Henderson Opportunities Trust plc

Annual Report 2020

MANAGED BY
Janus Henderson
INVESTORS

Strategic Report

Investment Objective

The Company aims to achieve capital growth in excess of the FTSE All-Share Index from a portfolio of UK investments.

Strategic Report

Governance

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Additional information

Performance highlights

Total return performance to 31 October 2020

	1 year %	3 years %	5 years %	10 years %
NAV[1]	-7.6	-12.4	14.1	131.4
Share price[2]	-1.7	-10.4	9.7	152.0
Peer group NAV[3]	-12.9	-13.0	11.5	93.4
Benchmark[4]	-18.6	-14.4	8.9	53.7

Year to 31 October

	2020	2019
NAV per share at year end	1,046.3p	1,161.8p
Total return per share	(83.6p)	1.0p
Share price at year end	885.0p	932.0p
Net assets	£82.6m	£91.8m
Discount at year end[5]	15.4%	19.8%
Ongoing charge[6]	0.88%	0.91%
Dividend for year[7]	27.0p	26.0p
Dividend yield[8]	3.1%	2.6%

1 Net Asset Value (NAV) per ordinary share total return (including dividends reinvested)
2 Share price total return (including dividends reinvested)
3 AIC UK All Companies
4 FTSE All-Share Index
5 Calculated based on the NAV per share and share price at year end
6 Ongoing charge excludes performance fee. Ongoing charge including performance fee is 0.88% (2019: 0.91%) as no performance fee was paid during the year
7 This represents three interim dividends of 6.5p each and a proposed final dividend of 7.5p which will be put to shareholders for approval at the Annual General Meeting on 11 March 2021. See pages 59 and 60 for more details
8 Based on the share price at the year end

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

A glossary of terms can be found on pages 69 and 70 and Alternative Performance Measures can be found on pages 71 and 72

Chairman's statement

"In a very difficult year for UK equities the Company's investment portfolio held up relatively well, falling by 7.6% but nevertheless beating the FTSE All-Share Index by 11.0%. This outperformance of the benchmark has continued in the new financial year, which has happily also seen last year's losses recovered and significant additional growth."

Chairman's statement

Performance review

It has been a very difficult year for UK equities. The COVID-19 pandemic and the resultant lockdown caused a rapid fall in UK economic activity, and the impact on corporate profitability produced widespread cuts in dividend payments. In this meltdown the returns from the Company's investment portfolio held up relatively well, falling by 7.6% but beating the FTSE All-Share Index (the benchmark) by 11.0%. This outperformance has continued in the early months of the new financial year, with the Company's portfolio returning 33.6% against the benchmark's return of 16.1% up to the end of January 2021. The table below shows the short and longer term returns from the portfolio. It illustrates that in spite of short-term volatility the portfolio approach of blending a mix of shares in companies of different sizes can produce worthwhile returns. The 10-year comparison shows marked outperformance of the benchmark index.

	1 year (%)	3 year (%)	5 year (%)	10 year (%)
NAV Total Return	-7.6	-12.4	14.1	131.4
Share Price Total Return	-1.7	-10.4	9.7	152.0
FTSE All-Share Total Return	-18.6	-14.4	8.9	53.7

Income review

The revenue return was 12.8p, compared to 29.9p last year. The fall in investment income came about due to widespread dividend cuts in the UK market following COVID-19 and the subsequent policy response. The portfolio began the financial year with a forecast dividend yield of 2.8%, somewhat lower than the FTSE All-Share Index dividend yield of 4.6%. The market expects that investment income will be relatively swift to recover and your Board believes that historic income levels from the portfolio will be reached again in two to three years.

In February 2020, we announced that, from the beginning of the 2020 financial year, quarterly dividends would be paid to shareholders. Three quarterly dividends of 6.5p per ordinary share for the financial year ending 31 October 2020 have been paid to shareholders. A probable 2020 final dividend recommendation of 7.5p per ordinary share was previously indicated, and the Board is pleased to confirm, subject to shareholder approval, that this distribution will be paid on 26 March 2021, resulting in a full year dividend of 27.0p (2019: 26.0p). As a result of the shortfall in revenue for the year, 14.2p will be paid out of revenue reserves and your Board will be prepared to repeat this exercise in future years to support the level of dividend distributions until the Company's portfolio dividend income fully recovers.

Fees and expenses

The ongoing charges ratio for the year was 0.88%. There was no performance fee paid as the NAV, although better than the comparative benchmark figure, was down on the prior year.

