



Henderson

Investment Fund OEIC

Who are **Henderson Global Investors?**

Established in 1934 to administer the estates of Alexander Henderson, the first Lord Faringdon, Henderson Global Investors (Henderson) is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. With its principal place of business in London, Henderson is one of Europe's largest investment managers, with £67.9† billion assets under management (as at 30 June 2013) and employs around 1,000 people worldwide.

Henderson's principal place of business is in London and the majority of Henderson's investment and operational activities are conducted here. Additional offices are located in Chicago, Hartford, Philadelphia, Edinburgh, Dublin, Paris, Madrid, Zurich, Luxembourg, Amsterdam, Frankfurt, Milan, Vienna, Stockholm, New Delhi, Singapore, Beijing, Hong Kong, Tokyo and Sydney. The main Asia/Pacific operations are conducted out of Singapore and the US operations out of Chicago and Hartford. Equity investment professionals are also located in Edinburgh and Singapore and additional fixed income investment professionals are located in Philadelphia. Distribution is conducted out of the majority of offices world-wide.

Henderson Group plc acquired New Star Asset Management Group PLC in April 2009 and Gartmore Group Limited in April 2011. In 2012 a Funds Management business was established in Australia and in 2013 Henderson expanded its global product offering with the acquisition of Northern Pines and a US credit team.

With investment expertise across every asset class, Henderson's skillful investment managers invest in every major market around the globe. They are supported by a global team of researchers and economists who have a keen understanding of the economic forces driving the security markets and who undertake rigorous sector and theme analysis. Underpinning this process is a comprehensive risk-control framework to ensure that investment views are translated into portfolios managed in line with investors risk and return requirements.

Please remember that past performance is not a guide to future performance. 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.

What do we do?

At Henderson Global Investors we do one thing and we do it really well - investment management. As a company, we are totally focused on this core activity and it underpins everything we do.

We do this by providing a range of investment products and services including:

- Open ended funds - offshore funds, unit trusts, OEICs
- Investment trusts
- Individual Savings Accounts
- Pension fund management
- Management of portfolios for UK and international institutional clients

† Source: Henderson Global Investors.

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Authorised Corporate Director's report

We are pleased to present the Annual Report and Accounts for Henderson Investment Fund OEIC for the year ended 31 August 2013.

Authorised Status

Henderson Investment Fund OEIC is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC106 and authorised by the Financial Conduct Authority (FCA) with effect from 18 May 2001.

Shareholders are not liable for the debts of the company.

Henderson Investment Fund OEIC is structured as an umbrella company.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and policy applicable to that Fund.

All of the Funds are classed as UCITS schemes.

Fund Liabilities

Each Fund is treated as a separate entity and is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against that Fund.

Authorised Corporate Director's report (continued)

Advisers

	Name	Address	Regulator
Authorised Corporate Director (ACD)	Henderson Investment Funds Limited which is the sole Director Member of IMA The ultimate holding company is Henderson Group Plc.	Registered Office: 201 Bishopsgate, London EC2M 3AE. Registered in England No 2678531. Telephone - 020 7818 1818 Dealing - 0845 608 8703 Enquiries - 0800 832 832	Authorised and regulated by the Financial Conduct Authority
Investment Manager	Henderson Global Investors Limited The ultimate holding company is Henderson Group Plc.	201 Bishopsgate, London EC2M 3AE	Authorised and regulated by the Financial Conduct Authority
Registrar	International Financial Data Services (UK) Limited	IFDS House St. Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Conduct Authority
Depositary	National Westminster Bank plc	135 Bishopsgate London EC2M 3UR	Authorised and regulated by the Financial Conduct Authority
Auditor	KPMG Audit Plc	Saltire Court 20 Castle Terrace Edinburgh EH1 2EG	Institute of Chartered Accountants in England and Wales
Legal Adviser	Eversheds LLP	One Wood Street London EC2V 7WS	The Law Society

Market review for the year ended 31 August 2013

Political change, evolving central bank policies, and economic data continued to play a decisive role in determining global market direction throughout the review period. Overall, it was a positive period, with the MSCI World Index posting strong returns. Central banks took decisive action with the UK, Japan, and the US engaging in further quantitative easing to stimulate economic activity, while the European Central Bank's (ECB) outright monetary transactions (OMTs) removed much of the larger risks associated with the eurozone. There were also signs that the global economy was improving. The US economy posted reasonable gross domestic product growth, despite headwinds from planned budget cuts at the start of the year, in the UK there was evidence of consumer recovery, aided by housing-friendly government initiatives. Even the eurozone appeared to be stabilising, officially creeping out of recession in the second quarter of 2013. But emerging markets struggled with a slowing Chinese economy and domestic currency weakness.

Euro area concerns receded into the end of 2012 as markets were reassured by ECB President Mario Draghi's "everything it takes" speech in which he hinted at policy action to ensure the survival of the euro. However, these concerns resurfaced early in 2013 as inconclusive election results in Italy led to a political deadlock and a banking crisis erupted in Cyprus. Elsewhere, Japan's new government introduced economic policies in an effort to address the prolonged period of deflation and stimulate growth. The Bank of Japan adopted a 2% inflation target and introduced an 'open-ended' asset purchase plan, which significantly boosted equity prices.

From late May global markets became preoccupied by the 'will they, won't they' conundrum regarding the US Federal Reserve's (Fed) potential withdrawal or 'tapering' of monetary stimulus, which resulted in further market uncertainty. US economic data continued to improve; second quarter growth was revised up to an annualised 2.5%, while manufacturing activity picked up. The Bank of England announced a new policy on forward guidance, signalling that rates would not rise until unemployment falls below 7%. The belief that the Fed would announce the withdrawal of monetary stimulus in September dampened investors' risk appetite in August; emerging market equities, bonds and currencies sold off as dollar strength and risk aversion sapped investor demand. This was compounded by concerns that the US would launch significant military operations to combat civil unrest in Syria. Meanwhile, emerging markets continued to weaken towards the end of the review period, reflecting both concerns about the impact of Fed tapering and deteriorating macroeconomic fundamentals in emerging economies.

Outlook

During the summer, markets were preoccupied by developments in US monetary policy, the German elections, tensions in Syria and a slowdown in the Chinese economy. More recently some of these risks have eased, however, at the time of writing the Fed surprised the markets by not announcing the start of liquidity withdrawal in September, while budget negotiations in Washington have not been fruitful. Elsewhere, while recent Chinese data has been encouraging it remains to be seen if this positive macro momentum will continue. Despite this backdrop, stock valuations remain attractive and in particular continue to look good value relative to bonds. The economic environment appears to be gradually improving, corporate balance sheets are strong and the outlook for cash flow generation and distributions to shareholders is supportive.

Statement of Authorised Corporate Director's (ACD's) responsibilities

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Company and of its revenue/expenditure for the period. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Open Ended Investment Companies issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with its instrument of incorporation, Prospectus and the Regulations. The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Depositary to the shareholders of Henderson Investment Fund OEIC

The depositary is responsible for the safekeeping of all of the property of the company (other than tangible moveable property) which is entrusted to it.

It is the duty of the depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, ("the CIS Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the CIS Sourcebook, and, where applicable, the OEIC Regulations and the Instrument of Incorporation of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
Edinburgh
1 November 2013

Independent Auditor's report to the shareholders of Henderson Investment Fund OEIC ('the Company')

We have audited the financial statements of the Company for the year ended 31 August 2013 which comprise the Statements of total return, the Statement of change in net assets attributable to shareholders and the Balance sheet together with the related notes and the Distribution tables.

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director ('the ACD') (Henderson Investment Funds Limited) and auditor

As explained more fully in the Statement of ACD's Responsibilities set out on page 4 the ACD is responsible for the preparation of financial statements which give a true and fair. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/auditscopeuk/private.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Company as at 31 August 2013 and of the net revenue and the net capital gains on the property of the Company for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds and the COLL Rules.

Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of our audit.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records.

Jatin Patel
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

1 November 2013

Aggregated statement of total return for the year ended 31 August 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains	4		377,537		47,678
Revenue	6	67,482		65,551	
Expenses	7	(32,200)		(31,757)	
Finance costs: Interest	9	(6)		(8)	
Net revenue before taxation		35,276		33,786	
Taxation	8	(4,386)		(2,811)	
Net revenue after taxation			30,890		30,975
Total return before distributions			408,427		78,653
Finance costs: Distributions	9		(40,106)		(39,285)
Change in net assets attributable to shareholders from investment activities			368,321		39,368

Aggregated statement of change in net assets attributable to shareholders

for the year ended 31 August 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		1,846,216		1,989,701
Amounts receivable on issue of shares	62,454		66,283	
Amounts receivable on mergers *	-		27,274	
Amounts payable on cancellation of shares	(304,172)		(297,581)	
		(241,718)		(204,024)
Stamp duty reserve tax		(73)		(134)
Unclaimed distributions		235		127
Change in net assets attributable to shareholders from investment activities (see above)		368,321		39,368
Retained distributions on accumulation shares		22,222		21,178
Closing net assets attributable to shareholders		1,995,203		1,846,216

* Details on mergers can be found in the financial statements of each sub-Fund.

Aggregated balance sheet as at 31 August 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			1,969,785		1,798,146
Debtors	10	13,871		14,397	
Cash and bank balances	11	28,694		48,859	
Total other assets			42,565		63,256
Total assets			<u>2,012,350</u>		<u>1,861,402</u>
Liabilities					
Creditors	12	7,445		9,230	
Bank overdrafts		6,489		1,195	
Distribution payable on income shares		3,213		4,761	
Total other liabilities			17,147		15,186
Total liabilities			17,147		15,186
Net assets attributable to shareholders			<u>1,995,203</u>		<u>1,846,216</u>

Certification of financial statements by a Director of the ACD

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook, I hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.



Richard McNamara
(Director)

1 November 2013

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010.

(b) Basis of valuation of investments

The valuation of listed investments has been based on the bid prices, excluding any accrued interest in the case of fixed interest securities, at close of business on the last valuation day of the accounting period in accordance with the provisions of the scheme particulars.

Unlisted or suspended securities are valued at the ACD's best estimate of the amount that would be received from an immediate transfer at arm's length.

Derivatives assets and liabilities are valued at the price to close out the contract at the balance sheet date.

OEIC sub-funds are valued at the quoted price for that managed by the ACD and at bid prices for other funds.

Authorised unit trusts are valued at the cancellation prices for trusts managed by the Manager and at the bid price for other trusts.

(c) Revenue recognition

Distributions from collective investment schemes and dividends receivable from quoted equity and non equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Overseas dividends are grossed up at the appropriate rate of withholding tax and the tax consequences are shown within the tax charge.

Interest from debt securities has been accounted for on an effective yield basis. Effective yield is a calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

Bank interest, interest on margin accounts and revenue earned on other securities is recognised on an accruals basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the Fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission received is deducted from the cost of the relevant shares.

Revenue earned from stock lending activities is accounted for on an accruals basis.

Income distributions from Real Estate Investment Trusts (UK REITs) will be split into two parts, a Property Income Distribution (PID) made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to Corporation Tax as schedule A revenue, while the non-PID element will be treated as franked revenue.

If any revenue receivable at the balance sheet date is not considered recoverable, a provision is made for the relevant amount.

Management fee rebates received from management companies are recognised when the entitlement arises, and are recognised as either income or capital in accordance with the treatment of the management fee charged on the underlying collective investment scheme.

(d) Treatment of expenses (including ACD expenses)

All expenses (other than those relating to the purchase and sale of investments and stamp duty reserve tax arising on sales and repurchases of shares in the Fund) are charged against revenue and accounted for on an accruals basis. The ACD and Depositary have agreed that 100% of the ACD's periodic charge for the Global Equity Income Fund is to be taken to capital for the purpose of calculating the distribution, as permitted by the OEIC regulations and in accordance with the Prospectus. The distribution currently payable reflects this treatment together with any associated tax effect.

The ACD's periodic charge is calculated daily on the total net assets by Henderson Investment Funds Limited.

Notes to the financial statements (continued)

1 Accounting policies (continued)

General Administration Charge

All fees with the exception of the ACD's periodic charge, Depository and Safe Custody fees, have been replaced by a single ad valorem charge, the General Administration Charge (GAC). The ACD believes that this creates more efficiency around the charging process than more traditional methods.

