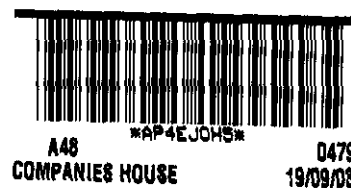


31506

Henderson Electric and General Investment Trust plc

Report and Accounts for the year ended 31 May 2003



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Henderson Electric and General Investment

Trust plc is an international portfolio of companies selected for their prospects of above average capital growth.

Investment strategy	Global trends are reviewed by the manager and the directors at board meetings and a framework established for the geographical deployment of assets, the level of gearing and currency exposure.
Stock selection	Stocks are selected from the universe of small, medium and large companies. The principal criteria include the strength of the business franchise; the growth potential of the markets in which they operate; the level of cash generation and the commitment of management.
Focused growth approach	The Company's clear objective is to focus on companies capable of significant growth.

Financial Highlights

	31 May 2003 in pence	31 May 2002 in pence
Per ordinary share		
Net asset value	266.60	337.54
Earnings per share	5.11	4.56
Dividends – interim plus final	4.40	4.20
Share price	214.00	286.00

Performance

	1 year base 100	3 years base 100	5 years base 100
Total return per ordinary share			
Net asset value [†]	80.19	52.30	73.90
Peer group category			
size-weighted average [†]	79.83	65.04	83.33
FTSE All-Share Index [#]	82.41	71.11	80.35
FTSE All-World Index	81.14	63.82	90.05

[†]Source: AITC – Total return, net dividends reinvested and transaction costs excluded.

[#]Source: AITC – Total return, gross dividends reinvested to July 1997. Thereafter net dividends reinvested.

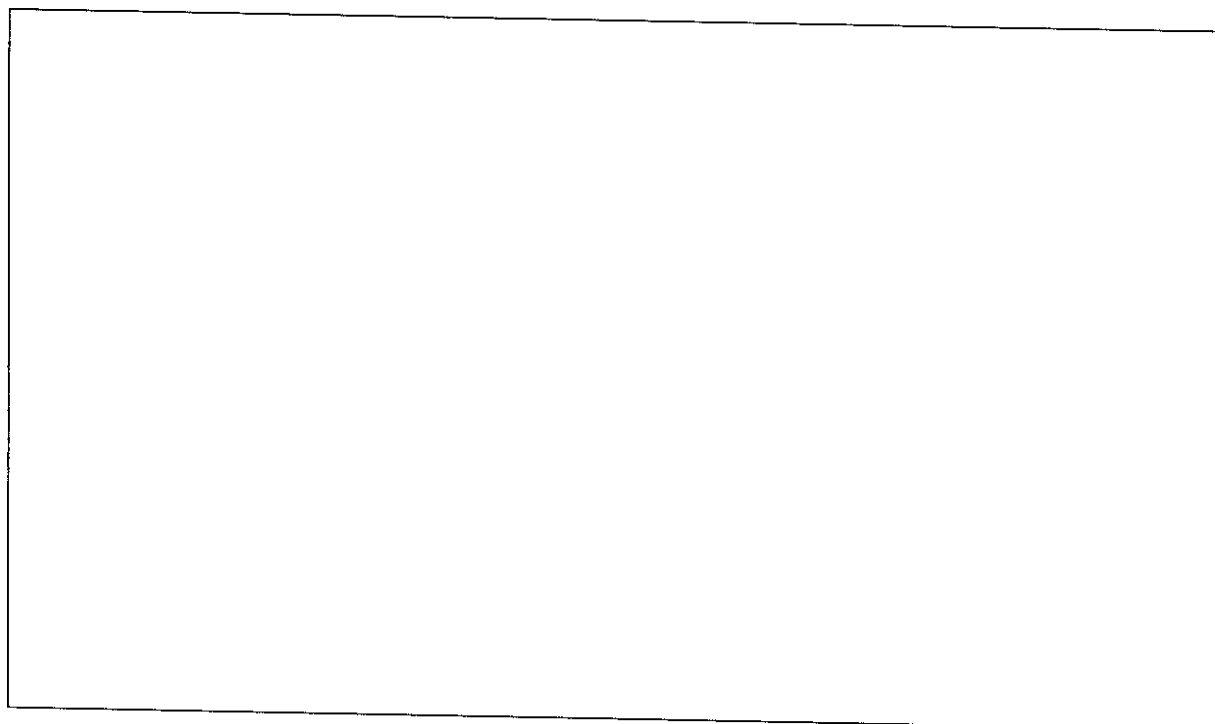
Historical Record

Year to 31 May	Total assets less current liabilities in £'000	Net asset value per ordinary share in pence	Mid-market price per ordinary share in pence	Discount/ (premium) %	Gross revenue in £'000	Earnings per ordinary share in pence	Dividend per ordinary share in pence
1993	175,228	185.8	161.50	13.1	5,200	3.21	3.10
1994*	199,745	212.9	190.50	10.5	5,479	3.43	3.20
1995	204,829	218.5	200.50	8.2	6,014	3.76	3.35
1996	267,089	276.8	249.50	9.9	7,175	4.63	3.65
1997	289,170	302.7	274.50	9.3	7,093	4.30	3.80
1998	350,811	380.1	358.25	5.8	7,660	4.85	4.00
1999*	373,616	394.0	348.50	11.6	6,903	5.39	4.00
2000	501,786	526.5	468.00	11.1	5,566	3.61	4.00
2001	413,998	419.7	399.00	5.0	6,836	4.72	4.00
2002	319,248	337.5	286.00	15.3	6,374	4.56	4.20
2003	248,701	266.6	214.00	19.7	6,430	5.11	4.40

*Restated for changes in accounting policies.

Growth in Net Asset Value and Share Price (excluding dividends)

for the ten years from 1 June 1993 to 31 May 2003 (1 June 1993 = base 100)



Directors

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*L C N Bury

(Age 64) Appointed to the Board in 1995. Chairman of South Staffordshire Group plc, a director of The Sage Group plc and Service Power Technologies plc.

C D Palmer-Tomkinson

(Age 61) Appointed to the Board in 1983. Retired from Cazenove in April 2002.

R W Smith

(Age 52) Appointed to the Board in 1992. Director of Henderson Strata Investments plc.

*R A F McClean

(Age 65) Appointed to the Board in 1993. Former Chief Executive of the International Herald Tribune and a director of Merrill Lynch European Investment Trust plc.

*J D W Pocock

(Age 43) Appointed to the Board in 1999. Former Chief Executive of Druid Group Plc. Previously worked with IBM and Andersen Consulting.

*J G Ruffer

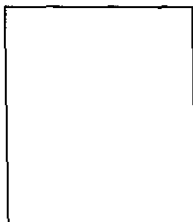
(Age 51) Appointed to the Board in 2001. Chief Executive of Ruffer Investment Management Limited.

G P Aherne

(Age 57) Appointed to the Board on 8 April 2003. Previously was a director of Schroder Investment Management Limited and a non-executive director of PR1 Group plc.

*Independent director and member of the Audit and Management Engagement Committees which are chaired by Mr Bury.

The Management Team



Richard Smith

Richard has managed the UK portfolio of Henderson Electric and General since 1986 and was appointed a director in 1992 assuming overall responsibility for the Company's investments in early 1993. Richard is a director of one other investment trust company and is actively involved in the day to day management of it. He specialises in the UK with an emphasis on smaller companies.

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Ann Hall

Ann took over responsibility for the North American portfolio in 2002. She also manages other US funds including the Henderson American Smaller Companies Fund and the North American portfolio of Henderson Strata Investments plc.

Michael

Wood-Martin
Michael has covered the Japanese stockmarket since he joined Henderson in 1987. After spending a four year period in Henderson's Tokyo office he returned to London in 1995. He took over the running of Henderson Electric and General's Japanese portfolio in 1997.

Tim Stevenson

Tim has specialised in European investment for over seventeen years. He is a director of Henderson EuroTrust plc. He has managed Henderson Electric and General's European portfolio since 1992.

William Pitman

William joined the management team in 1995. He is a specialist in the Pacific region. He is also Deputy Manager of Henderson Far East Income Trust plc and Henderson TR Pacific Investment Trust plc.

Katherine Orrell ACIS

Katherine is the appointed representative of Henderson Secretarial Services Limited, the corporate Company Secretary.

Chairman's Statement

It has been another year of falling markets with the FTSE All-World Index down 20.6% and the FTSE All-Share Index 20.5% lower for the year ending 31 May 2003. Our net asset value per share has fallen 21.0% over the same period. Our performance in capital terms almost matched the indices while we have been able to improve significantly the income position. This enables us to increase further our dividend and we are recommending a final payment of 2.55p which, if approved at the Annual General Meeting, will be paid on 19 September. Since the low point in March world markets have rallied strongly and in recent weeks we have been outperforming our benchmark index.

We have taken advantage of considerable turmoil in the major world currencies with a redeployment of our liquid funds. We invested in French and German government bonds and switched some of the cash into euros which we perceived to be the main beneficiary of a weakening US dollar and we borrowed US\$7,500,000 as protection for our US holdings against further dollar depreciation. A further part of the cash was invested in Australian bonds given the attractive yields and good prospects for the currency there.

Over the year interest rates have been repeatedly reduced as governments have sought to stimulate their economies. These reductions did not stop further falls in share prices which have been more responsive to the lack of confidence displayed by both the corporate sector and individual consumers. The falls in leading shares were compounded by the well-publicised problems of UK insurance companies and pension funds who have been forced sellers in order to comply with solvency requirements. The Iraq war and the concern over Sars have been additional bearish factors which have only recently begun to recede.