Share buybacks and the discount level

During the year 2,813 shares were bought back at an average price of 953p. The discount at the time was over 15% and the purchases marginally enhanced the NAV. The shares are held in treasury and can therefore be sold back to the market if the Company begins to trade at a premium in the future.
The Board's policy will be to review buyback opportunities regularly and, make purchases from time to time, as appropriate, if the resultant enhancement to NAV is deemed worthwhile. The Board believes that the discount will be eroded over time with continuing outperformance and an investment strategy that offers the prospect of sustainable growth. A continuation vote is held every three years and the next vote will be in March 2023.

Gearing

Gearing ended the year at 13.6% of net assets, modestly higher than the 12.7% at the beginning of the financial year. This rise in gearing was caused principally by the fall in the Company's NAV as the pandemic impacted market values. As the Fund Managers describe in their report, they were modest net sellers during the year. The near mid-teens gearing level of the Company reflects a high level of conviction by the Fund Managers that there are a number of attractive investment opportunities at reasonable valuations across the UK equity market.

The Board

Davina Curling was appointed to the Board with effect from 1 November 2019 and was elected by shareholders at the AGM in March 2020. Max King retired with effect from the conclusion of the AGM in March 2020.

As announced in December 2020, having served on the Board for nine years I will be retiring with effect from the conclusion of the AGM in March 2021. It has been a great privilege for me to serve firstly as a Director and latterly as Chairman of your Company, and a pleasure to work with conscientious and knowledgeable fellow Directors. I trust that the dedicated team at Janus Henderson who have successfully managed your investments and supported the Board through governance and regulatory challenges in recent years will maintain the same exceptional standards for my successor, Wendy Colquhoun. Wendy joined the Board in September 2018 and has brought to the Board the benefit of over 25 years' experience as a lawyer providing advice to investment trust boards on regulatory and transactional matters.

Chris Hills reached his nine year anniversary in June 2019. As I am retiring this year and as there will then be a small number of Directors on the Board when I do so, it is expected that Chris will remain on the Board until the conclusion of the Annual General Meeting in March 2022 to allow for the recruitment of his replacement during the coming year.

Chairman's statement (continued)

AGM

The Company's AGM is scheduled to take place at 2.30pm on Thursday 11 March 2021.

Due to the ongoing restrictions on large gatherings, shareholders will be unable to attend the Annual General Meeting on 11 March 2021 in person and it will be held as a "closed meeting".

The Notice of Meeting and details of the resolutions to be proposed at the AGM are contained in the Notice of Meeting being sent to shareholders with this Annual Report. The statutory business of the AGM will be conducted on a poll, counting the Directors in the quorum, and the Chairman will hold the proxy votes. Shareholders are strongly encouraged to submit their proxy forms ahead of the proxy voting deadline of 2.30pm on 9 March 2021 to ensure their vote counts. Shareholders holding shares on share dealing platforms should contact their platform directly to vote their shares.

A presentation from our Fund Managers, James Henderson and Laura Foll, providing their review of the year and thoughts on the future will be available to view on our website at **www.hendersonopportunitiestrust.com**. If shareholders would like to submit any questions in advance of the AGM, they are welcome to send these to the Corporate Secretary at **itsecretariat@janushenderson.com**, answers to shareholder questions will be provided on our website shortly after the AGM has been held.

The Board commits to holding physical meetings in future when restrictions are not in place and these can be held safely; however in case of any further extraordinary crises such as the COVID-19 lockdown, the Company is putting a proposed amendment to the Company's articles of association to shareholders to enable a combination of virtual and physical shareholder meetings to be held in the future.

Outlook

The prospect of success with the vaccine roll out and a substantial resolution of Brexit tariff concerns provide the ingredients for a pick-up in economic activity in the second half of this year. Stock market prices are not correlated to economic activity and the managers need to be careful as some company valuations already anticipate the better times. Therefore, there will be some reduction in holdings that have performed well to allow the Company to take on new opportunities as they arise.

The approach of having a mix of companies with different attributes that are in a variety of phases of their corporate development can add real value. It is possible with this approach to catch the growth and take out some of the volatility of investing in young companies which can in turn provide a seedbed for future success.

Peter Jones
Chairman
5 February 2021

Fund Managers' report

"We are continuing to find a number of attractive valuation opportunities in the UK across both new and existing holdings, and intend to remain fully invested with a modest level of gearing"

Fund Managers' report

Investment backdrop

COVID-19 has accelerated the pace of pre-existing structural changes in the UK economy. The move towards online retailing had shown substantial growth for a number of years but was given a further enormous boost by lockdown with consumers staying at home. Some traditional older businesses are fast adapting to the changed circumstances but many have seen very large falls in revenue without having much chance of offsetting it. They have pulled what levers they can and that usually means a real attack on their cost base, the result of which hits the supply chain hard. The government schemes have allowed many businesses to survive, but they are struggling and much weaker. As a result of the acceleration in trends that were already established, it is the new economy stocks that have found favour with investors. These are usually companies that have a technological lead and have relatively light capital requirements. It has been traditional businesses such as aviation that have been most materially impacted.