Apportionment of revenue and expenses to multiple share classes

With the exception of the ACD's periodic charge and the GAC, which are directly attributable to individual Share Classes, all revenue and expenses are allocated to Share Classes pro rata to the value of the net assets of the relevant Share Class on the day that the revenue or expense is incurred.

For further details please refer to the Prospectus.

(e) Treatment of stock dividends

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. This revenue forms part of any distribution.

In the case of enhanced scrip dividends, the amount by which such dividends exceed the cash dividends is treated as capital and does not form part of the distribution.

(f) Special dividends

These are recognised as either revenue or capital depending on the nature and circumstances of the dividend receivable.

(g) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting period.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

(h) Taxation

Provision is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. 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.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

(i) Aggregation

The aggregated accounts represent the sum of the individual Funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual Funds.

(j) Cash flow statement

After analysis of the Funds, there is no requirement to produce cash flow statements.

(k) Treatment of derivatives

In pursuing its investment objectives, each of the Funds may hold a number of financial instruments.

Notes to the financial statements (continued)

1 Accounting policies (continued)

(k) Treatment of derivatives (continued)

Derivative transactions are accounted for on a trade date basis. Where such transactions are used to protect or enhance revenue, the revenue and expenses derived there from are included in 'Revenue' in the Statement of total return on an accruals basis. Where such transactions are used to protect or enhance capital, the gains and losses derived there from are included in 'Net capital gains/(losses)' in the Statement of total return.

2 Distribution policy

The distribution policy of each Fund is to distribute/accumulate all available revenue, after deduction of expenses properly chargeable against revenue, subject to any of the ACD's periodic charge or other expense which may currently be transferred to capital.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income.

For the purpose of calculating the distribution, revenue on debt securities is computed on an effective yield basis, the same basis on which it is reflected in the financial statements as modified by the revaluation of investments.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

When the revenue from investments exceeds the expenses, a distribution will be made. Should expenses exceed revenue there will be no distribution and the shortfall will be transferred from capital at the year end.

The following Funds make annual distributions (31 October) to shareholders:

- Henderson European Growth Fund and Henderson UK Alpha Fund

The following Fund makes quarterly distributions (30 April, 31 July, 31 January and 31 October) to shareholders:

- Henderson Global Equity Income Fund

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Funds.

Equalisation

Income equalisation currently only applies to the Henderson Global Equity Income Fund.

Income equalisation ensures that part of the price on purchase of a share reflects the relevant share of accrued income received or to be received by the Fund. This capital sum is returned to a shareholder (or where accumulation shares are held, it will be accumulated) with the first allocation of income in respect of a share issued during an accounting period. The amount representing the income equalisation in the share's price is a return of capital, and is not itself taxable in the hands of shareholders but must be deducted by them from the price of the shares for the purpose of calculating any liability to capital gains tax.

3 Risk

In pursuing its investment objective each Fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue. The Fund may also enter into derivative transactions. The purpose of these financial instruments is efficient portfolio management and for meeting the Funds' investment objectives. The main risks arising from financial instruments are market, liquidity and credit risk.

(a) Market risk

Market risk is the risk that the value of the Funds' investments or the benefits arising thereon will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk, and other price risk.

Notes to the financial statements (continued)

3 Risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

Where a proportion of the net assets of the Funds are denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

The foreign currency profile for the relevant sub Funds is shown in their notes to the financial statements.

Interest rate risk

Certain Funds invest in debt securities. The revenue for the Funds may be affected by changes to the interest rates relevant to particular securities or as a result of the Fund Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future.

Other price risk

Other price risk is the risk that the value of the Funds' investment will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Other price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements.

The Funds' investment portfolios are exposed to market price fluctuations. The ACD has the responsibility for monitoring the existing portfolio selection in accordance with the Funds' investment objectives and seeks to ensure that individual securities meet an acceptable risk reward profile.

(b) Liquidity risk

Liquidity risk is the risk that the Funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Funds will remain close to fully invested. However, where circumstances require, for example because of illiquid securities markets or high levels of redemptions in the Funds, the Funds may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The ACD manages the Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Funds' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, with particular focus on the FRN market, where relevant, seeking to ensure the Funds maintain sufficient liquidity to meet known and potential redemption activity. The Funds' cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Funds may borrow up to 10% of its value to ensure settlement. All of the Funds' financial liabilities are payable on demand or in less than one year.

(c) Credit and counterparty risk

Credit risk arises from three main sources. Firstly, the possibility that an issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments (including FRNs) there is the possibility of default of the issuer and default in the underlying assets meaning the Funds may not receive back the full principal originally invested. Thirdly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Funds have fulfilled their responsibilities, which could result in the Funds suffering a loss.

In order to manage credit risk the Funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the Funds will only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed by the Henderson Credit Risk Committee along with set limits and new counterparty approval.

Notes to the financial statements (continued)

3 Risk (continued)

(c) Credit and counterparty risk (continued)

The Funds' assets held with banks and with the depositary are also exposed to credit risk. Assets held with the depositary are ring fenced. The banks used by the Funds and the ACD are subject to regular reviews.

Only counterparties that have been approved by Henderson's Credit Risk Committee are used for derivatives transactions. The continuing credit worthiness of other counterparties is monitored on a daily basis.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Notes to the financial statements (continued)

4 Net capital gains

Net capital gains on investments during the year comprise:

	2013	2012
	£000	£000
Capital management fee rebate	2	-
Forward currency contracts	-	(769)
Non-derivative securities	378,100	54,156
Other currency losses	(530)	(5,636)
Transaction costs	(35)	(73)
Net capital gains	377,537	47,678

5 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	769,664	946,594
Commissions	1,214	1,058
Taxes	1,740	1,202
Total purchase transaction costs*	2,954	2,260
Purchases including transaction costs	772,618	948,854
Sales in year before transaction costs	980,717	1,139,177
Commissions	(1,243)	(1,241)
Taxes	(12)	(1)
Total sale transaction costs*	(1,255)	(1,242)
Sales net of transaction costs	979,462	1,137,935
Transaction handling charges*	35	73

* These amounts have been deducted in determining net capital gains.

Notes to the financial statements (continued)

6 Revenue

	2013	2012
	£000	£000
Bank interest	-	225
Certificates of deposit revenue	127	-
Interest on debt securities	23	62
Management fee rebate	-	1
Overseas dividends	50,375	36,755
Stock lending revenue	251	180
UK dividends	16,565	27,737
UK REIT revenue	49	241
Underwriting commission	92	350
Total revenue	67,482	65,551

Stock lending details

	2013	2012
	£000	£000
Aggregate value of securities on loan at the year end	20,172	4,375

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured. Further details of these and the collateral value and type are set out in the financial statements of each sub Fund.

7 Expenses

	2013	2012
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	27,349	27,138
General administration charge*	4,413	4,262
	<u>31,762</u>	<u>31,400</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	236	226
Safe custody fees	139	114
	<u>375</u>	<u>340</u>
Other expenses:		
Administration fees	-	2
Dividend collection charges	51	15
Prior year expenses adjustment	12	-
	<u>63</u>	<u>17</u>
Total expenses	32,200	31,757

Irrecoverable VAT is included in the above expenses where relevant.

*The GAC charge includes the sum of £26,700 (2012: £26,700) in respect of audit fees.

Notes to the financial statements (continued)

8 Taxation

(a) Analysis of charge in the year

The tax charge for the year comprises:

	2013	2012
	£000	£000
Overseas withholding tax	4,386	2,811
Total current tax (note 8b)	4,386	2,811
Deferred tax (note 8c)	-	-
Total taxation	4,386	2,811

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs):

	2013	2012
	£000	£000
Net revenue before taxation	35,276	33,786
Corporation tax at 20% (2012: 20%)	7,056	6,757
Effects of:		
Irrecoverable overseas tax	4,386	2,811
Non-taxable overseas dividends **	(10,071)	(7,284)
Revenue taxable in different periods	-	-
UK dividends*	(3,314)	(5,547)
Unused management expenses	6,329	6,074
Current tax charge for the year (note 8a)	4,386	2,811

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £34,040,259 (2012: £27,711,561) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

9 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim income	13,991	13,005
Interim accumulation	4,599	4,389
Final income	3,750	4,761
Final accumulation	17,623	16,789
	<u>39,963</u>	<u>38,944</u>
Amounts deducted on cancellation of shares	293	497
Amounts received on issue of shares	(150)	(156)
	<u>40,106</u>	<u>39,285</u>
Finance costs: Distributions	40,106	39,285
Finance costs: Interest	6	8
	<u>40,112</u>	<u>39,293</u>
Total finance cost	40,112	39,293
Net revenue after taxation	30,890	30,975
Authorised Corporate Director's periodic charge paid from capital	9,216	8,310
Undistributed revenue carried forward	-	-
Finance cost: Distributions	40,106	39,285

Details of the distribution per share are set out in the distribution tables of each sub Fund.

Notes to the financial statements (continued)

10 Debtors

	2013	2012
	£000	£000
Accrued revenue	3,853	4,017
Amounts receivable for issue of shares	1,269	48
Currency transactions awaiting settlement	229	1,016
Amounts receivable on mergers	424	1,095
Overseas withholding tax reclaimable	5,949	3,355
Sales awaiting settlement	2,147	4,866
Total debtors	13,871	14,397

11 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	28,694	48,859
Total cash and bank balances	28,694	48,859

12 Creditors

	2013	2012
	£000	£000
Accrued ACD's periodic charge	2,410	2,222
Accrued Depositary's fees	20	18
Accrued other expenses	351	375
Amounts payable for cancellation of shares	3,354	3,213
Currency transactions awaiting settlement	228	1,018
Income tax payable	3	-
Purchases awaiting settlement	1,079	2,384
Total creditors	7,445	9,230

Notes to the financial statements (continued)

13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

14 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to Shareholders' and the 'Balance sheet' on pages 6 and 7 and notes 7, 10 and 12 on pages 14 to 17 including all creations and cancellations where the ACD acted as principal.

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

15 Dilution adjustment

The ACD has the power to make a dilution adjustment when there is a large volume of deals and, in accordance with the FCA regulations to pay this adjustment into the Fund. In particular, the ACD may charge such an adjustment in the following circumstances:

- (a) if the Fund is experiencing large levels of net purchases (ie purchases less redemptions), relative to its size;
- (b) where the Fund is experiencing large levels of net redemptions (ie redemptions less purchases) relative to its size;
- (c) in any other case where the ACD is of the opinion that the interests of existing or continuing shareholders and potential investors require the imposition of a dilution adjustment.

The adjustment, where applied, is included within the dealing price available to shareholders and is not disclosed separately in the financial statements. In the prior year, the net dilution adjustment charged was disclosed under dilution adjustment in the Statement of change in net assets. The prior year comparatives have not been adjusted as the information required is not readily available.

16 Risk disclosures

Details of the portfolio of each Fund and its exposure to risks are set out in the financial statements of each Fund.

17 Financial assets and liabilities

The policies applied in the management of the financial instruments are set out in note 3. There is no significant difference between the carrying values of the financial assets and liabilities and their fair values. A substantial portion of the net assets of the company are denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements.

Details of the year end foreign currency exposure and interest rate portfolios are given for each Fund but they are not given for the aggregate figures to avoid any misunderstanding as the use of derivatives is managed at the level of the individual funds.

The company carries out stock lending activities. The revenue earned, the value of stock on and and the value of the collateral held is given for each Fund.

Authorised Corporate Director's report for the year ended 31 August 2013

Fund Managers

Richard Pease and Simon Rowe

Investment objective and policy

To achieve long-term capital growth.

The Fund will invest principally in the securities of European companies. In addition to ordinary shares, the Fund may also invest in preference shares, debt securities convertible into ordinary stocks and shares, money market instruments and deposits. The Fund may also invest outside of Europe if the investment adviser believes that it is in the interest of the Fund.

Performance summary

	31 Aug 12- 31 Aug 13	31 Aug 11- 31 Aug 12	31 Aug 10- 31 Aug 11	31 Aug 09- 31 Aug 10	31 Aug 08- 31 Aug 09
	%	%	%	%	%
Henderson European Growth Fund	29.1	4.0	8.4	6.0	(4.8)
FTSE World Europe ex UK	26.3	1.4	3.4	(0.3)	(5.8)

Source: Morningstar, mid to mid, net revenue reinvested, net of fees, GBP.