We were delighted Gerry Aherne was able to join the Board in April. He brings a wealth of experience in investing across global markets.

Prospects

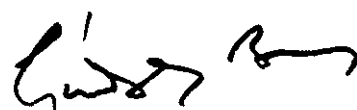
While economic data remain mixed the mood of investors has undoubtedly improved. This has been helped by better company results in the US for the first quarter of 2003 with the hope of improving forecasts for the rest of the year. Other factors including tax

incentives for US companies to increase payouts to shareholders, a rise in merger and acquisition activity and the good reception to a number of new issues has also helped sentiment.

The Pacific markets should also benefit from improving confidence in the US recovery and Japan has already seen profits growth boosted by company restructuring. We are hopeful that our current position in Japan will help performance in the current year. Companies in Continental Europe are having to cope with the strong euro and for them any significant rise in profits is further away. Nevertheless valuations are low and it would only take a small improvement in sentiment for the buyers to return. In the UK we are seeing some upgrades in earnings forecasts which could provide the basis for a further rise in share prices in due course. It has been the smaller companies which have led the rally from the low levels reached in March and there remains scope for further recovery from this sector where valuations are less demanding. We shall continue to focus on growth companies particularly those which have suffered short term weakness but look set to resume an upward trend.

Our central objective remains to invest in growth companies wherever they can be found and we intend in due course to reduce our cash and bond holdings and invest further in the market.

L C N Bury
Chairman
10 July 2003



United Kingdom Portfolio

Review

The UK market recorded another fall last year despite a sharp recovery in share prices from a low point in early March. One of the worst performing sectors was life assurance which produced a negative total return of 32% as concerns over their solvency ratios were triggered by the weak stock markets. Technology and media shares also produced negative returns but both have bounced strongly with the market. Over the year telecommunications companies recovered well helped by more encouraging news from **Vodafone** and some of the alternative communications providers.

Portfolio Activity

We have big holdings in a selected number of mid-capitalisation companies because we believe that they will produce good returns for shareholders and be the driving force for the portfolio. In the past year the three biggest, **Cobham**, **MFI** and **Galen**, have outstripped the FTSE All-Share Index.

New additions to the portfolio below the top 100 companies include **Serco**, **Premier Farnell** and **ARM**.

Serco has an enviable track record in facilities management focused principally on the public sector where the underlying growth is high.

£'000			% of total portfolio	£'000			% of total portfolio
*9,275	Vodafone	mobile telephone operator	4.0	3,176	BT	telecommunications	1.4
*8,360	BP	oil exploration and production	3.6	2,986	Northern Rock	banking	1.3
*6,628	GlaxoSmithKline	pharmaceuticals	2.8	2,826	Hiscox	Lloyds corporate underwriter and specialist insurance	1.2
*5,614	Shell Transport & Trading	oil exploration and production	2.4	2,470	Prudential	insurance	1.1
*5,279	Galen	pharmaceuticals	2.3	2,288	BPB	plasterboard production	1.0
*5,044	Cobham	aerospace and specialist engineering	2.2	2,241	Land Securities	property	1.0
*4,470	MFI Furniture	furniture retailer	1.9	2,226	AstraZeneca	pharmaceuticals	1.0
*3,963	Royal Bank of Scotland	banking	1.7	2,180	National Express	national operator of buses and trains	0.9
*3,846	Sage Group	computer software	1.6	2,118	Hanson	building materials	0.9
*3,677	HSBC	banking	1.6	2,075	Interserve	services for construction and related industries	0.9
3,588	Rio Tinto	mining	1.5	2,074	BAA	airport management	0.9
3,560	HBOS	banking	1.5	2,001	Smiths	aerospace and medical equipment	0.9
3,507	Reed Elsevier	publishing	1.5				
3,264	Unilever	food production	1.4				

Premier Farnell, which distributes electronic components and equipment internationally, is very sensitive to economic activity and will be an early beneficiary of recovery. In addition, the group is making progress by taking market share through increasing service performance and introducing new products.

We have bought back a small holding in **ARM**, a designer of specialist microprocessors and related systems. Again the company will be at the forefront of any pick up in general economic activity.

Outlook

The recovery in share prices since 12 March has been broadly based and led by smaller companies. There are encouraging signs of confidence returning with takeover activity picking up and a few new issues appearing with Benfield, a reinsurance broker, being well received. It seems likely interest rates will be reduced again in the next few months and this should give a further boost to share prices as investors look to improve on the low returns from cash.

We continue to look for strong growth companies, well placed to expand their market share through new products, new services or lower selling prices financed by reducing costs.

£'000			% of total portfolio	£'000			% of total portfolio
1,935	Barclays	banking	0.8	550	Henderson Strata	investment trust	0.2
1,732	Premier Farnell	electronic components	0.7	501	PizzaExpress	pizza restaurants	0.2
1,496	Imperial Chemical Industries	chemicals	0.6	498	Diagonal	computer software installation	0.2
1,462	Capital Radio	local radio	0.6	459	ARM	microprocessor design	0.2
1,447	Taylor & Francis	scientific journals and books	0.6	430	ITNET	computer systems management	0.2
1,415	Wimpey (George)	housebuilding	0.6	411	GWR Group	local radio	0.2
1,210	Imperial Tobacco	tobacco	0.5	*408	Herald Ventures	technology and media	
1,170	Capita	business process outsourcing	0.5			venture fund	0.2
1,160	British Sky Broadcasting	media	0.5	*398	Ubinetics	wireless technology	0.2
1,050	Serco	support services	0.5	245	Amerindo Internet Fund	investment trust	0.1
1,035	Legal & General	insurance	0.4	*159	Henderson Unquoted		
940	Xansa	business process and IT services	0.4		Growth Equities	unquoted investment fund	0.1
897	BTG	technology patents and licences	0.4				
724	Next	clothes retailing	0.3				
				120,468			51.7

*Unquoted investments

*Included in the top ten equity investments by value

North America Portfolio

Review

The S&P 500 fell by 9.7% in the year to the end of May 2003. The past year has been particularly turbulent as equities slumped by 20.5% to March, before staging a sharp post Iraq rally of 13.6%.

The US economy struggled throughout last year. Demand remained very weak and the ISM survey, a measure of manufacturing activity, signalled the possibility of a fall back into recession. Iraq and the uncertainty over the war unsettled the economy and a spike in oil prices to over \$40 per barrel choked off growth.

The corporate sector continued to be beset by falling profits and accountancy scandals which culminated in the WorldCom bankruptcy in June, the largest ever. In an effort to bolster investor confidence, the administration passed the Sarbanes-Oxley act which required officers of major corporations to validate their accounts.

One of the few bright spots in the US remained the robustness of the consumer who continued to take advantage of low interest rates to buy new houses and cars.

Portfolio Activity

The emphasis within the portfolio was to buy companies which have the ability to grow profits against the backdrop of the worst profits recession in history. To that end, we purchased **Amgen**, the largest biotechnology company in the world.

During last year, Amgen successfully launched two new products and has a promising pipeline which should enable the company to grow profits in excess of 20%, over the next 3-5 years. Financials is an area where we reduced our underweight exposure by purchasing **Lehman Brothers**, the investment bank.

Despite the market slump Lehman Brothers has managed to grow profits handsomely, as its fixed income division profits have been propelled by the strength in the bond markets.

£'000		% of total portfolio	£'000		% of total portfolio
1,557	Pfizer	0.7	758	First Data	0.3
1,445	Exxon Mobil	0.6	742	Dollar General	0.3
1,442	Microsoft	0.6	736	Wachovia	0.3
1,352	Citigroup	0.6	711	Amgen	0.3
1,139	General Electric	0.5	701	Intel Corp	0.3
1,091	Home Depot	0.5	695	Coca-cola	0.3
1,075	Royal Bank of Canada	0.5	679	Bank Of America	0.3
1,041	Medtronic	0.5	668	Molex	0.3
1,028	Wal-Mart Stores	0.4	650	AmeriSourceBergen	0.3
979	Johnson & Johnson	0.4	643	Marsh & McLennan	0.3
810	Tyco International	0.3	616	Procter & Gamble	0.3
792	United Technologies	0.3	604	AOL Time Warner	0.3
787	Lehman Brothers	0.3	593	Schlumberger	0.3
781	Strykar	0.3	572	United Parcel Service	0.3
	pharmaceuticals			information processor	
	oil & gas			retailer	
	computer software			banking	
	diversified financials			bio-technology	
	electrical equipment			semiconductors	
	d-i-y retailer			beverages	
	banking			banking	
	medical instruments			electrical equipment	
	retailer			healthcare providers & services	
	healthcare supplies			insurance broker	
	diversified industrial			household products	
	diversified industrial			media	
	broker			energy supplies	
	orthopedic equipment			courier	
	manufacturers				

Outlook

The market has already rallied sharply from its lows and may pause in the short run. However, post Iraq there are tentative signs that the economy may start to recover. The consumer, the backbone of the US economy, should remain robust as he will continue to benefit from mortgage re-financing. Furthermore, the recent tax cut package will add further stimulus to the economy. The Federal Reserve is also likely to cut interest rates again in an effort to jump-start growth.

The outlook for the corporate sector remains muted but recent tightening of credit spreads has enabled companies to start to repair damaged balance sheets. The recent slide in the dollar should also help to improve US competitiveness and boost corporate profits.

In conclusion, whilst the long term outlook for the US market is still uncertain, near term there are tentative signs that the economy and corporate profits growth may recover. Valuations within the market are still reasonable and against this backdrop we believe that equities can make gains over the coming year.