Our portfolio is a blend of very different businesses serving a diverse mix of end markets. This diversification has helped the relative performance of the portfolio but there has still been a negative return for the year. However, in aggregate the companies in the portfolio have adapted well to the challenging circumstances. This has meant we have remained fully committed to UK equities and we believe the action taken by the companies leaves them well placed for some sort of return to normality. The valuations for many have fallen to very cheap levels.

Portfolio review

The portfolio is divided into the seven classifications below. These classifications are not meant to be prescriptive and are, to a degree, subjective. The aim is to ensure that the portfolio remains diverse in its exposure, as the different classifications will perform differently depending on the economic backdrop.

Classification	Total (gross assets) %	Indicative portfolio range %	Largest three holdings
Large cap (£1bn+) These stocks are usually familiar to all investors. They are ballast for the portfolio but as individual companies we believe they remain long-term growth opportunities that are genuinely good in some of their operations.	**15**	10-30	Johnson Matthey, GlaxoSmithKline, Direct Line Insurance
Growth small cap These are companies that can be substantially larger businesses in time. They have the management capability to do this and they have real quality.	**27**	20-40	Blue Prism, Boku, Next Fifteen Communications
Recovery Some of these companies, for example those exposed to the aerospace industry, have fallen into the recovery classification as a result of COVID-19. However, as the global economy begins to recover earnings should be able to grow from current suppressed levels and the returns from the recovery area have been good over time.	**4**	0-20	Scapa, Provident Financial, Rolls-Royce
Natural resources These stocks have a place in the portfolio but they are two decision holdings. We need to think when to buy and when to sell if they are going to add value.	**8**	5-15	Serica Energy, Rio Tinto, Anglo American
Early stage companies This area is not producing the returns that have been hoped for in a number of stocks. It was always going to be an area for some stocks to fail but we are working on how to do it better.	**17**	0-20	Ceres Power, Surface Transforms, Mirriad Advertising
Small & mid cap compounders These are the quality long term holds. We believe that they are long term compounders which over time will grow into larger companies.	**27**	20-40	SigmaRoc, Springfield Properties, RWS Holdings
Special situations These are one off situations that we need to monitor closely.	**2**	0-10	Redcentric

Fund Managers' report (continued)

Since the previous year end, the largest changes to the portfolio on a classification basis were a smaller exposure to the recovery area, a smaller exposure to large companies, and a higher exposure to early stage companies and growth small cap. In all cases this change has come about primarily as a result of passive movements in share prices rather than active allocation changes. For example, in early stage companies **Ceres Power**, **Mirriad Advertising** and **Ilika** were all among the best contributors to performance, and in growth small cap **Blue Prism** and **LoopUp** were also among the top ten contributors during the year.

The recovery area performed poorly, despite many shares held beginning the year trading at an already low valuation versus history. This area of the portfolio is most exposed to traditional business models which were among the most impacted by the pandemic. With a few exceptions, we have maintained the Company's holdings in this area, and in the case of **International Consolidated Airlines**, **Rolls-Royce** and **Hammerson**, participated in rights issues in order to fund companies through the current challenging end markets. There was one new recovery position established during the year in **International Personal Finance**, a sub-prime lender outside the UK that has a strong digital lending business.

Income

It was a very difficult year for UK dividends, resulting in earnings per share falling to 12.8p versus 29.9p in the prior year. Many companies in the portfolio suspended dividends during the spring in response to COVID-19. The most material loss of income came from the financials sector, where banks were mandated by the UK regulator to suspend their dividends, and some non-life insurers held (such as **Direct Line Insurance**) temporarily suspended their dividend as a result of an uncertain claims outlook. Since the summer there has been an encouraging trend of companies across a broad range of sectors reinstating their dividends. Examples include **Mondi**, **XP Power**, **Keystone Law** and **Direct Line Insurance**.

At the Company level, the dividend was grown modestly from 26.0p the previous financial year to 27.0p. The Company entered the financial year with a strong revenue reserve of £3.4m, which has been partially utilised to fund this year's dividend, ending the year at £1.9m (prior to the payment of the third interim and final dividend payment). As the Chairman describes in his statement, the dividend guidance that we originally described in last year's annual report was adhered to despite the loss of investment income. This is because we can see a bridge to investment income recovering to its historic trend on a two to three year time horizon.