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue 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.

Significant portfolio changes for the year ended 31 August 2013

Largest purchases	£000	Largest sales	£000
MTU Aero Engines	16,238	Royal Dutch Shell 'A'	24,295
Volkswagen	14,588	Koninklijke Ahold	24,009
Nestle	14,255	Fortum	14,919
Google	13,730	Akzo Nobel	14,313
Brenntag	12,732	Reed Elsevier	13,939
Continental	11,280	Randstad	13,005
G4S	9,727	Sodexo	12,257
Syngenta	9,440	Storebrand	11,320
Linde	9,411	CRH	9,829
Nutreco	4,115	Schindler participating certificates	9,505
Total purchases	125,861	Total sales	229,509

Fund Managers' commentary

European equities enjoyed a strong performance in the 12 months to 31 August in the wake of European Central Bank (ECB) president Mario Draghi's pledge in mid-2012 to do "whatever it takes" to preserve the euro. Mr Draghi's remarks brought a sustained drop in sovereign bond yields (rise in prices) in southern Europe, which in turn relieved the funding and solvency pressure on banks and encouraged a more positive view of equities. In addition to ECB reassurance, the US economy showed signs of recovery, particularly in areas such as housing. European economic data were mostly bleak (rising unemployment and declining gross domestic product); and concerns rose that China would suffer a hard landing, not least because of a funding squeeze. However, towards the end of the period, there were signs that European economies had passed their lowest point and that the harsh restructuring in countries such as Spain and Ireland was finally yielding positive results. Against this improving background, the Fund rose 29.1%, comfortably ahead of its benchmark, which rose 26.3%.

The Fund benefited from its large holdings in service-based industrials such as lift companies (Kone rose 17%), flavour and fragrance companies (Givaudan gained almost 40%), and professional publishers (Reed added 31.6%). Performance was also helped by holdings such as Sampo, our largest financial holding, which gained 39%. Zodiac, which makes seats, toilets, and emergency slides (amongst other things) for civil aircraft rose 44%. Fuel distributor DCC gained 58%. However, performance was held back by our underweight positions in autos and banks. We understand the reasons for strong performance by bank shares, but we find most of these companies too risky in terms of business mix (exposure to investment banking, for example) or funding costs. The regulatory framework is far from clear.

In terms of portfolio changes, we sold a number of companies that had performed strongly such as Dutch supermarket group Ahold, gasket specialist Elringklinger, and builders merchant Grafton as well as a number of other holdings where prospects seemed too murky such as Akzo, Fortum, Subsea 7, and CRH. We replaced them with crop protection group Syngenta, chemical distributor Brenntag, aero engine maker MTU, car parts group Continental, and Nutreco, a specialist in fish and animal feed. Another new holding is G4S, which appears to have much potential under new management.

Although some commentators have pointed to improved second quarter performance in countries including France as evidence of the start of a cyclical recovery, we are relatively cautious about the idea of a rapid European economic pick-up. The consumer remains under pressure in many countries, and car purchases show no signs of recovery (outside the UK). There are many unresolved issues in countries such as France and Italy. While the signs of stabilisation in Europe are welcome, we feel that the underlying position in many countries is still very fragile. So in the Fund we are sticking with the companies that have strong international positions and pricing power rather than those with cyclical European exposure. Broad international exposure will generate better medium-term growth – even if the uncertainty caused by speculation about the timing of the reduction in US Federal Reserve bond-buying may cause some short-term volatility in a number of emerging economies. There are also some more positive economic signals from China, including stronger manufacturing activity and stronger trade numbers, suggesting that the slow-down there is stabilising. Valuations on European companies – especially the good ones – are significantly higher than a year ago, but in terms of cash generation these assets still appear much more attractive than what is available from cash or bonds.

Comparative tables as at 31 August 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/08/2011	900,271,284	662,552,848	620,510,605	106.78
31/08/2012	835,151,777	623,538,845	566,276,840	110.11
31/08/2013	940,334,213	676,610,875	477,168,381	141.80
Class I accumulation				
31/08/2011	900,271,284	219,776,856	96,649,647	227.40
31/08/2012	835,151,777	192,005,299	81,334,186	236.07
31/08/2013	940,334,213	240,007,440	78,238,482	306.76
Class S income				
31/08/2011	900,271,284	17,941,580	12,032,088	149.11
31/08/2012	835,151,777	16,210,846	10,742,381	150.91
31/08/2013	940,334,213	20,463,088	10,625,949	192.58
Class Z accumulation				
31/08/2012 [^]	835,151,777	3,396,787	3,088,526	109.98
31/08/2013	940,334,213	3,252,810	2,258,554	144.02

[^] Class Z was launched 16 September 2011

Comparative tables (continued)

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	1.72	110.90	63.82
2009	1.51	102.80	64.94
2010	1.22	119.20	95.01
2011	1.61	126.00	94.51
2012	1.64	121.30	100.50
2013	1.49*	147.50+	121.70+
Class I accumulation			
2008	4.03	232.00	133.80
2009	1.92	216.50	136.40
2010	3.35	252.90	201.10
2011	5.32	267.70	201.30
2012	4.85	260.90	215.10
2013	5.32*	318.80+	261.70+
Class S income			
2008	4.04	165.90	93.35
2009	3.69	148.10	148.10
2010	4.22	161.00	138.50
2011	4.96	180.81	132.00
2012	5.38	167.22	142.10
2013	5.06*	205.26+	167.70+
Class Z accumulation			
2011 [^]	-	108.40	92.90
2012	2.55	121.86	100.00
2013	4.06*	149.58+	122.21+

* to 31 October

+ to 31 August

[^] Class Z was launched 16 September 2011

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A	1.76*	1.76
Class I	0.85**	1.08†
Class Z	0.08***	0.08
Class S	0.08***	0.08

† From 1 August 2012, the annual management charge decreased from 1.00% to 0.75% and the general administration charge (GAC) increased from 0.06% to 0.10%.

From 10 August 2013 the general administration charge (GAC):

* decreased from 0.24% to 0.18%

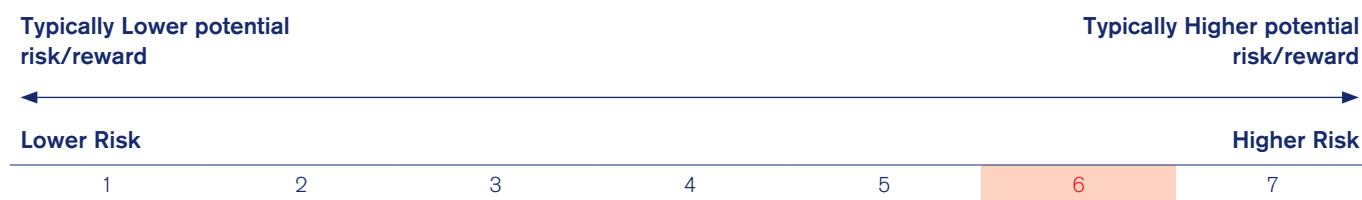
** decreased from 0.10% to 0.075%.

*** decreased from 0.06% to 0.045%.

Risk and reward profile

The Fund currently has 4 types of share class in issue.

For A accumulation, I accumulation, Z accumulation and S income, the risk and reward profile is as follows:



The synthetic risk and reward indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions. The value of an investment in the Fund can go up or down. When you sell your shares, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- The Fund focuses on a single region
- As a category, shares are more volatile than either bonds or money market instruments
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks.

There have been no changes to the risk rating in the year.

The synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 August 2013

Holding	Investment	Market value £000	Percentage of total net assets %
Denmark 2.96% (2012: 3.98%)			
258,589	Novo-Nordisk 'B'	27,864	2.96
Finland 11.66% (2012: 11.95%)			
766,170	Kone 'B'	40,426	4.30
448,733	Metso	11,131	1.18
1,801,853	Sampo	48,397	5.15
321,165	Wartsila	9,672	1.03
		<u>109,626</u>	<u>11.66</u>
France 12.02% (2012: 13.31%)			
358,856	Air Liquide	30,439	3.24
361,172	Sanofi	22,379	2.38
296,372	Schneider Electric	14,627	1.55
321,592	Sodexo	18,303	1.95
291,990	Zodiac Aerospace	27,254	2.90
		<u>113,002</u>	<u>12.02</u>
Germany 18.65% (2012: 11.72%)			
158,179	Brenntag	15,533	1.65
149,378	Continental	14,541	1.55
170,330	Fielmann	11,159	1.19
223,094	Fresenius Medical Care	9,368	1.00
547,125	Fuchs Petrolub	28,505	3.03
77,303	Linde	9,607	1.02
296,749	MTU Aero Engines	17,191	1.83
259,997	Rheinmetall	8,238	0.88
1,146,031	Symrise	32,310	3.43
91,301	Volkswagen	13,382	1.42
383,839	Wincor Nixdorf	15,564	1.65
		<u>175,398</u>	<u>18.65</u>
Ireland 5.87% (2012: 6.49%)			
900,599	DCC	23,046	2.45
792,025	Kerry	32,126	3.42
		<u>55,172</u>	<u>5.87</u>
Netherlands 16.23% (2012: 20.21%)			
1,282,629	Aalberts Industries	20,598	2.19
590,573	Fugro	23,366	2.49
322,099	Koninklijke	15,320	1.63
869,746	Nutreco	26,356	2.80
2,247,593	Reed Elsevier	26,180	2.78
2,680,777	Wolters Kluwer	40,812	4.34
		<u>152,632</u>	<u>16.23</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Norway 0.78% (2012: 2.67%)			
1,271,968	Prosafe	7,326	0.78
Slovakia 0.00% (2012: 0.00%)			
22,600	VUB Kupon*+	-	-
Switzerland 26.53% (2012: 22.50%)			
48,522	Givaudan	42,053	4.47
327,144	Nestle	13,847	1.47
956,897	Novartis (registered)	45,015	4.79
137,202	Roche	22,079	2.35
424,378	Schindler Participating Certificates	37,721	4.01
10,760	Sika	18,972	2.02
160,585	Sulzer	15,109	1.61
60,936	Swatch	22,625	2.40
34,823	Syngenta	8,805	0.94
144,705	Zurich Financial Services	23,236	2.47
		<u>249,462</u>	<u>26.53</u>
United Kingdom 0.93% (2012: 2.95%)			
3,398,217	G4S	8,768	0.93
United States 1.62% (2012: 0.00%)			
27,783	Google	15,202	1.62
		<u>914,452</u>	<u>97.25</u>
	Investment assets		
	Net other assets	25,882	2.75
	Net assets	<u>940,334</u>	<u>100.00</u>

* Written down security

+ This holding transitioned to the Fund from Henderson European Opportunities Fund during the merger on 25 February 2011

Statement of total return for the year ended 31 August 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains	2		218,174		13,228
Revenue	4	28,001		29,220	
Expenses	5	(13,748)		(13,135)	
Finance costs: Interest	7	-		(1)	
Net revenue before taxation		14,253		16,084	
Taxation	6	(2,365)		(2,206)	
Net revenue after taxation			11,888		13,878
Total return before distributions			230,062		27,106
Finance costs: Distributions	7		(11,888)		(13,878)
Change in net assets attributable to shareholders from investment activities			218,174		13,228

Statement of change in net assets attributable to shareholders for the year ended 31 August 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		835,152		900,271
Amounts receivable on issue of shares	45,198		46,536	
Amounts receivable on mergers *	-		3,465	
Amounts payable on cancellation of shares	(169,531)		(141,633)	
		(124,333)		(91,632)
Stamp duty reserve tax		(10)		(15)
Change in net assets attributable to shareholders from investment activities (see above)		218,174		13,228
Retained distribution on accumulation shares		11,351		13,300
Closing net assets attributable to shareholders		940,334		835,152

* Henderson European Value Fund merged into Henderson European Growth Fund on 4 May 2012.