£'000			% of total portfolio	£'000			% of total portfolio
549	Cisco Systems	<i>data networking</i>	0.2	420	Disney (Walt)	<i>media</i>	0.2
544	Electronic Arts	<i>electronic games</i>	0.2	417	Viacom	<i>media</i>	0.2
536	Hewlett Packard	<i>computers & peripherals</i>	0.2	395	EOG Resources	<i>exploration & production</i>	0.2
515	Coca-Cola Enterprises	<i>beverage bottler</i>	0.2	377	Emulex Corp	<i>storage technology</i>	0.2
504	Altria	<i>tobacco</i>	0.2	354	Gilead Sciences	<i>bio-tech</i>	0.2
497	Clear Channel Communications	<i>radio</i>	0.2	349	Northern Trust	<i>banking</i>	0.1
481	Alcon	<i>healthcare supplies</i>	0.2	341	Omnicom	<i>advertising</i>	0.1
477	Dell Computers	<i>computer systems</i>	0.2	325	Block (H & R)	<i>tax services</i>	0.1
439	SLM	<i>student lending</i>	0.2	306	Autozone	<i>retailer</i>	0.1
433	Medimmune	<i>biotech</i>	0.2	283	Sysco	<i>foodservice distributor</i>	0.1
423	Novellus Systems	<i>semi-conductor capital equipment</i>	0.2	250	Texas Instruments	<i>semi-conductors</i>	0.1
423	CDW Computers Centers	<i>technology wholesaler</i>	0.2				
				34,325			
							14.7

Continental Europe Portfolio

Review

There has been a flow of bad news on European economies and companies over the last twelve months and European markets have suffered from the battering by these headwinds. The FTSE Europe (ex UK) Index has fallen by just over 19% in sterling terms over the twelve months.

News on the economic front has continued to be poor. Germany is almost certainly close to deflation, and most European economies would have appreciated a faster cut in rates by the European Central Bank, and no growth and stability pact. However interest rates have been cut sharply and may fall further. Growth should be slightly better over the next few months. It has become fashionable to be very critical of all things European, and while some criticism is certainly justified, the situation is not as bad as some suggest.

Portfolio Activity

The weight in Continental Europe has fallen to 14.2% of the Company, excluding the bond exposure. The number of European holdings has also fallen further, to just 23 from 26 a year ago. Our approach has been consistent for some time – namely to try to invest in good quality, reliable growth companies at a reasonable rating compared with their true growth rate.

We have sold **TDC** – the Danish telecom operator, but have a position now in **France Telecom**, where the new management is acting decisively to restore strength and credibility. We have also sold **Adecco**, the temporary employment agency, on concern over the high rating and poor economic outlook. For similar

£'000		% of total portfolio	£'000		% of total portfolio
4,251	France (Govt of) 5.75%		1,501	Henderson European	
	25/10/2032	fixed interest		Smaller Companies Fund	unit trust
3,692	Deutschland (Rep of) 4.75%		1,436	Novartis	pharmaceuticals
	4/07/2028	fixed interest	1,319	Philips Electronics	electronics
2,375	Dampskip Svendborg	shipping and oil	1,308	Fraport	airport operator
2,110	Deutsche Boerse	stock market operator	1,239	Essilor	spectacles
2,030	Alleanza	insurance	1,186	ING Groep	banking & insurance
1,779	ISS International	cleaning services	1,158	Sandvik	engineering
1,666	Fresenius	healthcare	1,071	Sodexho Alliance	catering services
1,582	Deutsche Post	support services (post and logistics)	1,064	Fortis	banking and insurance
			1,056	France Telecom	telecommunications
1,519	Total	oil	1,036	TPG	support services (post and logistics)
1,508	Altana	pharmaceuticals			

reasons we sold **Preussag** the leisure and energy conglomerate in Germany that changed its name to Tui during the year. We also locked in a good profit on our long held **Ryanair**.

In terms of new additions we have been more cautious. In recent months the market has chosen to perceive most disaster stocks (such as ABB, Ericsson and many areas of technology) as cut and dried recovery stories without any risk. We have been too reticent on these and have missed some shorter term opportunities.

Outlook

There are as many uncertainties affecting the European area as a year ago. Earnings forecasts are perhaps more secure as confidence grows that economic growth will recover later this year, but the sharp rally in the euro is a further headwind for many European companies. Valuations are low compared with both historical levels and certainly the US market, but it is difficult to see where the immediate impetus for higher share prices could come from.

The encouraging point is from companies themselves. With low growth and low inflation likely to be the hallmark of the next few years, European companies realise that they cannot rely on anyone else to help them improve their profitability. It is clear that this has started and it is now a question of vigilant patience.

£'000			% of total portfolio
986	Capio	healthcare (hospital operator)	0.4
719	Elior	catering services	0.3
706	Swiss Reinsurance	reinsurance	0.3
<u>38,297</u>			<u>16.4</u>

Emerging Markets Portfolio

£'000			% of total portfolio
1,149	Henderson Horizon Global		
	Emerging Markets	offshore fund	0.5
<u>1,149</u>			<u>0.5</u>

Japan Portfolio

Review

Despite a recovery in industrial activity, which has tended to support a rising stock market in the past, equities fell for a third consecutive year as stock markets around the world declined on fears of recession. Bond yields reached record lows and equities hit a twenty year trough, while the yen depreciated against sterling although appreciated against the US dollar. Defensive sectors were amongst the better performers as investors sought refuge in stocks not reliant on economic activity while both technology and telecom stocks performed poorly. Smaller capitalised stocks fared better than larger issues, partly as a result of an increase in passive style equity investment.

Portfolio Activity

The position in Japan was reduced mid way through the period as Japanese equities had outperformed other markets, albeit by declining at a less rapid pace. The performance of the Japanese portfolio was disappointing, largely because growth stocks fared poorly. Nevertheless the portfolio did have some winners, **Canon** being the stand out example which is currently the largest position in the Japanese portfolio. The overall emphasis of the Company remains the same and is biased towards the service and technology sectors.

Outlook

Last year I wrote that the outlook for the Japanese stock market was improving on the basis of an anticipated improvement in the economy. Although activity recovered and profits rose, this positive development was not reflected in stock prices. The result is that Japanese stocks are now as cheap as they have been for many years with the main market trading below 20 times forecast price earnings ratio while bonds yield less than half of one percent. The attraction of equities is clear and for this reason we have maintained a meaningful commitment to the Japanese market. The recent rises in overseas markets, which tend to have a lagged but beneficial effect on Japanese equities, have begun to push stocks higher. This move should encourage domestic investors back into the equity market.

£'000			% of total portfolio	£'000			% of total portfolio
2,231	Canon	electronics	1.0	1,286	Takefuji	finance	0.5
2,027	NTT Docomo	communications	0.9	1,259	Toshiba	electronics	0.5
1,756	Nippon Telegraph & Telephone	communications	0.7	1,254	Pioneer	electronics	0.5
1,569	Toppan Printing	commerce	0.7	1,090	Sony	electronics	0.5
1,559	Secom	security services	0.7	963	Mitsubishi Tokyo Financial	banking	0.4
1,448	Kyocera	electronics	0.6	928	Tokyo Broadcasting Systems	communications	0.4
1,409	Daiwa Securities	stockbroker	0.6				
1,395	Ito-Yokado	retailer	0.6	21,515			9.2
1,341	Bridgestone	rubber products	0.6				

Pacific Portfolio

Review

The Pacific stock markets continued to correlate closely with the major Western stock markets during the period under review, falling in aggregate by 22.3%. Within the region both Australia and New Zealand substantially outperformed, reflecting the robustness of their respective economies as well as considerable currency appreciation. In Asia stock markets suffered from the impact of subdued global growth on their export-dependent economies and were latterly hit by concerns over the transmission of the Sars virus. The South East Asian markets performed relatively well, reflecting the more positive terms of trade, notably in Thailand where there has been a sharp upturn in economic activity.

Portfolio Activity

Over the period the stance within the Pacific portfolio became increasingly cautious. This was reflected principally in an increase in the weighting towards Australia at the expense of Asia. New holdings in Australia included telecom operator **Telstra** and packager **Amcor**. These purchases were funded by reducing a number of positions in Asia and selling outright holdings in **Sun Hung Kai Properties**, **Swire Pacific** and **Asustek Computer**. Latterly the stance became slightly more aggressive witnessed in a trimming of the Australian weighting and the acquisition of **Compal Electronics**, a notebook manufacturer, in Taiwan.

Outlook

Although lagging somewhat due to the legacy of the Sars virus, Pacific stock markets have rallied strongly from March lows. Like their global peers, this move has been justified by the prospect of economic recovery on the back of US led reflation. In addition, falling risk aversion has been supportive of a rerating of equities.

This rerating should favour Asian equities given their perceived higher risk and relatively attractive valuations, and thus there is scope for further upside. Fund flows within the region are likely to favour North Asia, with China remaining an important engine of growth. Taiwan should gain from incrementally better demand for technology, while Korea is geared to a recovery in global activity. Australia is expected to lag in this scenario, although further currency strength would remain supportive.

If this recovery disappoints, Pacific equities should be relatively well supported given undemanding valuations and the strength of balance sheets.