Portfolio activity

During the year we were small net sellers, purchasing £13.3m in aggregate and selling £14.9m. As a result of the fall in net asset value during the year, gearing ended the year at 13.6%, modestly higher than at the beginning of the year when it was 12.7%. The gearing level continues to be determined not by our view of the macroeconomic backdrop, but by valuation opportunities across the UK equity market. The near mid-teens level of gearing currently deployed in the Company signals that we are finding a broad array of attractive opportunities.

During the year we fully sold out of eight holdings. Four of the eight sales were driven by takeover approaches and we go into more detail below. There were seven new purchases, and on the classifications basis (described in the 'portfolio review' section), these purchases were deliberately spread across early stage companies, large companies, recovery, natural resources and growth small cap. The portfolio finished the year with 87 holdings (not including those written down to zero).

Purchases

The largest five purchases during the year were:

- **Aviva** (new holding). Under a new CEO they are making progress in simplifying the group, which has traditionally been a conglomerate and therefore traded at a valuation discount to peers. The shares continue to trade at a material discount to book value with an attractive dividend yield.
- **Van Elle** (addition to existing holding). The company (which provides piling) is positively exposed to growing UK infrastructure spend, such as road building and large infrastructure projects such as HS2. The valuation, whether relative to book value or on a historic earnings basis, continues to look low.
- **Anglo American** (new holding). The company mines for a broad range of commodities including diamonds, copper, platinum and iron ore. Earnings have good scope to grow from a combination of new projects coming on stream (such as a new Peruvian copper mine), and from earnings recovering in areas such as diamonds.
- **AFC Energy** (new holding). The company manufactures fuel cells. It is in the early stages of its development with its target markets being construction, temporary power and ultra rapid EV charging.
- **ITM Power** (new holding). The company develops equipment to convert renewable energy to a clean fuel. It enables the use of green hydrogen for industrial, transport and residential sectors. It has raised sufficient capital to fund its medium-term growth objectives.

Sales

The largest five sales during the year were:

- **SDL** (sold). The position was sold following an all shares takeover approach from RWS (also held within the portfolio). While the combination in our view was logical from both a strategic and financial perspective, the position in SDL was sold for portfolio balance reasons in order to prevent the combined holding in the portfolio

Fund Managers' report (continued)

becoming too large. RWS remains a top ten holding in the portfolio.

- **Assura** (reduced). Some profits were taken in the position as it had performed well on an absolute and relative basis and was trading at a substantial premium to net asset value.
- **RWS** (reduced). Prior to the announced SDL acquisition some profits were taken in the position as it had been a strong absolute and relative performer and was trading on a high valuation versus history.
- **Ceres Power** (reduced). The shares were the largest contributor to performance this year following a manufacturing license agreement with Bosch (with Bosch also increasing its equity stake and taking a seat on the Ceres board). Some profits were taken in the holding, as while the commercial potential of the technology is large, commercialisation remains at a relatively early stage and the valuation on any traditional basis is high.
- **Learning Technologies** (reduced). The shares have been a good absolute and relative performer over time, and as a result the valuation is relatively high while recent organic growth has been modest.

There were four takeover approaches during the year, including **SDL** described above. **Eland Oil & Gas**, **Aggregated Micro Power** and **Be Heard** also received approaches and were subsequently sold.

Attribution

Top 10 absolute contributors to return during the financial year:

Company Name	Share Price Total Return (%)	Contribution to NAV (%)
Ceres Power	241.7	4.3
LoopUp	233.3	2.3
Blue Prism	87.8	1.7
Mirriad Advertising	120.6	1.4
Boku	21.8	1.4
Ilika	287.0	1.4
XP Power	53.7	1.2
Surface Transforms	103.4	0.9
Rio Tinto	16.7	0.9
Oxford Instruments	22.6	0.9

While it is encouraging to see the diversity of end markets among the top ten largest contributors to performance, were there to be a common theme, it would be that the majority of the companies are in structurally growing areas and often challenging traditional incumbents. Two of the top ten are, for example, in the alternative energy space; **Ceres Power** designs fuel cells and **Ilika** designs and manufactures solid state batteries.