Balance sheet as at 31 August 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			914,452		799,873
Debtors	8	6,197		4,864	
Cash and bank balances	9	23,385		32,967	
Total other assets			29,582		37,831
Total assets			<u>944,034</u>		<u>837,704</u>
Liabilities					
Creditors	10	3,163		1,974	
Distribution payable on income shares		537		578	
Total other liabilities			3,700		2,552
Total liabilities			3,700		2,552
Net assets attributable to shareholders			<u>940,334</u>		<u>835,152</u>

Notes to the financial statements as at 31 August 2013

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 to the aggregated financial statements on pages 8 to 12.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2013	2012
	£000	£000
Non-derivative securities	218,227	18,622
Other currency losses	(47)	(5,379)
Transaction costs	(6)	(15)
Net capital gains	218,174	13,228

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	125,682	125,281
Commissions	179	179
Taxes	-	227
Total purchase transaction costs*	179	406
Purchases including transaction costs	125,861	125,687
Sales in year before transaction costs	229,755	190,214
Commissions	(246)	(284)
Total sale transaction costs*	(246)	(284)
Sales net of transaction costs	229,509	189,930
Transaction handling charges*	6	15

* These amounts have been deducted in determining net capital gains.

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	103	175
Overseas dividends	27,464	28,858
Stock lending revenue	251	187
UK dividends	183	-
Total revenue	28,001	29,220

5 Expenses

	2013	2012
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	11,763	11,338
General administration charge*	1,793	1,630
	<u>13,556</u>	<u>12,968</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	110	99
Safe custody fees	76	68
	<u>186</u>	<u>167</u>
Other expenses:		
Prior year expense adjustment	6	-
	<u>6</u>	<u>-</u>
Total expenses	13,748	13,135

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through GAC is £9,216 (2012: £9,216).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

There is no tax charge for year.

	2013	2012
	£000	£000
Overseas withholding tax	2,365	2,206
Total current tax (note 6b)	2,365	2,206

(b) Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs) of 20%. The differences are explained below.

	2013	2012
	£000	£000
Net revenue before taxation	14,253	16,084
Corporation tax at 20% (2012: 20%)	2,851	3,217
Effects of:		
Irrecoverable overseas tax	2,365	2,206
Non-taxable overseas dividends **	(5,515)	(5,838)
UK dividends*	(37)	-
Unused management expenses	2,701	2,621
Current tax charge for the year (note 6a)	2,365	2,206

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £9,519,308 (2012: £6,818,632) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Final income	537	578
Final accumulation	11,351	13,300
	<u>11,888</u>	<u>13,878</u>
Finance costs: Distributions	<u>11,888</u>	<u>13,878</u>
Finance costs: Interest	-	1
Total finance cost	<u>11,888</u>	<u>13,879</u>

Details of the distribution per share are set out in the distribution table on page 35.

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	128	503
Amounts receivable for issue of shares	962	46
Amounts receivable on mergers	389	1,018
Overseas withholding tax reclaimable	4,718	3,193
Sales awaiting settlement	-	104
Total debtors	<u>6,197</u>	<u>4,864</u>

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	23,385	32,967
Total cash and bank balances	<u>23,385</u>	<u>32,967</u>

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD's periodic charge	1,044	920
Accrued Depositary's fees	9	8
Accrued other expenses	143	145
Amounts payable for cancellation of shares	1,964	901
Income tax payable	3	-
Total creditors	3,163	1,974

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD and the Depositary are deemed to be related parties. All transactions and balances associated with the ACD and the Depositary are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to Shareholders' and the 'Balance sheet' on pages 27 and 28 and notes 5, 8 and 10 on pages 30 to 33 including all creations and cancellations where the ACD acted as principal.

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

13 Shareholder funds

The Fund currently has 4 share classes available; Class A (Retail with front-end charges), Class I (Institutional), Class Z (Institutional) and Class S (Institutional). The annual management charge on each share class is as follows:

Class A	1.50%
Class I	0.75%
Class Z	0.00%*
Class S	0.00%*

* Charges for managing Z and S class shares are levied outside the Fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 21. The distribution per share class is given in the distribution table on page 35. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

14 Securities lending

The Fund and the Investment Manager have entered into a securities lending programme with BNP Paribas Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities Lending Revenue is disclosed under 'Revenue' in the Statement of Total Return. The gross stock lending revenue for the year was £358,899 with expenses of £107,670 deducted to give net stock lending revenue of £251,229 (2012: £266,424).

	2013	2012
	£000	£000
Aggregate value of securities on loan at the year end	20,172	4,375
Aggregate value of collateral held at the year end	21,187	4,633

All collateral was in the form of equity securities, government and corporate bonds.

Eligible collateral types are approved by the Investment Manager and may consist of UK gilts, certificates of deposit, treasury bills, sovereign debt, euro sterling bonds and equities. The value of collateral required will range from 105.09% to 105.03% of the value of the securities on loan.

The counterparties at the year end were ABN Amro and Deutsche Bank

15 Risk

Risks in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 10 to 12.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets including investment liabilities	Net other assets	Net assets
	£000	£000	£000
Currency			
2013			
Danish krone	27,864	64	27,928
Euro	605,830	1,524	607,354
Norwegian krone	7,326	238	7,564
Swiss franc	249,462	2,963	252,425
UK sterling	8,768	21,043	29,811
US dollar	15,202	50	15,252
Total	914,452	25,882	940,334
Currency			
2012			
Danish krone	33,224	60	33,284
Euro	556,501	1,029	557,530
Norwegian krone	22,273	233	22,506
Swiss franc	187,875	2,068	189,943
UK sterling	-	31,595	31,595
US dollar	-	294	294
Total	799,873	35,279	835,152

Interest rate risk

The Fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Sensitivity analysis

A sensitivity analysis has not been provided as there has been no derivative activity undertaken during the year.

Distribution table for the year ended 31 August 2013 (in pence per share)

Final dividend distribution (accounting date 31 August 2013, paid on 31 October 2013)

	Net revenue	Distribution paid 31/10/2013	Distribution paid 31/10/2012
Class A accumulation	1.4877	1.4877	1.6383
Class I accumulation	5.3171	5.3171	4.8493
Class S income	5.0563	5.0563	5.3799
Class Z accumulation	4.0571	4.0571	2.5545

Authorised Corporate Director's report for the year ended 31 August 2013

Fund Managers

Andrew Jones and Ben Lofthouse

Investment objective and policy

To achieve an income in excess of that of the MSCI World Index with the potential for long-term capital growth.

The Fund will invest principally in global equities. In addition to ordinary shares, the Fund may also invest in fixed interest securities, preference shares, debt securities convertible into ordinary stock, money market instruments, cash and new cash and deposits.

Performance summary

	31 Aug 12- 31 Aug 13	31 Aug 11- 31 Aug 12	31 Aug 10- 31 Aug 11	31 Aug 09- 31 Aug 10	31 Aug 08- 31 Aug 09
	%	%	%	%	%
Henderson Global Equity Income Fund	21.2	15.2	5.9	10.0	(18.9)
MSCI World Index	21.5	10.8	7.3	10.6	(8.2)

Source: Morningstar, mid to mid, net revenue reinvested, net of fees, GBP.

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue 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.

Significant portfolio changes for the year ended 31 August 2013

Largest purchases	£000	Largest sales	£000
Zurich Insurance	11,855	Royal Dutch Shell 'A'	14,946
Total	11,434	Merck	13,884
HSBC	10,307	3i	13,149
Swedbank	9,440	DBS	11,785
Cisco Systems	9,225	Johnson & Johnson	11,347
Microsoft	8,707	Mondelez	10,866
Wolters Kluwer	8,327	NYSE Euronext	10,660
Vivendi	7,368	Johnson Matthey	9,043
Texas Instruments	6,843	Medtronic	8,706
Six Flags Entertainment	6,580	Keppel	8,624
Total purchases	216,391	Total sales	249,623

Fund Managers' commentary

During the twelve months to 31 August 2013 the Fund returned 21.2%, outperforming the IMA Global Equity Income sector average return of 17.3% while marginally underperforming the MSCI World Total Return Index gain of 21.5%.

Global equity markets continued to make significant gains over the review period with the MSCI World Index up 21.5%. In the US, investors took comfort from the view that the Federal Reserve (Fed) would only start the process of tapering asset purchases if the economy was showing sustained improvement. Japanese equities rose strongly after the Bank of Japan announced that they would double the monetary base in order to try to achieve their 2% inflation target. The UK responded well to new Bank of England Governor Carney's forward interest rate guidance, while European markets performed strongly as sovereign debt fears subsided. Emerging markets generally lagged developed markets over the period as investors worried about the growth rates of a variety of countries, including China.

Against the positive market backdrop, the Fund's holdings in financial companies aided performance. The positions in stock exchange groups proved beneficial as NYSE Euronext received a bid from Intercontinental Exchange Group, and London Stock Exchange performed strongly following good results and the attractively-priced acquisition of a controlling stake in clearing house, LCH Clearent. The holding in life insurance group Prudential was also a positive contributor to the Fund's performance as the company continued to deliver good growth across its businesses, most notably in Asia. Meanwhile, leading US bank Wells Fargo performed strongly as they announced good figures over the year and grew dividends by a fifth.

The holdings in a number of cyclical companies also added to performance as economic data gradually improved over the year. Texas Instruments announced robust results and importantly raised their dividend by a third at the start of 2013; Home Depot continued to perform strongly as they benefited from the improvement in the US housing market, and GKN rose significantly as they delivered good results, which demonstrated the robustness of their automotive businesses as well as the growth potential of their aerospace division.

Besides industrial and financial companies, the portfolio continues to have exposure to more defensive areas such as pharmaceuticals. Despite the strong beta (market) rally the holdings in Pfizer, Roche and Novartis all performed well over the last twelve months. These companies have attractive dividend yields that should grow in real terms, strong balance sheets and relatively resilient earnings streams.

Elsewhere, the Fund's positions in Statoil, ENI and Imperial Tobacco detracted from returns. Statoil and ENI were both weak despite the oil price remaining at relatively high levels. Both companies had disappointing results over the year, with production growth behind expectations and relatively lacklustre cash flow generation as a result of large capital expenditure commitments. Imperial Tobacco was a poor performer as the company announced results throughout the year, which showed disappointing volume trends in a number of very important markets.

During the last year we initiated positions in Swedbank, Sanofi, Las Vegas Sands and SJM. Swedbank is a strongly capitalised bank with operations in Sweden, Estonia, Latvia and Lithuania. Having navigated the financial downturn well, it is now in a position to significantly increase distributions to shareholders via dividends and share buybacks. Sanofi is a leading pharmaceutical company, which has a well balanced portfolio, is expected to deliver good growth and is attractively valued on an earnings and yield basis. Las Vegas Sands is a global casino operator, which earns the majority of its profits from casinos in Macau and Singapore. As well as growing earnings strongly the company also has a strong commitment to distribute cash flow to holders via dividends and buybacks. SJM is a Macau-based casino operator benefiting from continued strong growth in visitor numbers, with an attractive dividend yield, a good balance sheet and the potential for special dividends in the future. These positions were funded by exiting the holdings in Mondelez, Johnson&Johnson, Merck and Crown as we believed these companies' prospects were fully reflected in share prices.

Despite the strong performance of equity markets over the last twelve months, stock valuations remain attractive and in particular continue to look good value relative to bonds. The economic environment appears to be gradually improving, corporate balance sheets are strong and the outlook for cash flow generation and distributions to shareholders is supportive. The Fund has increased its exposure to more economically-sensitive companies while still retaining some exposure to more defensive areas. With this balanced approach the portfolio should perform well in a variety of market conditions.