£'000			% of total portfolio	£'000			% of total portfolio
1,654	Westpac Banking	banking	0.7	1,046	Compal Electronics	technology	0.5
1,476	Australia (Govt of) 5.75%			1,020	United Overseas Bank	banking	0.4
	15/06/2011	fixed interest	0.6	928	Cheung Kong	property	0.4
1,268	Queensland Treasury Corp 6%			900	Amcor	packaging	0.4
	14/06/2011	fixed interest	0.6	879	KT Corporation	telecommunications	0.4
1,175	Taiwan Semiconductor	technology	0.5	781	Hang Seng Bank	banking	0.3
1,156	News Corporation	media	0.5	748	Chinatrust Financial	banking	0.3
1,147	Samsung Electronics	technology	0.5	525	Siam Commercial Bank	banking	0.2
1,116	China Mobile (HK)	telecommunications	0.5	519	Kookmin Bank	banking	0.2
1,098	BHP Billiton	mining	0.5				
				17,436			7.5

Analysis of Investments

as at 31 May 2003

		United Kingdom %	North America %	Continental Europe & Emerging Markets %	Japan %	Far East %	Total 2003 %	Total 2002 %
Resources (9.7%)	Mining	1.6	-	-	-	0.5	2.1	2.0
	Oil & Gas	6.0	1.0	0.6	-	-	7.6	8.2
		7.6	1.0	0.6	-	0.5	9.7	10.2
Basic Manufacturers (4.3%)	Chemicals	0.7	0.5	0.6	-	-	1.8	-
	Construction & Building Materials	2.5	-	-	-	-	2.5	2.5
		3.2	0.5	0.6	-	-	4.3	2.5
General Industrials (8.7%)	Aerospace & Defence	3.0	-	-	-	-	3.0	2.8
	Diversified Industries	-	-	-	0.6	-	0.6	1.0
	Electronic & Electrical Equipment	-	-	0.6	3.1	0.4	4.1	6.8
	Engineering & Machinery	-	0.5	0.5	-	-	1.0	0.5
		3.0	0.5	1.1	3.7	0.4	8.7	11.1
Cyclical Consumer Goods (0.1%)	Automobiles	-	0.1	-	-	-	0.1	0.4
	Household Goods & Textiles	-	-	-	-	-	-	0.8
		-	0.1	-	-	-	0.1	1.2
Non-Cyclical Consumer Goods (14.5%)	Beverages	-	0.5	-	-	-	0.5	0.9
	Food Producers & Processors	1.4	-	-	-	-	1.4	1.3
	Health	-	2.8	1.7	-	-	4.5	2.6
	Pharmaceuticals	6.1	-	1.3	-	-	7.4	7.1
	Tobacco	0.5	0.2	-	-	-	0.7	-
		8.0	3.5	3.0	-	-	14.5	11.9
Cyclical Services (20.6%)	Distributors	0.8	-	-	-	-	0.8	1.0
	General Retailers	2.2	1.4	-	0.6	-	4.2	3.4
	Leisure, Entertainment & Hotels	0.2	0.2	-	-	-	0.4	2.0
	Media & Photography	3.4	0.4	-	1.1	0.5	5.4	6.8
	Support Services	2.2	-	2.9	0.7	0.4	6.2	7.7
	Transport	1.8	0.2	1.6	-	-	3.6	2.9
		10.6	2.2	4.5	2.4	0.9	20.6	23.8
Non-Cyclical Services (8.9%)	Food & Drug Retailers	-	-	-	-	0.5	0.5	2.1
	Telecommunications Services	5.3	0.2	0.4	1.6	0.9	8.4	6.2
		5.3	0.2	0.4	1.6	1.4	8.9	8.3
Utilities (0.0%)	Electricity	-	-	-	-	-	-	0.2
		-	-	-	-	-	-	0.2
Information Technology (7.4%)	Information Technology Hardware	0.4	0.6	-	-	-	1.0	3.4
	Software & Computer Services	2.5	3.4	-	-	0.5	6.4	4.1
		2.9	4.0	-	-	0.5	7.4	7.5
Financials (21.2%)	Banking	6.9	2.7	-	0.4	1.9	11.9	10.8
	Insurance	1.2	-	1.3	-	-	2.5	2.8
	Life Assurance	1.5	-	0.9	-	-	2.4	3.4
	Investment Companies	0.3	-	1.1	-	-	1.4	1.4
	Real Estate	1.0	-	-	-	0.4	1.4	1.8
	Speciality & Other Finance	0.2	-	-	1.1	0.3	1.6	3.1
		11.1	2.7	3.3	1.5	2.6	21.2	23.3
Fixed Interest (4.6%)	Bonds	-	-	3.4	-	1.2	4.6	-
		-	-	3.4	-	1.2	4.6	-
Total 2003		51.7	14.7	16.9	9.2	7.5	100.0	
Total 2002		49.4	17.6	15.1	12.3	5.6		100.0

There are no convertible securities in the portfolio

Report of the Directors

The directors present their report and the audited accounts of the Company for the year ended 31 May 2003.

Status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. The Company is required to seek Inland Revenue approval of its status as an investment trust under the above mentioned Section 842 every year and this approval will continue to be sought. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 May 2002, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval.

Activities and Business Review

A review of the business is given in the Chairman's Statement on page 5 and the portfolio reviews on pages 6 to 13.

Assets

At 31 May 2003 total net assets were £236.60m (2002: £301.23m) and the net asset value per ordinary share was 266.6p (2002: 337.5p), a decrease of 21.0% in the year.

Revenue and Dividends

Earnings per ordinary share amounted to 5.11p (2002: 4.56p). Net revenue for the year after taxation and available for the ordinary shareholders was £4,555,000 (2002: £4,216,000). An interim dividend of 1.85p (2002: 1.85p) per ordinary share was paid on 3 February 2003 and the directors recommend that a final dividend of 2.55p (2002: 2.35p) per ordinary share be paid on 19 September 2003 to shareholders on the register of members on 1 August 2003 making a total dividend for the year of 4.40p (2002: 4.20p) per ordinary share.

Directors

All of the directors of the Company shown on page 4, held office throughout the year under review with the exception of Mr G P Aherne who was appointed a director on 8 April 2003. At the forthcoming Annual General Meeting (AGM), in accordance with the Articles of Association and corporate governance procedures, Mr C D Palmer-Tomkinson and Mr R W Smith will retire by rotation and, being eligible, offer themselves for re-election. As Mr G P Aherne was appointed during the year, in accordance with Articles of Association, he will offer himself for election at the AGM.

Mr R W Smith is an executive of Henderson Global Investors Limited, the Management Company.

Mr C D Palmer-Tomkinson retired as a managing director in the corporate finance department of Cazenove on 30 April 2002. Cazenove is one of the stockbrokers through which the Company buys, sells and lends investments on an arm's length basis in the normal course of business. Subject to these exceptions, no director was a party to, or had an interest in, any contract with the Company, at any time during the year, or subsequent to the date of this report. No director has a service contract with the Company.

Directors' Interests

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

	31 May 2003	1 June 2002
Ordinary Shares		
Beneficial:		
L C N Bury	50,000	50,000
G P Aherne*	0	0
C D Palmer-Tomkinson	50,000	59,700
R A F McClean	20,500	20,500
J D W Pocock	18,477	18,477
J G Ruffer	3,000	3,000
R W Smith	60,672	60,672
Non-Beneficial:		
R W Smith	1,400	1,400

*at 8 April 2003.

There have been no changes in the interests of the directors since the year end and the date of this report. No director holds any interest in the debenture stock of the Company.

Substantial Share Interests

The following have declared a notifiable interest in the issued ordinary share capital as at 1 July 2003:

	Number of shares	Percentage
Aberdeen Asset Managers*	4,860,000	5.49
Merchant Investors Assurance Company Limited	3,561,327	4.03
Legal & General	3,362,937	3.80
Advance UK Trust	3,036,351	3.43
Barclays plc	2,741,408	3.10
*(discretionary managed clients)		

Management Company

Investment management, accounting, company secretarial, administrative and UK custody services are provided to the Company by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") and BNP Paribas Fund Services UK Ltd formerly Cogent Investment Operations Limited.

Report of the Directors

continued

The management fee arrangement for the year under review was 0.45% on the first £400 million of assets, 0.35% on the next £300 million of assets and 0.30% on assets in excess of £700 million. The base management fee was calculated quarterly based on the average of the net chargeable assets on the last day of the relevant quarter and the corresponding quarter in the previous year. The market value of the holding in the Henderson managed investment trust is deducted from the amount used as a basis for calculating the management fee payable to Henderson. Fees earned by Henderson on the Company's holdings in Henderson managed unit trust and offshore funds are deducted from the management fee payable to Henderson.

A performance fee was introduced with effect from 1 June 2000. The performance fee would be 15% of any outperformance of the Company's net assets over the chosen benchmark, (50% of the performance of the FTSE All-Share Index and 50% of the FTSE All-World Index, both on a total return basis, plus 2 percentage points), capped at 0.3% of net chargeable assets at the relevant year end, subject to a limit of £2 million. If in any period the Company's total investment return underperformed its benchmark, no performance fee would become payable in subsequent periods until such underperformance had been made good in full. To the extent that there was any unpaid performance over and above the capped amount then the unutilised performance may be carried forward. The performance carried forward may only be used to offset underperformance and not to enhance outperformance. The carry forward is limited to three years. No performance fee was payable in respect of the year under review.

The notice period for termination of the management agreement is twelve months.

Henderson uses certain services which are paid for or provided by various brokers. In return, it places business, which may include transactions relating to the Company, with these brokers.

In the expectation that returns will continue to come more from capital appreciation than from income, the Company charges 75% of its interest payable and management fee (as far as it relates to the maintenance of or enhancement in the value of investments) to capital. All performance fees will be charged to capital.

ISAs/PEPs

The Company is eligible for inclusion within an Individual Savings Account (ISA) and remains eligible for existing

Personal Equity Plans (PEP). It is also possible to transfer existing PEP funds into the Company.

Payment of Suppliers

It is the payment policy for the financial year to 31 May 2004 to obtain the best terms for all business and, therefore, there is no consistent policy as to the terms used. In general, the Company agrees with suppliers the terms on which business will take place and it is our policy to abide by those terms. There were no trade creditors at 31 May 2003.

