Smaller Companies Investment Trust PLC and in September 1997 to The Henderson Smaller Companies Investment Trust plc. Whilst the Trustee Department operated until June 1978, the principal business of the Company has been that of an investment trust company.

Directors and other information

Directors
P H G Cadbury (Chairman)
J R Alexander
S M Davis
J D Fishburn
P V S Manduca
M S Meyer FCIS
J M P Taylor

Investment Manager
Henderson Global Investors Limited, an AMP Company, represented by John Alexander and Andrew Stack

Henderson Global Investors Limited is authorised and regulated by the Financial Services Authority

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 in England and Wales as an investment company No. 25526

Registrar
Computershare Investor Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Telephone: 0870 702 0010

Registered Auditors
PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

Stockbrokers
Dresdner Kleinwort Wasserstein Securities Limited
PO Box 560
20 Fenchurch Street
London EC3P 3DB

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Henderson Investment Trust Share Plan

The Henderson Investment Trust Share Plan offers a simple and flexible way of investing in **The Henderson Smaller Companies Investment Trust plc**. The Share Plan offers the following:

- **Regular savings from £50 per month/quarter, or lump sum investments from £500 and additional 'top-up' from £100**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **All paperwork and documentation is simplified and reduced to a minimum**
- **Half yearly valuations with consolidated tax certificate and complimentary newsletters**

Henderson Selection ISA

You can invest in **The Henderson Smaller Companies Investment Trust plc** through a Henderson ISA. The ISA offers the following:

- **Tax free income and tax free growth**
- **Regular savings from £100 per month or lump sum investments from £2000**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **Half yearly valuations, reports and complimentary newsletters**
- **Both Mini and Maxi ISAs available for investment by lump sum or regular savings**

Henderson Selection Transfer PEP

Although you cannot subscribe new funds to any PEP, it is possible to transfer existing PEP funds in cash from other managers into the Henderson PEP. This offers you the opportunity to invest PEP funds in **The Henderson Smaller Companies Investment Trust plc**.

Further Information
Please consult our website **http://its.henderson.com** or write to Henderson Global Investors, FREEPOST, Newbury RG14 2ZZ. No stamp is required.

Alternatively, please contact your professional adviser for further information or call our Investor Services Department on freephone **0800 106 106** quoting the reference **REPORT**. Please call (44) 20 7452 1315 if you are telephoning from abroad. We may record telephone calls for our mutual protection and to improve customer service.

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

Tax assumptions may change if the law changes and the value of tax relief will depend upon your 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 Financial Services Authority) provide investment products and services.

4 Broadgate, London EC2M 2DA.