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A income				
31/08/2011	549,374,666	398,593,047	1,128,053,850	35.33
31/08/2012	569,793,862	423,780,372	1,101,609,061	38.47
31/08/2013	636,371,182	463,837,664	1,034,476,974	44.84
Class A accumulation				
31/08/2011	549,374,666	140,460,086	85,994,672	163.34
31/08/2012	569,793,862	141,156,954	76,123,205	185.43
31/08/2013	636,371,182	159,946,363	71,398,690	224.02
Class I income				
31/08/2011	549,374,666	9,412,161	13,110,874	71.79
31/08/2012	569,793,862	3,844,785	4,893,718	78.57
31/08/2013	636,371,182	11,279,035	12,224,161	92.27
Class S income				
31/08/2011	549,374,666	909,372	1,303,273	69.78
31/08/2012	569,793,862	985,819	1,278,217	77.12
31/08/2013	636,371,182	1,301,153	1,425,744	91.26
Class A USD income				
31/08/2013**	636,371,182	635	2,000	31.73
Class A USD accumulation				
31/08/2012*	569,793,862	25,932	10,827	239.51
31/08/2013	636,371,182	1,734	600	289.00
Class A EUR income				
31/08/2013**	636,371,182	832	2,000	41.60
Class A EUR accumulation				
31/08/2013**	636,371,182	832	2,000	41.60
Class I EUR income				
31/08/2013**	636,371,182	832	1,000	83.20
Class I EUR accumulation				
31/08/2013**	636,371,182	832	1,000	83.20
Class I USD income				
31/08/2013**	636,371,182	635	1,000	63.50
Class I USD accumulation				
31/08/2013**	636,371,182	635	1,000	63.50

* Launched 19 July 2012

** Launched 19 July 2013

Comparative tables (continued)

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A income			
2008	3.19	60.21	27.01
2009	2.11	35.40	22.67
2010	1.55	38.88	32.57
2011	1.49	39.89	32.85
2012	1.55	39.95	35.22
2013	1.60*	47.94+	39.53+
Class A accumulation			
2009^	1.38	151.50	136.70
2010	6.77	173.60	142.70
2011	6.89	180.50	151.00
2012	7.28	193.40	168.10
2013	7.81*	235.30+	191.40+
Class I income			
2008	6.45	120.40	54.24
2009	4.15	71.40	45.43
2010	3.19	78.73	65.88
2011	3.19	80.95	66.78
2012	3.33	81.75	71.82
2013	3.44*	98.48+	80.95+
Class I accumulation			
2008	5.77	106.90	51.67
2009	3.70	71.40	45.43
2010**	1.41	73.91	67.96
Class S income			
2008	6.04	112.60	51.18
2009	3.72	68.10	42.83
2010	2.93	76.00	63.16
2011	3.08	78.45	65.36
2012	3.25	80.44	70.36
2013	3.42*	97.21+	80.63+
Class S accumulation			
2008++	4.86	89.49	43.53

Comparative tables (continued)

	Net revenue (USD cents per share)	Highest offer price (USD cents per share)	Lowest bid price (USD cents per share)
Class A USD income			
2013 ^{^^^}	0.29*	51.00+	49.40+
Class A USD accumulation			
2012 ^{^^}	2.40	404.00	356.90
2013	15.72*	464.41+	439.77+
Class I USD income			
2013 ^{^^^}	0.37*	102.00+	98.90+
Class I USD accumulation			
2013 ^{^^^}	0.37*	102.00+	98.90+

	Net revenue (EUR cents per share)	Highest offer price (EUR cents per share)	Lowest bid price (EUR cents per share)
Class A EUR income			
2013 ^{^^^}	0.18*	50.40+	48.50+
Class A EUR accumulation			
2013 ^{^^^}	0.18*	50.40+	48.50+
Class I EUR income			
2013 ^{^^^}	0.37*	100.80+	97.10+
Class I EUR accumulation			
2013 ^{^^^}	0.37*	100.80+	97.10+

* to 31 October

+ to 31 August

++ Closed 6 March 2009

** Closed 3 March 2010

^ Launched on 20 August 2009

^^ Launched on 19 July 2012

^^^ Launched on 19 July 2013

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A	1.80*	1.79
Class I	0.86****	1.05†
Class S	0.08**	0.07
Class A USD	1.79***	1.79
Class A EUR	1.75***	n/a
Class I USD	0.86****	n/a
Class I EUR	0.86****	n/a

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

† From 1 August 2012, the annual management charge decreased from 1.00% to 0.75% and the general administration charge (GAC) increased from 0.06% to 0.10%.

From 10 August 2013, the general administration charge (GAC):

* decreased from 0.28% to 0.215%

** decreased from 0.06% to 0.045%

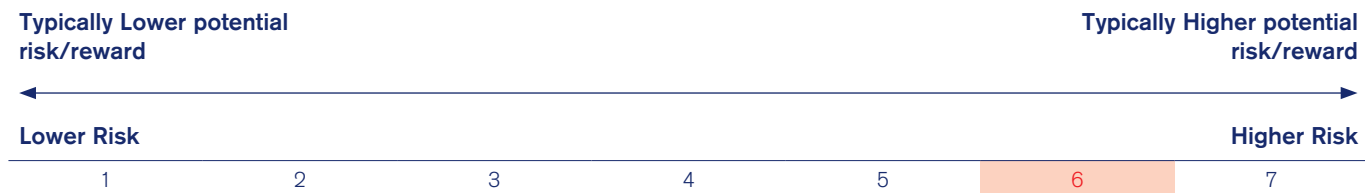
*** decreased from 0.28% to 0.18%

**** decreased from 0.10% to 0.075%

Risk and reward profile

The Fund currently has 12 types of share class in issue;

A income, A accumulation, A Euro accumulation, A Euro income, A US Dollar accumulation, A US Dollar income, I income, I Euro accumulation, I Euro income, I US Dollar accumulation, I US Dollar income and S income. Each share class has the same risk and reward profile which is as follows:



The synthetic risk and reward indicator (SRRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRRI level. The SRRRI is an indicator and may not accurately reflect future volatility and market conditions. The value of an investment in the Fund can go up or down. When you sell your shares, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- As a category, shares are more volatile than either bonds or money market instruments
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks.

There have been no changes to the risk rating in the year.

The SRRRI conforms to the to the CESR guidelines for the calculation of the SRRRI.

Portfolio statement as at 31 August 2013

Holding	Investment	Market value £000	Percentage of total net assets %
Australia 3.27% (2012: 4.13%)			
1,667,420	Amcor	9,965	1.57
321,573	Rio Tinto	10,787	1.70
		20,752	3.27
Canada 2.39% (2012: 2.56%)			
242,013	Bank of Montreal	9,805	1.54
203,317	BCE	5,381	0.85
		15,186	2.39
France 6.23% (2012: 1.03%)			
146,492	BNP Paribas	5,922	0.93
96,228	Sanofi	5,962	0.93
378,438	Scor	7,632	1.20
362,602	Total	12,955	2.04
550,524	Vivendi	7,201	1.13
		39,672	6.23
Germany 6.09% (2012: 4.88%)			
314,086	BASF	17,724	2.79
121,954	Deutsche Boerse	5,514	0.86
832,103	Deutsche Post	15,512	2.44
		38,750	6.09
Hong Kong 2.63% (2012: 1.93%)			
715,000	Cheung Kong	6,593	1.04
5,416,000	NWS	5,201	0.82
2,978,000	SJM	4,926	0.77
		16,720	2.63
Italy 1.94% (2012: 1.64%)			
836,281	ENI	12,318	1.94
Japan 1.13% (2012: 0.00%)			
219,300	Nippon Telegraph & Telephone	7,203	1.13
Netherlands 8.58% (2012: 4.95%)			
637,149	Delta Lloyd	7,840	1.23
1,485,520	Reed Elsevier	17,304	2.72
495,946	Unilever	12,017	1.89
683,374	Wolters Kluwer	10,404	1.63
277,382	Ziggo	7,085	1.11
		54,650	8.58

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Norway 2.78% (2012: 4.22%)			
268,554	Seadrill	8,000	1.26
681,209	Statoil	9,650	1.52
		<u>17,650</u>	<u>2.78</u>
Singapore 0.00% (2012:3.73%)			
Sweden 3.62% (2012: 1.87%)			
748,997	Electrolux	12,779	2.01
702,505	Swedbank	10,255	1.61
		<u>23,034</u>	<u>3.62</u>
Switzerland 8.55% (2012: 5.50%)			
275,499	Nestle	11,661	1.83
310,917	Novartis	14,626	2.30
125,403	Roche	20,180	3.17
50,126	Zurich Insurance	8,049	1.25
		<u>54,516</u>	<u>8.55</u>
Taiwan 1.27% (2012: 2.41%)			
752,038	Taiwan Semiconductor Manufacturing	8,051	1.27
United Kingdom 24.83% (2012: 32.12%)			
260,866	AstraZeneca	8,290	1.30
8,389,857	Bradford & Bingley**	-	-
1,726,567	Centrica	6,663	1.05
493,798	Diageo	9,748	1.53
566,450	Experian	6,401	1.01
4,378,677	GKN	14,362	2.26
915,129	Hotel	28	-
1,411,291	HSBC	9,540	1.50
578,169	Imperial Tobacco	12,327	1.94
5,098,873	ITV	8,393	1.32
500,000	LMI Strategic Asset Trust*	-	-
708,991	London Stock Exchange	11,060	1.74
1,690,369	Meggitt	8,900	1.40
619,698	Pearson	7,876	1.24
1,023,278	Phoenix	7,659	1.20
960,192	Prudential	10,351	1.63
81,015	Rio Tinto UK Listing	2,360	0.37
2,717,063	Sage	9,349	1.46
910,497	Smaller Companies Dividend Trust	1,375	0.22
2,748,044	Standard Life	9,102	1.43
2	Venture Link+	-	-
6,851,837	Vodafone	14,132	2.22
44,318	W & G Investments	44	0.01
		<u>157,960</u>	<u>24.83</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
United States 26.89% (2012: 28.86%)			
584,969	Cisco Systems	8,811	1.38
223,422	Emerson Electric	8,714	1.37
958,558	General Electric	14,308	2.25
125,836	Home Depot	6,059	0.95
214,485	Kinder Morgan	5,256	0.83
178,714	Kraft Foods	5,980	0.94
177,266	Las Vegas Sands	6,453	1.01
262,307	Mattel	6,864	1.08
928,853	Microsoft	20,055	3.15
1,146,056	Pfizer	20,885	3.28
369,518	Reynolds American	11,371	1.79
278,800	Six Flags Entertainment	5,949	0.93
19	TCH+	-	-
385,440	Texas Instruments	9,518	1.50
127,604	Time Warner Cable	8,851	1.39
167,927	United Parcel Services	9,285	1.46
293,703	Verizon Communications	8,988	1.41
521,648	Wells Fargo	13,840	2.17
		<hr/> 171,187	<hr/> 26.89
Corporate bonds 0.00% (2012: 0.00%)			
GBP 1,930,000	Greycoat 9.5% 30/09/2003**	-	-
GBP 1,361,464	Parmalat Capital Finance Perpetual 9.375%**	-	-
GBP 19,781	Polestar 10.5% 30/05/2008**	-	-
GBP 139,071	Polestar Corp 12.5% 30/06/2011**	-	-
		<hr/> -	<hr/> -
		<hr/> -	<hr/> -
		<hr/> -	<hr/> -
		<hr/> -	<hr/> -
	Investment assets	<hr/> 637,649	<hr/> 100.20
	Net other liabilities	(1,278)	(0.20)
	Net assets	<hr/> 636,371	<hr/> 100.00

* Written down security

** Delisted

+ Unquoted security

Statement of total return for the year ended 31 August 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains	2		101,629		55,455
Revenue	4	26,806		25,423	
Expenses	5	(11,035)		(9,940)	
Finance costs: Interest	7	(5)		(6)	
Net revenue before taxation		15,766		15,477	
Taxation	7	(1,966)		(505)	
Net revenue after taxation			13,800		14,972
Total return before distributions			115,429		70,427
Finance costs: Distributions	7		(23,016)		(23,282)
Change in net assets attributable to shareholders from investment activities			92,413		47,145

Statement of change in net assets attributable to shareholders for the year ended 31 August 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		569,794		549,375
Amounts receivable on issue of shares	15,880		18,439	
Amounts receivable on mergers *	-		23,809	
Amounts payable on cancellation of shares	(47,581)		(74,765)	
		(31,701)		(32,517)
Stamp duty reserve tax		(37)		(86)
Unclaimed distributions		233		124
Change in net assets attributable to shareholders from investment activities (see above)		92,413		47,145
Retained distribution on accumulation shares		5,669		5,753
Closing net assets attributable to shareholders		636,371		569,794

* Global Dividend Income Fund merged into the Global Equity Income Fund on 19 July 2012.

Balance sheet as at 31 August 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			637,649		568,834
Debtors	8	3,503		6,335	
Cash and bank balances	9	1,352		3,396	
Total other assets			4,855		9,731
Total assets			<u>642,504</u>		<u>578,565</u>
Liabilities					
Creditors	10	2,047		3,393	
Bank overdrafts		873		1,195	
Distribution payable on income shares		3,213		4,183	
Total other liabilities			6,133		8,771
Total liabilities			6,133		8,771
Net assets attributable to shareholders			<u>636,371</u>		<u>569,794</u>

Notes to the financial statements as at 31 August 2013

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 to the aggregated financial statements on pages 8 to 12.