Registered Auditor

Ernst & Young LLP have expressed their willingness to continue in office as the Company's registered auditor. A resolution to re-appoint Ernst & Young LLP as the Company's auditor and to authorise the directors to determine their remuneration will be put to the forthcoming AGM.

Nominee Code

Where shares are held in nominee companies the Company undertakes:

- to provide to nominee operators, who have indicated in advance a wish to receive them, copies of shareholder communications to distribute to their customers;
- to encourage nominee operators to advise investors that they may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors in the Henderson Investment Trust Share Plan and Henderson ISAs/PEPs receive all shareholder communications, an invitation to the Annual General Meeting and a letter of direction to facilitate voting.

Statement of Directors' Responsibilities in Respect of the Accounts

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of

Report of the Directors

continued

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

Going Concern

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

Annual General Meeting

The notice for the Annual General Meeting ("AGM") can be found on pages 37 and 38. There are three items of special business to be considered:

Authority to Allot Shares (Ordinary Resolution 8) and Disapply Pre-emption Rights (Special Resolution 9)

The directors are seeking authority to allot authorised but unissued shares in the Company, equivalent to 5% of the Company's issued shares.

The directors are also seeking authority to issue shares equivalent to up to 5% of the Company's issued shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. These powers will only be used if the allotment price is greater than the Net Asset Value per share.

The powers to allot shares would only be used by the directors if they believe that to do so would be advantageous to the Company's existing shareholders. The directors have no intention of using the authority at the present time.

Authority to Make Market Purchases of the Company's Own Shares (Special Resolution 10)

At the AGM held in September 2002, the Company was authorised to make market purchases up to 13,293,757 of the Company's own issued shares for cancellation.

During the year the Company made market purchases for cancellation of 500,000 shares, with a nominal value of £25,000 and representing 0.6% of the number of shares in issue at 31 May 2002. The aggregate consideration paid for the shares was £976,000. The shares were bought at an average discount of 19.6% and the reason for the buybacks was to enhance net asset value per share.

Since the 31 May 2003 the Company has made market purchases for cancellation of 281,750 ordinary shares. The shares were purchased at an average discount to net asset value of 17.7% and the aggregate cash consideration paid by the Company for the shares, including stamp duty and commission, was £633,000.

At the date of this report, the Company had valid authority outstanding, until the conclusion of the forthcoming AGM, to make market purchases of up to 12,512,007 ordinary shares, at which time this authority will cease.

The directors are seeking shareholder approval to take authority to purchase on the London Stock Exchange up to 14.9% of the Company's issued share capital as at the date of the AGM, equivalent to 13,181,002 ordinary shares (or £659,050 aggregate nominal value) as at the date of this report.

Under the UK Listing Authority rules, the maximum price to be paid on any exercise of the authority must not exceed 105% of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase. The minimum price to be paid would be 5p per share, being the nominal value per share.

The authority to purchase shares will last until the AGM of the Company in 2004, or until the whole of the 14.9% has been utilised, whichever is the earlier. The authority may be renewed by shareholders at any time.

The directors believe that buying back the Company's own shares in the market, at appropriate times and prices, is in the best interests of shareholders generally. The Company will make either a single purchase or a series of purchases, within guidelines set from time to time by the Board and if or when market conditions are suitable, with the aim of maximising the benefits to shareholders. The directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share. Shares will not be bought at a price that is more than 5% above the average middle market price of the shares over the preceding five business days. The directors intend to seek a fresh authority at the Annual General Meeting in 2004.

By order of the Board

K R L Orrell ACIS

For and on behalf of

Henderson Secretarial Services Limited, Secretary

10 July 2003



Corporate Governance

Background

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

Application of the Code's Principles

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

The Board and Committees

The Board currently consists of seven non-executive directors, the majority of whom are independent of the Company's Manager. Their biographies, on page 4, demonstrate a breadth of investment, commercial and professional experience.

The Board meets eight times a year for formal Board meetings and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the directors to probe further on matters of concern or seek clarification on certain issues. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

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

When a new director is appointed he or she is offered a training seminar which is held by the Manager. Directors are also provided, on a regular basis, with key information on the

Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

All non-executive directors are appointed for an initial term of three years, subject to re-appointment and to the provisions of the Companies Act. In accordance with the existing Articles of Association, new directors stand for election at the first Annual General Meeting following their appointment.

In November 1998 it was further agreed by the Board that, without changing its Articles of Association at present, the directors will retire every three years to ensure compliance with Code Provision A.6.2. The names of the directors retiring by rotation at this year's Annual General Meeting are given in the Notice of Meeting on pages 37 and 38.

The Board has established an Audit Committee and a Management Engagement Committee. Both Committees have defined terms of reference and consist of all the independent non-executive directors. The Audit Committee is responsible for the review of the annual accounts and the interim report, terms of appointment of the auditors and their remuneration as well as the non-audit services provided by the auditors. It also meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Management Engagement Committee is responsible for the review of the terms of the management contract with the Manager.

The Board has not established a Nominations Committee to make recommendations on the appointment of new directors. The Board as a whole considers nominations made in accordance with an agreed procedure.

Directors' Remuneration

The Board as a whole considers directors' remuneration and therefore has not appointed a separate Remuneration Committee. Since the Company is an investment trust and all its directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on pages 20 and 21.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular

Corporate Governance

continued

review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance").

The process was fully in place from November 2000 and up to the date of approval of this annual report.

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

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

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

Relations with Shareholders

The Board is keen that the AGM be a participative event which private shareholders are encouraged to attend. The AGM is attended by the Chairman of the Board, who is also the Chairman of the Audit and Management Engagement Committees. Proxy votes received are relayed to the Meeting. After the formal meeting the Manager makes a presentation to shareholders. The Company has adopted a nominee share code which is set out on page 16.

Twenty working days' notice of the Annual General Meeting has been given to shareholders, as required under Code provision C.2.4.

The Notice of Meeting on pages 37 and 38 sets out the

business of the meeting and the special resolutions are explained more fully in the Report of the Directors on pages 15 to 17. Separate resolutions are proposed for each substantive issue.

Accountability and Audit

The statement of directors' responsibilities in respect of the accounts and a statement of going concern is set out on pages 16 and 17. The Report of the Auditor can be found on page 34.

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

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

Exercise of Voting Powers

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

Statement of Compliance

The directors consider that the Company has complied with all the material provisions set out in the Code throughout the accounting period to 31 May 2003.

It did not, however, comply with the following provisions, as explained above in greater detail:

- a senior non-executive director has not been identified;
- a Nominations Committee has not been established; and
- a Remuneration Committee has not been established.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 May 2003.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considered the directors' remuneration. The Board has not appointed a committee to consider matters relating to the directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration although the directors' regularly review the fees paid to the boards of directors of other investment trust companies.

Statement of the Company's Policy of Directors' Remuneration

The Board consists entirely of non-executive directors who meet at least eight times a year to deal with the important aspects of the Company's affairs. New directors are appointed with the expectation that they will serve for a period of three years and receive a letter of appointment. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the directors has a contract of service or a contract for services and a director may resign by notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by him. There are no long term incentive schemes provided by the Company and the fees are not specifically related to the directors' performance, either individually or collectively.

The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid a higher fee than the other directors in recognition of the more onerous role.

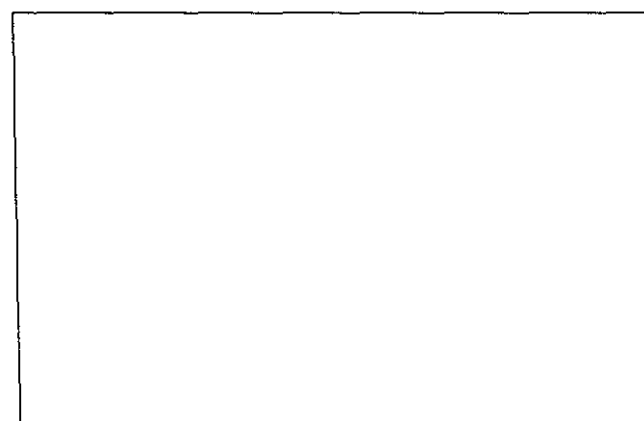
The Company's Articles of Association limit the fees payable to the directors to £90,000 per annum. In the year under review the directors' fees were paid at the following annual rates:

The Chairman £18,000; the other directors £12,000.

The policy is to review these rates annually, although such review will not necessarily result in any change to the rates.

Directors' and officers' liability insurance cover is in place in respect of the directors.

Performance Graph



- Henderson Electric & General Investment Trust share price total return, assuming the investment of £1,000 on 31 May 1998 and the reinvestment of all dividends (excluding dealing expenses).
- FTSE All-Share Index total return, assuming the notional investment of £1,000 into the Index on 31 May 1998 and the reinvestment of all income (excluding dealing expenses).
- FTSE All-World Index total return, assuming the notional investment of £1,000 into the Index on 31 May 1998 and the reinvestment of all income (excluding dealing expenses).

The FTSE All-Share and FTSE All-World Indices have been selected for the above table as these are the Company's benchmark indices.

Amount of Each Directors' Emoluments

The fees payable by the Company in respect of each of the directors who served during the year, and during the year ended 31 May 2002, were as follows:

	Audited 2003	Audited 2002
L C N Bury	£18,000	£18,000
G P Aherne	£2,000*	Nil
R A F McClean	£12,000	£12,000
C D Palmer-Tomkinson	£12,000	£12,000
J D W Pocock	£12,000	£12,000
J G Ruffer	£12,000	£12,000
R W Smith	£12,000	£12,000
TOTAL	£80,000	£78,000

*Mr Aherne was appointed 8 April 2003.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors. The following director, L C N Bury, received expenses of £1,610 (2002: £1,197) which relate to

Directors' Remuneration Report

continued

costs incurred in respect of board meeting attendance during the year. No reimbursement was made to any other director in this respect.