2 Net capital gains

Net capital gains on investments during the year comprise:

	2013	2012
	£000	£000
Forward currency contracts	-	(769)
Non-derivative securities	102,200	56,316
Other currency losses	(564)	(79)
Transaction costs	(7)	(13)
Net capital gains	101,629	55,455

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	215,958	488,581
Commissions	276	342
Taxes	157	378
Total purchase transaction costs*	433	720
Purchases including transaction costs	216,391	489,301
Sales in year before transaction costs	249,978	530,116
Commissions	(348)	(402)
Taxes	(7)	(1)
Total sale transaction costs*	(355)	(403)
Sales net of transaction costs	249,623	529,713
Transaction handling charges*	7	13

* These amounts have been deducted in determining net capital gains.

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	6	7
Overseas dividends	20,756	6,517
UK dividends	6,044	18,725
UK REIT revenue	-	174
Total revenue	26,806	25,423

5 Expenses

	2013	2012
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	9,216	8,310
General administration charge*	1,692	1,539
	<u>10,908</u>	<u>9,849</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	74	67
Safe custody fees	47	24
	<u>121</u>	<u>91</u>
Other expenses:		
Prior year expense adjustment	6	-
	<u>6</u>	<u>-</u>
Total expenses	11,035	9,940

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through GAC is £8,736 (2012: £8,736).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in the year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas withholding tax	1,966	505
Total current tax (note 6b)	1,966	505

(b) Factors affecting current tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	15,766	15,477
Corporation tax at 20% (2012: 20%)	3,153	3,095
Effects of:		
Irrecoverable overseas tax	1,966	505
Non-taxable overseas dividends **	(4,156)	(1,303)
UK dividends*	(1,209)	(3,745)
Unused management expenses	2,212	1,953
Current tax charge for the year (note 6a)	1,966	505

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £15,406,838 (2012: £13,194,807) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim income	13,991	13,005
Interim accumulation	4,599	4,389
Final income	3,213	4,183
Final accumulation	1,070	1,364
	<u>22,873</u>	<u>22,941</u>
Amounts deducted on cancellation of shares	293	497
Amounts received on issue of shares	(150)	(156)
Finance costs: Distributions	<u>23,016</u>	<u>23,282</u>
Finance costs: Interest	<u>5</u>	<u>6</u>
Total finance cost	<u>23,021</u>	<u>23,288</u>
Net revenue after taxation	13,800	14,972
ACD's periodic charge paid from capital	9,216	8,310
Finance cost: Distributions	<u>23,016</u>	<u>23,282</u>

Details of the distribution per share are set out in the distribution table on pages 54 to 56.

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	1,893	2,614
Amounts receivable for issue of shares	141	2
Amounts receivable on mergers	35	77
Currency transactions awaiting settlements	229	-
Overseas withholding tax reclaimable	1,205	153
Sales awaiting settlement	-	3,489
Total debtors	<u>3,503</u>	<u>6,335</u>

Notes to the financial statements (continued)

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	1,352	3,396
Total cash and bank balances	1,352	3,396

10 Creditors

	2013	2012
	£000	£000
Accrued ACD's periodic charge	828	732
Accrued Depositary's fees	7	5
Accrued other expenses	138	142
Amounts payable for cancellation of shares	617	920
Currency transactions awaiting settlement	228	-
Purchases awaiting settlement	229	1,594
Total creditors	2,047	3,393

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD and the Depositary are deemed to be related parties. All transactions and balances associated with the ACD and the Depositary are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to Shareholders' and the 'Balance sheet' on pages 46 and 47 and notes 5, 8 and 10 on pages 49 to 52 including all creations and cancellations where the ACD acted as principal.

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

13 Shareholder funds

The Fund currently has 13 share classes available; A income, A accumulation, A Euro accumulation, A Euro income, A US Dollar accumulation, A US Dollar income, I income, I accumulation, I Euro accumulation, I Euro income, I US Dollar accumulation, I US Dollar income and S income. The annual management charge on each share class is as follows:

Class A	1.50%
Class I	0.75%
Class S	n/a*
Class A EUR	1.50%
Class A USD	1.50%
Class I EUR	0.75%
Class I USD	0.75%

* Charges for managing S class shares are levied outside the Fund and are agreed between the ACD and investors.

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 38. The distribution per share class is given in the distribution table on page 54. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

14 Risk

Risks in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 10 to 12.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets including asset liabilities	Net other assets/ (liabilities)	Net assets
Currency	£000	£000	£000
2013			
Australian dollar	20,752	176	20,928
Canadian dollar	15,186	82	15,268
Euro	145,388	566	145,954
Hong Kong dollar	16,720		16,720
Japanese yen	7,203	-	7,203
Norwegian krone	17,650	183	17,833
Swedish krona	23,034	359	23,393
Swiss franc	54,517	286	54,803
UK sterling	157,961	(3,815)	154,146
US dollar	179,238	885	180,123
Total	637,649	(1,278)	636,371
2012			
Australian dollar	23,521	-	23,521
Canadian dollar	14,579	11	14,590
Euro	86,656	41	86,697
Hong Kong dollar	10,965	-	10,965
Norwegian krone	24,050	90	24,140
Singapore dollar	21,265	-	21,265
Swedish krona	10,634	-	10,634
Swiss franc	31,312	-	31,312
UK sterling	167,674	475	168,149
US dollar	178,178	343	178,521
Total	568,834	960	569,794

Interest rate risk

The Fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Sensitivity analysis

A sensitivity analysis has not been undertaken as the Fund's exposure to derivative activity is considered insignificant.

Distribution table for the year ended 31 August 2013 (in pence per share)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 September 2012

Group 2: shares purchased on or after 1 September 2012

	Net revenue	Equalisation	Distribution paid 31/01/2013	Distribution paid 31/01/2012
Class A income				
Group 1	0.1872	-	0.1872	0.2980
Group 2	0.0813	0.1059	0.1872	0.2980
Class A accumulation				
Group 1	0.9023	-	0.9023	1.3772
Group 2	0.3839	0.5184	0.9023	1.3772
Class I income				
Group 1	0.4184	-	0.4184	0.6455
Group 2	0.1971	0.2213	0.4184	0.6455
Class S income				
Group 1	0.4188	-	0.4188	0.6283
Group 2	0.1557	0.2631	0.4188	0.6283
Class A USD accumulation (USD cents per share)				
	1.8453	-	1.8453	n/a

Interim dividend distribution (accounting date 28 February 2013, paid on 30 April 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution paid 30/04/2013	Distribution paid 30/04/2012
Class A income				
Group 1	0.2650	-	0.2650	0.2671
Group 2	0.1195	0.1455	0.2650	0.2671
Class A accumulation				
Group 1	1.2836	-	1.2836	1.2416
Group 2	0.5112	0.7724	1.2836	1.2416
Class I income				
Group 1	0.5807	-	0.5807	0.5857
Group 2	0.2645	0.3162	0.5807	0.5857
Class S income				
Group 1	0.5800	-	0.5800	0.5665
Group 2	0.2830	0.2970	0.5800	0.5665
Class A USD accumulation (USD cents per share)				
	2.9923	-	2.9923	n/a

Distribution table (continued)

Interim dividend distribution (accounting date 31 May 2013, paid on 31 July 2013)

Group 1: shares purchased prior to 1 March 2013

Group 2: shares purchased on or after 1 March 2013

	Net revenue	Equalisation	Distribution paid 31/07/2013	Distribution paid 31/07/2012
Class A income				
Group 1	0.8470	-	0.8470	0.6121
Group 2	0.3858	0.4612	0.8470	0.6121
Class A accumulation				
Group 1	4.1265	-	4.1265	2.8715
Group 2	2.0483	2.0782	4.1265	2.8715
Class I income				
Group 1	1.7805	-	1.7805	1.2912
Group 2	1.2190	0.5615	1.7805	1.2912
Class S income				
Group 1	1.7646	-	1.7646	1.2630
Group 2	0.9346	0.8300	1.7646	1.2630
Class A USD accumulation (USD cents per share)	8.2170	-	8.2170	n/a

Distribution table (continued)

Final dividend distribution (accounting date 31 August 2013, paid on 31 October 2013)

Group 1: shares purchased prior to 1 June 2013

Group 2: shares purchased on or after 1 June 2013

	Net revenue	Equalisation	Distribution paid 31/10/2013	Distribution paid 31/10/2012
Class A income				
Group 1	0.3019	-	0.3019	0.3752
Group 2	0.1442	0.1577	0.3019	0.3752
Class A accumulation				
Group 1	1.4984	-	1.4984	1.7909
Group 2	0.8064	0.6920	1.4984	1.7909
Class I income				
Group 1	0.6614	-	0.6614	0.8077
Group 2	0.3150	0.3464	0.6614	0.8077
Class S income				
Group 1	0.6622	-	0.6622	0.7926
Group 2	0.2850	0.3772	0.6622	0.7926
Class A USD income (USD cents per share)	0.2930	-	0.2930	n/a
Class A USD accumulation (USD cents per share)	2.6696	-	2.6696	2.3976
Class A EUR income (EUR cents per share)	0.1786	-	0.1786	n/a
Class A EUR accumulation (EUR cents per share)	0.1786	-	0.1786	n/a
Class I USD income (USD cents per share)	0.3737	-	0.3737	n/a
Class I USD accumulation (USD cents per share)	0.3737	-	0.3737	n/a
Class I EUR income (EUR cents per share)	0.3725	-	0.3725	n/a
Class I EUR accumulation (EUR cents per share)	0.3725	-	0.3725	n/a

Authorised Corporate Director's report for the year ended 31 August 2013

Fund Managers

James Ross and Neil Hermon

Investment objective and policy

To achieve capital growth through a relatively concentrated portfolio.

The Fund will invest principally in the securities of UK companies. The Fund also invests in fixed interest securities, preference shares, debt securities convertible into ordinary stock, money market instruments and deposits. The Fund may also invest outside of the UK if the investment adviser believes that it is in the interest of the Fund.

Performance summary

	31 Aug 12 - 31 Aug 13	31 Aug 11 - 31 Aug 12	31 Aug 10 - 31 Aug 11	31 Aug 09 - 31 Aug 10	31 Aug 08 - 31 Aug 09
	%	%	%	%	%
Henderson UK Alpha Fund	15.4	(2.5)	1.4	8.8	(21.4)
FTSE All-Share Total Return Index	18.9	10.2	7.3	10.6	(8.2)

Source: Morningstar, mid to mid, net revenue reinvested, net of fees, GBP.

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue 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.

Significant portfolio changes for the year ended 31 August 2013

Largest purchases	£000	Largest sales	£000
Vodafone	23,852	BP	32,021
HSBC	21,391	Deutsche Global Liquidity Managed Platinum	29,000
GlaxoSmithKline	16,969	African Minerals	19,332
Rio Tinto	16,034	Providence Resources	17,629
Diageo	14,935	GKN	16,989
Barclays	14,799	Smith & Nephew	16,858
Lloyds Banking Group	13,425	G4S	16,425
Deutsche Global Liquidity Managed Platinum	12,000	Mitchells & Butlers	15,699
SABMiller	10,563	GlaxoSmithKline	14,655
Glencore International	10,059	Barclays	14,046
Total purchases	430,366	Total sales	500,330

Fund Managers' commentary

Market review

By and large, the 12 months under review were a very strong period for risk assets and the UK equity market fully participated in this rally. Positive performance was driven largely by a perception that the worst of the eurozone crisis was over together with a developed world economic recovery and the helpful starting point of very low equity valuations, especially when compared to large swathes of the bond market. Equity markets saw renewed volatility towards the end of the period as market participants began to price in the likelihood of the US Federal Reserve 'tapering' its bond purchases (i.e. reducing its quantitative easing) in the near term. This resulted in a period of concern about emerging market capital flows and currencies together with the underperformance of areas of the equities market that behave like bond proxies.

Fund performance

As a whole, the Fund performed slightly under the benchmark returning (15.4%) and the FTSE All-Share Total Return Index rising 18.9%. However, there was a Fund manager change during the period, with Neil Hermon and James Ross taking over management of the Fund from the 1st of February 2013. Pleasingly, there has been a marked improvement in performance since this management change with the Fund returning 8.7% since versus a return of 6.5% from the FTSE All-Share Total Return Index.

The worst performing positions over the period included African Petroleum, RusPetro, International Petroleum, Paragon Diamonds, and Zanaga Iron Ore Company. These commodity and energy-related positions all suffered from the common themes of weak balance sheets, poor (or zero) cash generation, questionable management actions, and a lack of trading liquidity. These are not the kind of exposures that we are comfortable with and as soon as we took over management of the Fund we sold all of these positions and other similar companies. Unfortunately, these positions account for the lion's share of the Fund's underperformance during the period.

We have shifted the Fund's exposure much more towards high quality, mid-cap growth companies; we have also taken a number of positions in larger companies where we have seen attractive opportunities. This has proved to be the right strategy so far. Examples of the positions that we have introduced to the Fund include Rolls Royce (airplane engine producer and supplier of aftermarket maintenance), Howden Joinery (well-managed kitchen supplier with an attractive store rollout opportunity) and Ashtead (temporary construction equipment provider with a US focus).

The best performing positions over the period have included Lloyds Banking Group, London Stock Exchange, Grainger, and 3i Group. Lloyds has benefited from an accelerating UK recovery, the measured sell-down of non-core assets together with an extremely low starting valuation versus historical standards. London Stock Exchange has managed to perform well even with trading volumes remaining subdued. The company is benefiting from the LCH Clearent acquisition as well as its fast growing FTSE indices business. We believe that the company has become an important strategic asset and that merger and acquisition activity is a possibility over the next few years. Grainger has benefited from a UK housing market recovery and consistently sensible management actions; the company started the period at a very attractive valuation relative to its net asset value and has since rerated materially. Finally, 3i performed very well as new management began to improve the operational performance of the company, underlying asset values rose and as an activist investor, Sherborne, began to build a position in the company.

Outlook

Looking towards the next twelve months, we are cautiously optimistic about the outlook for UK equities. Valuations are still not stretched by historical standards and the economic environment is improving and in fact gathering some pace, especially in the UK. We will continue to focus on higher quality, mainly mid-cap growth companies and focus on stock selection to benefit from this environment as best we can.

Comparative tables as at 31 August 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/08/2011	540,054,695	522,193,024	625,339,432	83.51
31/08/2012	441,269,853	428,559,473	536,080,871	79.94
31/08/2013	418,498,075	407,478,638	440,766,679	92.45
Class C accumulation				
31/08/2011 [^]	540,054,695	4,099,757	920,046	445.60
31/08/2012	441,269,853	3,595,712	833,262	431.52
31/08/2013	418,498,075	230,428	45,646	504.81
Class I accumulation				
31/08/2011	540,054,695	13,712,372	7,678,112	178.59
31/08/2012	441,269,853	8,823,462	5,124,462	172.18
31/08/2013	418,498,075	9,754,047	4,856,459	200.85
Class Z accumulation				
31/08/2012 [#]	441,269,853	1,452	1,500	96.80
31/08/2013	418,498,075	1,034,962	908,789	113.88
Class A Euro accumulation				
31/08/2011	540,054,695	41,664	14,380	289.74
31/08/2012	441,269,853	282,094	101,700	277.38
31/08/2013 ⁺⁺	418,498,075	-	-	-
Class I Euro accumulation				
31/08/2011	540,054,695	7,878	1,700	463.41
31/08/2012	441,269,853	7,660	1,700	450.59
31/08/2013 ⁺⁺	418,498,075	-	-	-

[^] Launched 12 August 2011

[#] Launched 16 September 2011

⁺⁺ Closed 5 April 2013

Comparative tables (continued)

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	0.92	106.90	54.57
2009	1.65	81.50	53.35
2010	0.17	102.50	77.44
2011	0.01	107.30	73.80
2012	0.36	98.78	78.04
2013	1.13*	95.46+	84.28+
Class C accumulation			
2011 ^	0.15	448.00	394.20
2012	7.30	530.40	420.50
2013	63.01*	520.80+	458.70+
Class I income			
2008	3.09	175.40	88.26
2009 ~	-	103.60	94.35
Class I accumulation			
2008	2.83	224.70	115.10
2009	18.12	178.60	112.70
2010	1.37	218.60	164.50
2011	1.18	228.90	158.00
2012	2.31	212.00	167.80
2013	3.84*	207.30+	182.70+
Class Z accumulation			
2011 #	-	99.79	91.05
2012	2.02	116.70	94.25
2013	1.16*	117.40+	103.30+

Calendar year	Net revenue (Euro cents per share)	Highest price (Euro cents per share)	Lowest price (Euro cents per share)
Class A Euro accumulation			
2008	0.14	407.00	211.00
2009	0.19	328.00	202.00
2010	1.65	417.00	302.00
2011	0.61	445.00	298.00
2012	1.27	413.00	338.00
2013++	-*	368.00+	345.00+
Class I Euro accumulation			
2009 **	13.36	511.00	311.00
2010	5.15	660.00	486.00
2011	8.86	704.00	477.00
2012	11.77	665.90	545.00
2013++	-*	601.38+	564.51+

* to 31 October

+ to 31 August

~ Closed 19 February 2009

** Launched 27 November 2009

^ Launched 12 August 2011

Launched 16 September 2011

++ Closed 5 April 2013

Ongoing charge figure

The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A	1.74*	1.74
Class C	0.57**	0.58
Class I	0.87***	1.06†
Class Z	0.08**	0.07
Class A Euro††	n/a	1.77
Class I Euro††	n/a	0.18

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

† From 1 August 2012, the annual management charge on Class I decreased from 1.00% to 0.75% and the general administration charge (GAC) increased from 0.06% to 0.10%.

From 10 August 2013 the general administration charge (GAC):

* decreased from 0.22% to 0.18%.

** decreased from 0.06% to 0.045%.

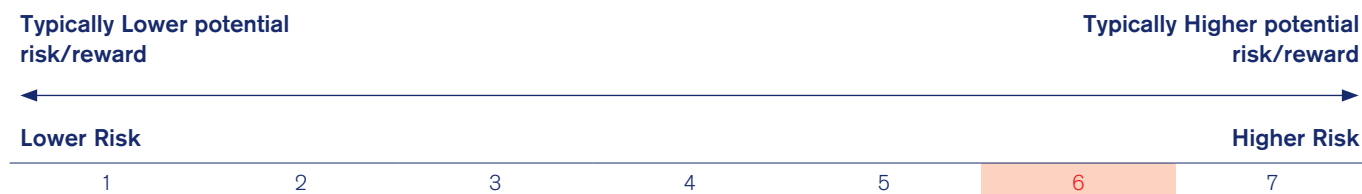
*** decreased from 0.10% to 0.075%.

†† Closed 5 April 2013.

Risk and reward profile

The Fund currently has 4 types of share class in issue:

For A accumulation, C accumulation, I accumulation and Z accumulation, the risk and reward profile is as follows:



The synthetic risk and reward indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions. The value of an investment in the Fund can go up or down. When you sell your shares, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- The Fund focuses on a single country
- As a category, shares are more volatile than either bonds or money market instruments
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks.

There have been no changes to the risk rating in the year.

The SRRI conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 August 2013

Holding	Investment	Market value £000	Percentage of total net assets %
United Kingdom 89.70% (2012: 69.62%)			
Aerospace & defence 4.29% (2012: 3.70%)			
800,000	Chemring	2,457	0.59
968,115	Meggitt	5,097	1.22
934,175	Rolls Royce	10,388	2.48
		<u>17,942</u>	<u>4.29</u>
Banks 8.69% (2012: 0.00%)			
8,099,712	Bradford & Bingley+	-	-
2,933,940	HSBC	19,833	4.74
14,939,022	Lloyds Banking Group	10,838	2.59
1,709,259	Royal Bank of Scotland	5,704	1.36
		<u>36,375</u>	<u>8.69</u>
Beverages 5.92% (2012: 0.00%)			
749,132	Diageo	14,788	3.53
324,739	SABMiller	9,982	2.39
		<u>24,770</u>	<u>5.92</u>
Chemicals 1.36% (2012: 0.00%)			
457,294	Essentra	3,521	0.84
140,000	Victrex	2,195	0.52
		<u>5,716</u>	<u>1.36</u>
Construction & materials 2.42% (2012: 2.82%)			
975,000	Balfour Beatty	2,402	0.57
1,000,000	Barratt Developments	3,035	0.73
350,000	Bellway	4,694	1.12
6,666,667	Keronite+	-	-
		<u>10,131</u>	<u>2.42</u>
Electronic & electrical equipment 3.66% (2012: 0.00%)			
1,175,000	Block Shield+	-	-
1,581,105	Hellermann Tyton	4,222	1.01
150,000	Oxford Instruments	2,144	0.51
200,000	Renishaw	3,400	0.81
250,000	Spectris	5,552	1.33
		<u>15,318</u>	<u>3.66</u>
Engineering & machinery 3.53% (2012: 0.00%)			
800,000	Fenner	2,744	0.66
1,750,000	Melrose	5,152	1.23
95,000	Rotork	2,574	0.61
1,590,981	Senior	4,299	1.03
		<u>14,769</u>	<u>3.53</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Financial services 2.44% (2012: 3.54%)			
1,600,000	3i	5,736	1.37
470,224	Capita	4,484	1.07
3,758	Thomas Murray Network+ GBP	-	-
		<u>10,220</u>	<u>2.44</u>
Fixed line telecommunications 2.23% (2012: 0.00%)			
2,866,677	BT	<u>9,325</u>	<u>2.23</u>
Food & drug retailers 0.00% (2012: 3.06%)			
Gambling 1.13% (2012: 0.00%)			
475,971	Betfair	<u>4,710</u>	<u>1.13</u>
General financial 2.17% (2012: 1.33%)			
3,150,229	Direct Line	6,830	1.63
380,000	Shaftesbury REIT	<u>2,255</u>	<u>0.54</u>
		<u>9,085</u>	<u>2.17</u>
General retailers 1.01% (2012: 2.41%)			
1,500,000	Howden Joinery	<u>4,221</u>	<u>1.01</u>
Healthcare equipment & services 0.53% (2012: 3.59%)			
200,000	Synergy Health	<u>2,214</u>	<u>0.53</u>
Household goods 0.57% (2012: 0.18%)			
255,000	Dunelm	<u>2,407</u>	<u>0.57</u>
Information technology 0.39% (2012: 0.00%)			
1,300,000	Spirent Communications	<u>1,634</u>	<u>0.39</u>
Life insurance 2.37% (2012: 2.95%)			
919,494	Prudential	<u>9,912</u>	<u>2.37</u>
Media 6.25% (2012: 2.07%)			
380,000	DCD Media *	-	-
300,000	Euromoney Institutional Investor	3,607	0.86
5,648,079	Grainger	9,720	2.32
3,000,000	ITV	4,938	1.18
660,852	WPP	<u>7,897</u>	<u>1.89</u>
		<u>26,162</u>	<u>6.25</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Mining 4.95% (2012: 7.50%)			
3,000,000	Central Asia Metals	3,960	0.95
781,467	Kentz	4,517	1.08
420,000	Rio Tinto	12,234	2.92
		<u>20,711</u>	<u>4.95</u>
Mobile telecommunications 7.28% (2012: 4.01%)			
1,788,213	Carphone Warehouse	4,225	1.01
12,723,375	Vodafone	26,242	6.27
		<u>30,467</u>	<u>7.28</u>
Oil & gas producers 8.28% (2012: 20.70%)			
3,380,792	BP	15,085	3.60
2,078,112	Exillon Energy	2,909	0.70
2,300,000	Faroe Petroleum	2,904	0.69
309,166	Hunting	2,532	0.61
850,000	Premier Oil	3,058	0.73
374,334	Tullow Oil	3,773	0.90
547,576	Wood	4,411	1.05
		<u>34,672</u>	<u>8.28</u>
Pharmaceuticals & biotechnology 1.00% (2012: 0.19%)			
253,200	GlaxoSmithKline	4,166	1.00
Real estate services 1.17% (2012: 0.00%)			
892,555	Countrywide	4,909	1.17
Restaurants & bars 1.66% (2012: 0.00%)			
225,667	Whitbread	6,951	1.66
Software & computer services 1.22% (2012: 0.00%)			
2,500,000	AT Communications+	-	-
112,500	Aveva	2,610	0.62
1,825,000	NCC	2,500	0.60
		<u>5,110</u>	<u>1.22</u>
Special & other finance 5.65% (2012: 0.00%)			
780,000	Aberdeen Asset Management	2,747	0.65
800,000	Intermediate Capital	3,501	0.84
813,234	Jupiter Fund Management	2,709	0.65
653,507	London Stock Exchange	10,195	2.44
1,400,000	Paragon Group Companies	4,477	1.07
		<u>23,629</u>	<u>5.65</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
Support services 3.73% (2012: 5.35%)			
750,000	Ashtead	4,838	1.16
450,000	Atkins	5,310	1.27
2,050,000	Hays	2,101	0.50
600,000	Interserve	3,360	0.80
540,000	Intrinsic Value+	-	-
		<u>15,609</u>	<u>3.73</u>
Textiles & apparel 1.30% (2012: 0.00%)			
803,000	Sports Direct	<u>5,420</u>	<u>1.30</u>
Tobacco 0.00% (2012: 1.81%)			
Transport 1.43% (2012: 0.00%)			
1,019,466	Inchcape	<u>6,005</u>	<u>1.43</u>
Travel & leisure 3.07% (2012: 4.41%)			
350,000	Aero Inventory+	-	-
775,000	Perform	4,053	0.97
639,628	Restaurant	3,457	0.83
3,776,201	Thomas Cook	<u>5,325</u>	<u>1.27</u>
		<u>12,835</u>	<u>3.07</u>
Australia 0.73% (2012: 9.07%)			
Basic materials 0.54% (2012: 1.29%)			
30,136,552	Cape Lambert Resources	<u>2,256</u>	<u>0.54</u>
Mining 0.19% (2012: 1.26%)			
28,370,334	International Petroleum	<u>796</u>	<u>0.19</u>
Oil & gas producers 0.00% (2012: 6.52%)			
Bermuda 0.00% (2012: 1.39%)			
Food producers 0.00% (2012: 1.03%)			
Mining 0.00% (2012: 0.36%)			
British Virgin Islands 0.36% (2012: 0.01%)			
Mining 0.36% (2012: 0.01%)			
27,815,000	Sable Mining Africa	<u>1,496</u>	<u>0.36</u>
Industrial engineering 0.00% (2012: 0.00%)			
525,000	Turbo Genset (warrants)+	<u>-</u>	<u>-</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
1,250,000	Transport 0.00% (2012: 0.00) Airsea Lines International+	-	-
	Channel Islands 0.00% (2012: 0.36%)		
	Mining 0.00% (2012: 0.36%)		
	Germany 0.00% (2012: 0.74%)		
	Media 0.00% (2012: 0.74%)		
	Guernsey 1.60% (2012: 0.00%)		
1,296,752	Life insurance 0.99% (2012: 0.00%) Resolution	4,133	0.99
2,500,000	Special & other finance 0.61% (2012: 0.00%) Sherborne Investors	2,550	0.61
	India 0.00% (2012: 2.60%)		
	Industrial machinery 0.00% (2012: 0.74%)		
	Oil & gas producers 0.00% (2012: 1.86%)		
	Ireland 2.45% (2012: 6.83%)		
1,500,000	Mining 0.53% (2012: 1.91%) Petroceltic	2,213	0.53
1,420,951	Travel & leisure 1.92% (2012: 1.07%) Ryanair	8,015	1.92
3,261	Collective Investment scheme 0.00% (2012: 3.85%) Deutsche Global Liquidity Managed Platinum	3	-
	Italy 0.00% (2012: 0.97%)		
	Banks 0.00% (2012: 0.97%)		
	Jersey 1.70% (2012: 1.09%)		
550,000	Information technology 0.67% (2012: 0.00%) Informa	2,797	0.67
464,737	Oil & gas producers 1.03% (2012: 1.09%) Genel Energy	4,310	1.03