Mr Smith, a director of the Company and principal fund manager, is employed and paid by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") for the provision of services to the Company. Under the Companies Act 1985 and the regulations referred to above, it is necessary to state the amount which he received from Henderson which relates to the management of the Company, even though the Company does not pay these emoluments to him and is not involved in their determination. The Company has been informed that the emoluments paid by the Management Company, Henderson, to Mr Smith for services to the Company in the year (including performance related bonus) were £35,000 (2002: £30,000) as analysed below:

	2003	2002
Salary and other benefits	£25,000	£22,000
Performance related bonus	£10,000	£8,000
TOTAL	<u>£35,000</u>	<u>£30,000</u>

The highest paid director's emoluments thus totalled £35,000 (2002: £30,000).

A contribution of £3,000 (2001: £2,000) was paid by Henderson on behalf of Mr Smith to a non-contributory defined benefit pension scheme.

By order of the Board
Katherine Orrell ACIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
10 July 2003



Statement of Total Return (incorporating the revenue account)

for the year ended 31 May 2003

Notes	Year ended 31 May 2003			Year ended 31 May 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
2	–	(63,222)	(63,222)	–	(78,415)	(78,415)
3	5,266	–	5,266	4,899	–	4,899
4	1,164	–	1,164	1,475	–	1,475
	Gross revenue and capital losses	6,430	(63,222) (56,792)	6,374	(78,415) (72,041)	
5	(664)	(664)	(1,328)	(941)	(941)	(1,882)
6	(447)	–	(447)	(421)	–	(421)
	Net return/(loss) on ordinary activities before interest payable and taxation	5,319	(63,886) (58,567)	5,012	(79,356) (74,344)	
7	(246)	(739)	(985)	(236)	(711)	(947)
	Net return/(loss) on ordinary activities before taxation	5,073	(64,625) (59,552)	4,776	(80,067) (75,291)	
8	(518)	318	(200)	(560)	416	(144)
	Net return/(loss) on ordinary activities after taxation	4,555	(64,307) (59,752)	4,216	(79,651) (75,435)	
	Dividends					
	Overprovision in prior year	1	– 1	–	–	–
	Interim paid 1.85p (2002: 1.85p)	(1,651)	– (1,651)	(1,742)	– (1,742)	
	Final proposed 2.55p (2002: 2.35p)	(2,258)	– (2,258)	(2,097)	– (2,097)	
		(3,908)	– (3,908)	(3,839)	– (3,839)	
	Transfer to/(from) reserves	647	(64,307) (63,660)	377	(79,651) (79,274)	
9	Return per ordinary share	5.11p	(72.15)p (67.04)p	4.56p	(86.18)p (81.62)p	

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

All revenue and capital items in the above statement derive from continuing activities.

The notes on pages 25 to 33 form part of these accounts

Balance Sheet

at 31 May 2003

Notes		2003 £'000	2002 £'000
10	Fixed asset investments:		
	Listed in UK	119,503	143,330
	Listed outside UK	111,221	146,484
	Open Ended Investment Company	1,501	1,896
	Unquoted investments at directors' valuation	965	1,313
		233,190	293,023
	Current assets		
11	Debtors	1,990	2,988
	Cash at bank and short term deposits	28,464	26,801
		30,454	29,789
12	Creditors: amounts falling due within one year	(14,943)	(3,564)
	Net current assets	15,511	26,225
	Total assets less current liabilities	248,701	319,248
13	Creditors: amounts falling due after more than one year	(12,103)	(18,014)
	Total net assets	236,598	301,234
	Capital and reserves		
16	Called-up share capital	4,437	4,462
17	Reserves – non distributable:		
	Share premium	19,937	19,937
	Capital redemption reserve	270	245
	Realised profits	225,252	244,384
	Unrealised profits	(21,038)	25,113
17	Revenue reserve	7,740	7,093
	Equity shareholders' funds	236,598	301,234
15	Net asset value per ordinary share	266.6p	337.5p

L C N Bury

R W Smith

Directors

The accounts were approved by the Directors on 10 July 2003.

The notes on pages 25 to 33 form part of these accounts

Cash Flow Statement

for the year ended 31 May 2003

Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
19	Net cash inflow from operating activities		3,807	4,043
	Returns on investments and servicing of finance			
		(753)	(753)	
		(230)	(229)	
	Net cash outflow from servicing of finance		(983)	(982)
	Taxation			
		54		117
	Financial investments			
		(91,452)	(173,679)	
		88,179	182,856	
	Net cash (outflow)/inflow from financial investments		(3,273)	9,177
	Equity dividends paid		(3,747)	(3,766)
	Cash (outflow)/inflow before use of liquid resources and financing		(4,142)	8,589
	Management of liquid resources			
		(6,092)		10,975
	Financing			
		(976)	(14,641)	
		5,803	(5,642)	
	Net cash inflow/(outflow) from movement in financing		4,827	(20,283)
	Decrease in cash		(5,407)	(719)
20	Reconciliation of net cash flow to movement in net funds			
		(5,407)		(719)
		(5,803)		5,642
		6,092		(10,975)
		1,964		993
		(3,154)		(5,059)
		8,787		13,846
		5,633		8,787

The notes on pages 25 to 33 form part of these accounts

Notes to the Accounts

1 Accounting Policies

a) Basis of accounting

The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the SORP) issued by the AITC in 1995.

All of the Company's operations are of a continuing nature.

b) Valuation of fixed asset investments

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

Unquoted investments are valued by the directors taking into account the information available on the investee companies and funds held by the Company.

c) Capital gains and losses

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

d) Income

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

e) Administrative expenses and finance costs

Administrative expenses, including the management fee, and finance costs are accounted for on an accruals basis. Expenses which are incidental to the purchase or sale of an investment are included in the cost or deducted from the proceeds of the sale of the investment. On the basis of the Board's expected long-term split of returns in the form of capital gains and income of 75% and 25% respectively, the Company charges 75% of its finance costs and management fee (to the extent that it relates to the maintenance or enhancement of the valuation of investments) to capital.

f) Deferred taxation

Following the introduction of FRS 19, deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

g) Foreign currency

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. The values of investments and other assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Differences arising from translation at these rates of exchange are dealt with in non-distributable reserves.

h) Financial instruments

The Company has not utilised any derivative instruments in the year under review. The Company has taken advantage of the exemption allowed under Financial Reporting Standard 13, Derivatives and Other Financial Instruments: Disclosures ("FRS 13") and excluded short-term debtors and creditors from disclosures under financial instruments where allowed (see note 14 on pages 28 to 31).

Notes to the Accounts

continued

2	Total capital losses from investments	2003	2002
		£'000	£'000
	Realised losses based on historical cost	(17,906)	(18,898)
	Less: amounts recognised as unrealised in previous years	(933)	(24,405)
	Realised losses based on carrying value at previous balance sheet date	(18,839)	(43,303)
	Net movement in unrealised appreciation	(46,347)	(36,105)
	Net movement on foreign exchange	1,964	993
		(63,222)	(78,415)
3	Income from fixed asset investments	2003	2002
		£'000	£'000
	Franked: Listed investments	3,348	3,047
	Unfranked: Listed investments		
	Dividend income	1,723	1,833
	Interest income	195	19
		5,266	4,899
4	Other interest receivable and similar income	2003	2002
		£'000	£'000
	Bank interest	1,093	1,454
	Underwriting commission	71	8
	Stock lending fees	–	13
		1,164	1,475

At 31 May 2003 there were no securities on loan from the Company for stock lending purposes (2002: £nil). The maximum aggregate value of securities on loan at any time during the year ended 31 May 2003 was £nil (2002: £13,147,000).

5	Management fee	2003	2003	2003	2002	2002	2002
		£'000	£'000	£'000	£'000	£'000	£'000
		Revenue	Capital	Total	Revenue	Capital	Total
	Management fee	624	624	1,248	852	852	1,704
	Irrecoverable VAT thereon	40	40	80	89	89	178
		664	664	1,328	941	941	1,882

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

6	Other administrative expenses	2003	2002
		£'000	£'000
	Directors' emoluments*	80	78
	Auditors' remuneration – for audit services	11	9
	Other expenses payable to the management company†	134	82
	Bank charges and safe custody fees	47	65
	Other expenses	169	168
	Irrecoverable VAT	6	19
		447	421

*Details of the amounts paid to Directors are included in the audited part of the Directors' Remuneration Report on pages 20 to 21.

†Other expenses payable to the management company relate to share plan administration and marketing expenses.

Notes to the Accounts

continued

7	Interest payable	2003	2003	2003	2002	2002	2002
		£'000 Revenue	£'000 Capital	£'000 Total	£'000 Revenue	£'000 Capital	£'000 Total
	Bank loans and overdrafts	58	174	232	48	146	194
	Debenture	188	565	753	188	565	753
		<u>246</u>	<u>739</u>	<u>985</u>	<u>236</u>	<u>711</u>	<u>947</u>

8 Taxation on ordinary activities

a) Analysis of charge in the year

UK corporation tax at 30% (2002: 30%)

Foreign withholding taxes

Overseas taxation reclaimable

Tax on management fee and finance costs charged to capital

2003 £'000	2002 £'000
-	-
278	218
(78)	(74)
<u>200</u>	<u>144</u>
318	416
<u>518</u>	<u>560</u>

b) Analysis of charge in the year

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

The differences are explained below:

	2003 £'000	2002 £'000
Net revenue on ordinary activities before taxation	5,073	4,776
Corporation tax at 30% (2002: 30%)	1,522	1,433
Franked dividend receipts not chargeable to corporation tax	(1,004)	(914)
Stock dividends	-	(3)
Excess expenses	(80)	(14)
Expenses charged to capital	(103)	(79)
Income taxable in different periods	(8)	6
Overseas withholding tax	210	155
Overseas withholding tax deductible as an expense	(64)	(58)
Expenses not deductible for tax purposes	45	34
Taxation on net revenue on ordinary activities	<u>518</u>	<u>560</u>

c) Provision for deferred taxation

There was no provision for deferred tax made for either this year or the previous year.