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	Kazakhstan 0.83% (2012: 2.11%)		
430,313	Oil & gas producers 0.83% (2012: 2.11%) Zhaikmunai	3,491	0.83
	Luxembourg 0.69% (2012: 0.52%)		
950,000	Mining 0.69% (2012: 0.52%) A Z Electronic Materials	2,904	0.69
	Russia 1.75% (2012: 1.59%)		
	Chemicals 0.00% (2012: 1.59%)		
2,400,000	Mining 1.75% (2012: 0.00%) Glencore International	7,325	1.75
	United States 0.00% (2012: 0.42%)		
1,116,667	Financial services 0.00% (2012: 0.00%) Xshares Income Series A Preference Stock+	-	-
	Industrial metals 0.00% (2012: 0.42%)		
203	Support services 0.00% (2012: 0.00%) Directo+	-	-
	Investment assets	417,684	99.81
	Net other assets	814	0.19
	Net assets	418,498	100.00

+ written down security

* unquoted security

^ delisted

Statement of total return for the year ended 31 August 2013

		2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		57,734		(21,005)
Revenue	4	12,675		10,908	
Expenses	5	(7,417)		(8,682)	
Finance costs: Interest	7	(1)		(1)	
Net revenue before taxation		5,257		2,225	
Taxation	6	(55)		(100)	
Net revenue after taxation			5,202		2,125
Total return before distributions			62,936		(18,880)
Finance costs: Distributions	7		(5,202)		(2,125)
Change in net assets attributable to shareholders from investment activities			57,734		(21,005)

Statement of change in net assets attributable to shareholders for the year ended 31 August 2013

		2013		2012	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			441,270		540,055
Amounts receivable on issue of shares		1,376		1,308	
Amounts payable on cancellation of shares		(87,060)		(81,183)	
			(85,684)		(79,875)
Stamp duty reserve tax			(26)		(33)
Unclaimed distributions			2		3
Change in net assets attributable to shareholders from investment activities (see above)			57,734		(21,005)
Retained distribution on accumulation shares			5,202		2,125
Closing net assets attributable to shareholders			418,498		441,270

Balance sheet as at 31 August 2013

		2013		2012	
		£000	£000	£000	£000
Assets					
Investment assets			417,684		429,439
Debtors	8	4,171		3,198	
Cash and bank balances	9	3,957		12,496	
Total other assets			8,128		15,694
Total assets			<u>425,812</u>		<u>445,133</u>
Liabilities					
Creditors	10	2,235		3,863	
Bank overdrafts		5,079		-	
Total other liabilities			<u>7,314</u>		<u>3,863</u>
Total liabilities			7,314		3,863
Net assets attributable to shareholders			<u>418,498</u>		<u>441,270</u>

Notes to the financial statements as at 31 August 2013

1 Accounting policies

The accounting policies, distribution policy and potential risks are set out in notes 1 to 3 to the aggregated financial statements on pages 8 to 12.

2 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Capital management fee rebate	2	-
Non-derivative securities	57,673	(20,782)
Other currency gains/(losses)	81	(178)
Transaction costs	(22)	(45)
Net capital gains/(losses)	57,734	(21,005)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	428,024	332,732
Commissions	759	537
Taxes	1,583	597
Total purchase transaction costs*	2,342	1,134
Purchases including transaction costs	430,366	333,866
Sales in year before transaction costs	500,984	418,847
Commissions	(649)	(555)
Taxes	(5)	-
Total sale transaction costs*	(654)	(555)
Sales net of transaction costs	500,330	418,292
Transaction handling charges*	22	45

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	18	43
Interest on debt securities	23	62
Management fee rebate	-	1
Overseas dividends	2,155	1,380
Stock lending revenue	-	(7)
UK dividends	10,338	9,012
UK REIT revenue	49	67
Underwriting commission	92	350
Total revenue	12,675	10,908

5 Expenses

	2013	2012
	£000	£000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	6,370	7,490
General administration charge*	928	1,093
	<u>7,298</u>	<u>8,583</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	52	60
Safe custody fees	16	22
	<u>68</u>	<u>82</u>
Other expenses:		
Administration fees	-	2
Dividend collection charges	51	15
	<u>51</u>	<u>17</u>
Total expenses	7,417	8,682

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee, which is levied through GAC, is £8,748 (2012: £8,748).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas withholding tax	55	100
Total current tax (note 6b)	55	100

(b) Factors affecting current tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	5,257	2,225
Corporation tax at 20% (2012: 20%)	1,051	445
Effects of:		
Irrecoverable overseas tax	55	100
Non-taxable overseas dividends **	(400)	(143)
UK dividends*	(2,067)	(1,802)
Unused management expenses	1,416	1,500
Current tax charge for the year (note 6a)	55	100

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £9,114,113 (2012: £7,698,122) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Final accumulation	5,202	2,125
	<u>5,202</u>	<u>2,125</u>
Finance costs: Distributions	5,202	2,125
Finance costs: Interest	1	1
Total finance cost	<u>5,203</u>	<u>2,126</u>

Details of the distribution per share are set out in the distribution table on page 77.

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	1,832	900
Amounts receivable for issue of shares	166	-
Currency transactions awaiting settlement	-	1,016
Overseas withholding tax reclaimable	26	9
Sales awaiting settlement	2,147	1,273
Total debtors	<u>4,171</u>	<u>3,198</u>

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	3,957	12,496
Total cash and bank balances	<u>3,957</u>	<u>12,496</u>

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD's periodic charge	538	570
Accrued Depositary's fees	4	5
Accrued other expenses	70	88
Amounts payable for cancellation of shares	773	1,392
Currency transactions awaiting settlement	-	1,018
Purchases awaiting settlement	850	790
Total creditors	2,235	3,863

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

12 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to Shareholders' and the 'Balance sheet' on pages 69 and 70 and notes 5, 8 and 10 on pages 72 to 75 including all creations and cancellations where the ACD acted as principal.

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

13 Shareholder funds

The Fund currently has 4 share classes available; Class A (Retail with front-end charges), Class I (Institutional), Class Z (Institutional), and Class C (Institutional). The annual management charge on each share type of class is as follows:

Class A	1.50%
Class I	0.75%
Class Z	0.00%*
Class C	0.50%
Class I Euro ^{††}	0.90%
Class A Euro ^{††}	1.50%

* Charges for managing class Z are levied outside the Fund and are agreed between the ACD and investors.

^{††} Closed 5 April 2013

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 59. The distribution per share class is given in the distribution table on page 77. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

14 Risk

Risks in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 10 to 12.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets	Net other assets/ (liabilities)	Net assets
Currency	£000	£000	£000
2013			
Australian dollar	3,051	-	3,051
Euro	8,015	10	8,025
UK sterling	403,127	419	403,546
US dollar	3,491	385	3,876
Total	417,684	814	418,498
2012			
Australian dollar	36,833	-	36,833
Euro	12,264	(1,009)	11,255
Hong Kong dollar	4,566	-	4,566
Norwegian krone	2,303	-	2,303
UK sterling	357,172	12,653	369,825
US dollar	16,301	187	16,488
Total	429,439	11,831	441,270

Interest rate risk

The Fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Sensitivity analysis

A sensitivity analysis has not been provided as there has been no derivative activity undertaken during the year.

Distribution table for the year ended 31 August 2013 (in pence per share)

Final dividend distribution (accounting date 31 August 2013, paid on 31 October 2013)

	Net revenue	Distribution paid 31/10/2013	Distribution paid 31/10/2012
Class A accumulation	1.1291	1.1291	0.3627
Class C accumulation	63.0063	63.0063	7.2974
Class I accumulation	3.8382	3.8382	2.3141
Class Z accumulation	1.1640	1.1640	2.0207

Final dividend distribution in Euro cents per share (accounting date 31 August 2013, paid on 31 October 2013)

	Net revenue	Distribution paid 31/10/2013	Distribution paid 31/10/2012
Class A Euro accumulation*	n/a	n/a	1.2743
Class I Euro accumulation*	n/a	n/a	11.7697

*Class A Euro and Class I Euro closed 5 April 2013.

Shareholder enquiries

If you have any queries about your fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling units please telephone at local rate: **0845 608 8703**

The following lines are also available:

Client Services: 0800 832 832

or you can contact us via e-mail at **support@henderson.com**

We may record telephone calls for our mutual protection and to improve customer service.



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