The Company has not recognised a deferred tax asset of £151,000 (2002: £268,000) arising as a result of excess management expenses and excess business charges. These expenses would only be utilised if the Company were to generate sufficient taxable profits in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

9 Return per ordinary share

Revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £4,555,000 (2002: £4,216,000) and on the weighted average number of 89,124,714 (2002: 92,423,374) ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital losses of £64,307,000 (2002: £79,651,000) and on the weighted average number of 89,124,714 (2002: 92,423,374) ordinary shares in issue during the year.

Notes to the Accounts

continued

10	Changes in fixed asset investments	Valuation 31 May 2002 £'000	Purchases £'000	Sales £'000	Depreciation £'000	Valuation 31 May 2003 £'000	Cost 31 May 2003 £'000
	UK	144,617	29,968	(26,471)	(27,646)	120,468	125,969
	North America	51,677	31,386	(36,957)	(11,781)	34,325	34,587
	Europe and Emerging Markets	44,365	11,381	(8,173)	(8,127)	39,446	41,169
	Japan	35,912	6,894	(7,143)	(14,148)	21,515	33,903
	Pacific	16,452	12,376	(7,831)	(3,561)	17,436	18,369
		<u>293,023</u>	<u>92,005</u>	<u>(86,575)</u>	<u>(65,263)</u>	<u>233,190</u>	<u>253,997</u>
11	Debtors					2003 £'000	2002 £'000
	Investments sold for future settlement					724	2,260
	Taxation recoverable					115	102
	Prepayments and accrued income					1,151	626
						<u>1,990</u>	<u>2,988</u>
12	Creditors: amounts falling due within one year					2003 £'000	2002 £'000
	Purchases for future settlement					1,504	951
	Proposed final ordinary dividend					2,258	2,097
	Accruals					453	516
	Foreign currency loans					10,728	—
						<u>14,943</u>	<u>3,564</u>
13	Creditors: amounts falling due after more than one year					2003 £'000	2002 £'000
	10.75% debenture stock 2011					7,000	7,000
	Foreign currency loan					5,103	11,014
						<u>12,103</u>	<u>18,014</u>

The foreign currency loans in note 12 and 13 represent yen 1.0 billion at an annual interest rate of 1.72% repayable on 7 July 2003, yen 1.0 billion at an annual interest rate of 1.6% repayable on 7 July 2004 and US dollars 9.2 million at an annual interest rate of 1.645% repayable on 16 June 2003. The debenture stock is secured by a floating charge over all the Company's assets.

14 Derivatives and other financial instruments

a) Management of Risk

The Company's financial instruments comprise:

- Equity shares held within the portfolio.
- Debenture stocks issued to finance its investing activities.
- Foreign currency term loans used as a cost effective method of financing its investing activities.
- Cash and short-term debtors and creditors which arise from its investing activities.

The debenture stocks and foreign currency loans both carry fixed rates of interest.

The risks arising from these financial instruments are due to fluctuations in market prices, foreign currency exchange rates and interest rates on cash deposits. The Board's policy for managing these risks is summarised below:

Notes to the Accounts

continued

14 Derivatives and other financial instruments (continued)

Market price risk

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

Foreign currency risk

The Company's total return and balance sheet can be affected by fluctuations in foreign currency exchange rates. It is the Board's policy to minimise this risk. However, from time to time the Company will hold foreign currency cash balances as well as foreign currency balances due to and receivable from brokers. These assets and liabilities arise from the Company's investing activities. The exposure is short term and therefore not considered to be material. The Company has drawn down foreign currency loans denominated in Japanese yen and US dollars. The details of these loans are set out in notes 12, 13 and 14 on page 28. In order to limit the foreign currency risk, it is the Board's policy that the sum total of these loans should not exceed the total of the Japanese portfolio or US portfolio.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. The maturity of the Company's existing borrowings are set out in part (c) to this note.

Interest rate risk

The Company's exposure to risk arising from interest rate fluctuations is minimal. The financial liabilities all carry fixed rates of interest. The Company has cash on deposit at floating rates but these are short term and therefore carry no material risk.

b) Risk profile of financial assets and financial liabilities

Currency exposure

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

Currency	Monetary assets 2003 £'000	Monetary liabilities 2003 £'000	Net monetary assets 2003 £'000	Monetary assets 2002 £'000	Monetary liabilities 2002 £'000	Net monetary assets 2002 £'000
US Dollar	34,952	(5,625)	29,327	56,319	—	56,319
Euro	19,914	—	19,914	9,286	—	9,286
Yen	21,534	(10,206)	11,328	35,912	(11,014)	24,898
Other European	37,963	—	37,963	42,512	—	42,512
Other Far East and Australia	18,265	—	18,265	16,863	—	16,863
	132,628	(15,831)	116,797	160,892	(11,014)	149,878

Notes to the Accounts

continued

14 Derivatives and other financial instruments (continued)

Interest rate risk profile of financial assets and financial liabilities

The Company's financial assets comprise equity shares, which neither pay interest nor carry a maturity date, bank balances and short term deposits. The interest rate profile of the bank balances and short term deposits at 31 May 2003 was:

Currency	Total 2003 £'000	Floating rate financial assets 2003 £'000	Fixed rate financial assets 2003 £'000	Total 2002 £'000	Floating rate financial assets 2002 £'000	Fixed rate financial assets 2002 £'000
Sterling	8,557	3,557	5,000	14,314	5,289	9,025
US Dollar	627	627	-	4,642	4,642	-
Euro	18,431	8,314	10,117	7,432	7,432	-
Yen	20	20	-	-	-	-
Other Far East and Australia	829	829	-	413	413	-
	28,464	13,347	15,117	26,801	17,776	9,025

Floating rate financial assets currently earn interest at the following rates: Sterling 3.5%, US Dollar 1.18%, Euro 2.55%, Yen nil, and Australian Dollar 3.32%.

The interest rate profile of the Company's financial liabilities at 31 May 2003 was:

Currency	Fixed rate financial liabilities 2003 £'000	Fixed rate financial liabilities 2002 £'000
Sterling	7,000	7,000
Yen	10,206	11,014
US Dollar	5,625	-
	22,831	18,014

The weighted average interest rate of the fixed rate financial liabilities was 4.44% (2002: 5.19%). The weighted average period for which interest rates on the fixed rate financial liabilities are fixed is 2 years and 10 months (2002: 4 years and 8 months).

c) Maturity profile of financial liabilities

The maturity profile of the Company's financial liabilities at 31 May 2003 was as follows:

	2003 £'000	2002 £'000
In less than one year	10,728	-
In more than one year but not more than two years	5,103	5,507
In more than two years but not more than five years	-	5,507
In more than five years	7,000	7,000

d) Loan facility

An unsecured, committed undrawn loan facility of £5 million was available from The Royal Bank of Scotland plc. In addition the Company has an uncommitted undrawn overdraft facility with a sub-custodian, the extent of which is determined by the sub-custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review by the providers.

Notes to the Accounts

continued

14 Derivatives and other financial instruments (continued)

e) Fair values of financial assets and financial liabilities

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

Set out below is a comparison by category of book values and fair values of the Company's financial liabilities as at 31 May 2003:

	Book value 2003 £'000	Fair value 2003 £'000	Book value 2002 £'000	Fair value 2002 £'000
10.75% debenture stock 2011	7,000	9,376	7,000	8,794
Yen loan 2003	5,103	5,103	5,507	5,565
Yen loan 2004	5,103	5,206	5,507	5,666
US Dollar 2003	5,625	5,625	—	—

The fair value of the 10.75% debenture 2011 is calculated by reference to the market value at 31 May 2003. The fair values of the yen loans are estimated by reference to the market values of loans with similar characteristics, but which are quoted on a recognised stock exchange.

15 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to ordinary shares of £236,598,000 (2002: £301,234,000) and on the 88,744,851 ordinary shares in issue at 31 May 2003 (2002: 89,244,851).

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

	£'000
Net assets attributable to the ordinary shares at 1 June 2002	301,234
Total net loss on ordinary activities after taxation	(59,752)
Dividends	(3,908)
Buyback of own ordinary shares	(976)
Net assets attributable to the ordinary shares at 31 May 2003	236,598

16 Share capital

	2003 £'000	2002 £'000
Authorised		
100,000,000 ordinary shares of 5p each	5,000	5,000
Allotted, called-up and fully paid		
88,744,851 (2002: 89,244,851) ordinary shares of 5p each	4,437	4,462

During the year the Company made market purchases for cancellation of 500,000 ordinary 5p shares for a total consideration of £976,000, representing 0.6% of the called up shares. The purchases were carried out to enhance the net asset value per share.

Notes to the Accounts

continued

17	Reserves	Share	Capital	Realised	Unrealised	Revenue
		premium	redemption	profits	profits	
		£'000	reserve	£'000	£'000	£'000
	At 1 June 2002	19,937	245	244,384	25,113	7,093
	Buyback of own shares	–	25	(976)	–	–
	Transfer on disposal of investments	–	–	933	(933)	–
	Expenses allocated to capital	–	–	(1,403)	–	–
	Tax relief thereon	–	–	318	–	–
	Net losses on investments	–	–	(18,839)	(46,347)	–
	Net gains on foreign exchange	–	–	835	1,129	–
	Retained revenue for the year	–	–	–	–	647
	At 31 May 2003	19,937	270	225,252	(21,038)	7,740

18	Reconciliation of movements in shareholders' funds	2003	2002
		£'000	£'000
	Net revenue return on ordinary activities after taxation	4,555	4,216
	Dividends	(3,908)	(3,839)
		647	377
	Decrease in non-distributable reserves	(64,307)	(79,651)
	Purchase of own shares	(976)	(14,641)
	Net decrease in shareholders' funds	(64,636)	(93,915)
	Shareholders' funds at 1 June 2002	301,234	395,149
	Shareholders' funds at 31 May 2003	236,598	301,234

19	Reconciliation of operating revenue to net cash inflow from operating activities	2003	2002
		£'000	£'000
	Net revenue return before interest payable and taxation	5,319	5,012
	(Increase)/decrease in accrued income	(542)	276
	Decrease/(increase) in other debtors	17	(27)
	Decrease in creditors	(66)	(29)
	Dividend reinvestment plans included in investment income	–	(18)
	Tax on unfranked investment income	(257)	(230)
	Management fee charged to capital	(664)	(941)
	Net cash inflow from operating activities	3,807	4,043

20	Analysis of changes in net funds	At 31 May	Cash	Exchange	At 31 May
		2002	flow	movement	2003
		£'000	£'000	£'000	£'000
	Cash	17,776	(5,407)	978	13,347
	Short term deposits	9,025	6,092	–	15,117
	Foreign currency loans	(18,014)	(5,803)	986	(22,831)
	Total	8,787	(5,118)	1,964	5,633

Notes to the Accounts

continued

21 Contingent liabilities

There were contingent liabilities in respect of calls on investments of £465,000 (2002: £623,000).

There are no underwriting commitments (2002: nil).

22 Related party transactions

Under the terms of an agreement dated 9 February 1996 the Company appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, company secretarial, administrative and UK custody services. Henderson contracted Cogent Investment Operations ("Cogent") to provide accounting and administrative services. Prior to 2 September 2002 Cogent was a wholly owned subsidiary of Henderson. After that date Cogent became independent of Henderson and is now renamed BNP Paribas Funds Services UK Limited. Details of the fee arrangements for these services are given in the Report of the Directors on pages 15 to 17. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 May 2003 were £1,248,000 excluding VAT, (2002: £1,704,000) of which £200,000 was outstanding at 31 May 2003 (2002: £261,000).

In addition to the above services, Henderson has provided the Company with share plan administration and marketing services during the year. The total fees, excluding VAT paid or payable for these services for the year ended 31 May 2003 amounted to £134,000 (2002: £82,000) of which £45,000 was outstanding at 31 May 2003 (2002: £61,000).

The Company holds investments in funds managed by Henderson. At 31 May 2003 these were valued at £3,200,000 (2002: £4,204,000) and represented 1.4% of the Company's investment portfolio (2002: 1.4%). There were no purchases or sales of such stocks during the year (2002: sales £1,026,000). No income was received from these funds during the year (2002: nil). The market value of the holding in the Henderson managed investment trust is deducted from the amount used as a basis for calculating the management fee payable to Henderson. Fees earned by Henderson on the Company's holdings in Henderson managed unit trust and offshore funds are deducted from the management fee payable to Henderson.

Report of the Independent Auditor

To the members of Henderson Electric and General Investment Trust plc

We have audited the company's financial statements for the year ended 31 May 2003 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Investment Policy, Performance Summary, Chairman's Statement, Review of Investments, Analysis of Portfolio, Largest Investments, Directors, Investment Manager and Advisor Profiles, Company and Investor Information, Shareholder Analysis, Report of the Directors, and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2003 and of its revenue return for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
10 July 2003

Ernst & Young Ltd

Company Information

Manager

Henderson Global Investors Limited

An Company

Authorised and regulated by the Financial Services Authority

Secretary

Henderson Secretarial Services Limited
represented by Katherine Orrell, ACIS

Registered Office

4 Broadgate, London EC2M 2DA

Telephone: 020 7818 1818

Facsimile: 020 7818 1819

Registrar

Computershare Investor Services PLC
PO Box 435

8 Bankhead Crossway North

Edinburgh EH11 4BR

Telephone: 0870 702 0010

Auditors

Ernst & Young LLP

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

Stockbroker

Cazenove

20 Moorgate

London EC2R 6DA

Solicitor

Eversheds

Senator House

85 Queen Victoria Street

London EC4V 4JL

Registered Number

Registered as an investment
company in England No. 31506

Information

Share price and performance information can be found on the Henderson Global Investors website **www.electric-and-general.com** Net asset values are published daily.

The market price of the shares is published in The Financial Times and other leading newspapers.

The London Stock Exchange Daily Official List (SEDOL) Code is 0309019. Investors with Share Certificates, (ie not those in the Share Plan or an ISA or PEP Scheme) can check their holding with our Registrar, Computershare Investor Services PLC. The link can be found via **www.computershare.com**

Financial Calendar

Results

Half year announced in December

Full year announced in July

Annual General Meeting to be held at
4 Broadgate on 18 September 2003.

Dividends

Year ended 31 May 2003

Final dividend payable 19 September 2003

Year ending 31 May 2004

Interim dividend payable in February 2004

Final dividend payable in September 2004

Dividends can be paid to shareholders by means of BACS ("Bankers' Automated Clearing Services"). Mandate forms for this purpose are available on request from the Registrar.



Disability Note

Copies of this Report and Accounts or other documents issued by the Company are available from the Company Secretary.

If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

You can contact our Registrar, Computershare Investor Services PLC, which have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly without the need for an

intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for the Deaf) the number is 0800 959 598.

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

Capital Gains Tax Information

In 1998 considerable changes were made to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares acquired in the following order:

- same date acquisitions;
- acquisitions within the following 30 days;
- previous acquisitions on or after 5 April 1998 (using the 'last in first out' basis);
- any shares held in the pool as at 5 April 1998;
- any shares held in the pool as at 5 April 1982;
- any shares acquired before 6 April 1965; and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. This has been replaced by taper relief which reduces the amount of the chargeable gain on these disposals the longer the shares are held. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the tapering relief, assets held before 17 March 1998 qualify for an extra year.

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Notice of Meeting

Notice is hereby given that the one hundred and thirteenth Annual General Meeting of Henderson Electric and General Investment Trust plc will be held at 4 Broadgate, London EC2M 2DA on Thursday 18 September 2003 at 12.00 noon for the purpose of transacting the following business:

Ordinary Business

- 1 To receive the Report of the Directors and audited accounts for the year ended 31 May 2003.
- 2 To approve the Directors' Remuneration Report for the year ended 31 May 2003.
- 3 To declare a final dividend.
- 4 To re-elect Mr C D Palmer-Tomkinson as a director of the Company.
- 5 To re-elect Mr R W Smith as a director of the Company.
- 6 To elect Mr G P Aherne as a director of the Company.
- 7 To re-appoint Ernst & Young LLP as the registered auditor of the Company and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass resolution 8 as an Ordinary Resolution and resolutions 9 and 10 as Special Resolutions:

- 8 THAT, the Board be and is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £221,157.75 (being 5% of the issued ordinary share capital at the date of this notice) and this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The directors may only use this authority when it would be advantageous to the Company's existing shareholders.
- 9 THAT, subject to the passing of the previous resolution, the Board be and is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:
 - (a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary shareholders and/or such holders are proportionate to the respective numbers of ordinary shares and such securities held by them (or are otherwise allotted in accordance with the rights attaching to such securities) subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or otherwise howsoever;
 - (b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of £221,157.75 (being 5% of the issued ordinary share capital at the date of this notice); and
 - (c) to the allotment of equity securities at a price of not less than Net Asset Value per share (as determined by the directors from time to time);and shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Meeting

continued

- 10** THAT the Company be authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") upon and subject to the following conditions:
- (a) the maximum number of ordinary shares which may be purchased is 14.9% of the Company's issued ordinary share capital at the date of the Annual General Meeting equivalent to 13,181,002 Ordinary Shares at the date of this notice;
 - (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed 105% of the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchases;
 - (c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 5p being the nominal value per ordinary share; and
 - (d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, enter into a contract to purchase ordinary shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board

Katherine Orrell ACIS

for and on behalf of

Henderson Secretarial Services Limited

Secretary

10 July 2003

Notes

- 1** Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of Henderson Electric and General Investment Trust plc at 12.00 noon on 16 September 2003 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 12.00 noon on 16 September 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 2** An ordinary shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than forty-eight hours before the time fixed for the meeting. If shareholders so wish, the form of proxy may be returned in an envelope addressed to Computershare Investor Services PLC, FREEPOST, SWB 1002, PO Box 1075, Bristol, BS99 3FA.
- 3** The completion of the form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting.
- 4** This notice is sent for information only to holders of debenture stock who are not entitled to attend or vote at the meeting.
- 5** The register of directors' interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.

Registered Office:

4 Broadgate,
London EC2M 2DA.

Ways & means.

There are various ways of investing in the Henderson Electric and General Investment Trust plc – you can act quickly with a lump sum, invest gradually with monthly payments or enjoy a tax-efficient ISA.

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

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

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

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

To find out more, visit

www.electric-and-general.com

or call the Henderson Investor Services Department free on

0800 832 832

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

Henderson Investment Trusts

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