A number of the earlier stage companies that performed well this year received external validation of their technology from larger companies. This took the form of either a commercial partnership (for example **Ceres Power** signed a manufacturing licensing agreement with Bosch) or the larger company becoming a customer (for example **Surface Transforms**, which makes high performance ceramic brakes, signed a contract with a large electric vehicle manufacturer). In other cases good performance was as a result of resilient sales growth despite the pandemic; **Blue Prism**, **LoopUp**, **Boku** and **XP Power** are all forecast to grow sales in 2020 (their results had not been published at the time of writing this report).

LoopUp, the second largest contributor to performance, was in the previous financial year the largest detractor from performance. They are a software-as-a-service conference call provider. While in the previous year they were impacted by lower than expected demand among UK professional services firms, in the current year the transition of a significant proportion of workers to working from home meant a material step change in their revenues, with sales growing over 40% in the first six months of the year.

LoopUp share price since IPO (pence)

Source: Bloomberg as at 30 October 2020

Fund Managers' report (continued)

Top 10 absolute detractors from return during the financial year:

Company Name	Share Price Total Return (%)	Contribution to NAV (%)
Hammerson	-96.2	-2.1
Rolls-Royce	-72.3	-1.9
Springfield Properties	-18.7	-1.4
Ricardo	-41.8	-1.4
Senior	-70.3	-1.2
Fastjet	-100.0	-1.2
HSBC	-44.3	-1.2
Standard Chartered	-50.0	-1.1
Workspace	-36.3	-1.0
International Consolidated Airlines	-82.1	-0.9

The common themes among the majority of the largest detractors from performance are civil aerospace, physical property and banks. In all cases the primary cause of weakness was the pandemic. Examining each in more detail:

- Civil aerospace – the majority of the global plane fleet was, over the spring, temporarily grounded and global passenger miles have been very slow to recover. This has caused substantial overcapacity and as result the two largest Original Equipment Manufacturers (OEMs) (Airbus and Boeing) have reduced production rates, causing a knock-on impact throughout the aerospace supply chain. The companies held have responded by sharply reducing costs and, in the case of **Rolls-Royce** and **International Consolidated Airlines**, raising additional funding from the equity market via rights issues (in which the Company participated). The civil aerospace market is forecast to be slow to recover, however valuations in the area are low on any return to 'normal' earnings and some companies may emerge to a diminished competitive environment. The holding in **Fastjet** has been written down to zero.
- Physical property – the closure of non-essential shops and some offices in the spring mean reduced rent collections for landlords. For **Hammerson**, which owns prime retail property in the UK and Continental Europe, this temporary closure of a large portion of the retail estate came at a time when rents were already under structural pressure as consumer spending shifted to online. This reduced rent collection alongside pressure on asset values resulted in a rights issue (in which we participated for the Company) in order to reduce the indebtedness of its balance sheet. We continue to think there is a role for prime physical retail in a brand's omnichannel offering, and think Hammerson is well placed to provide this. Similarly we think the flexible office space that **Workspace** provides will see a good recovery in demand once the current restrictions ease.
- Banks – the Company has a relatively low overall exposure to banks, but those it does hold detracted from absolute returns. Following the pandemic, interest rates were cut from already low levels further pressuring margins in the sector. There were also question marks surrounding the scale of loan losses as some corporate borrowers saw their businesses forcibly closed, while on the consumer lending side, a rise in unemployment levels may lead to customers struggling to meet mortgage payments. The true scale of loan losses remains unknown, although to date loan losses have been at the lower end of expectations. Valuations in the area remain low and on any rise in interest rates in the future the sector could perform better.

The Board

We will miss Peter Jones' guidance as the Chairman of the Company. His calmness during the market volatility that occurred in the early stages of the pandemic helped the portfolio to be well placed for the subsequent recovery. We look forward to working with Wendy Colquhoun who will become the new Chairman after the AGM.

Outlook

Since the end of the financial year (to the end of January 2021) the portfolio has performed well, with the net asset value rising 33.6% compared to a rise in the FTSE All-Share of 16.1%. This performance has been driven predominantly by strength in the alternative energy area, with positions including **AFC Energy**, **Ceres Power** and **Ilika** performing well. COVID-19 has accelerated the desire of governments and the private sector to make tangible progress in targeting climate change and there is material investment going into the area. Some of the early stage companies held in the portfolio could be the market leaders in, for example, fuel cells in the future, while others may see their technologies outcompeted and become obsolete. The size of these end markets is large and therefore the 'prize' is big for companies that become market leaders, but we need to be aware of the risks involved and the difficulties of precisely valuing companies at an early stage of their lifecycle. Further volatility is to be expected on the route to full commercialisation. We have, therefore, continued to take some profits in the area. Elsewhere in the portfolio it is encouraging to see companies in more traditional industries such as housebuilding and building materials also performing well. We are continuing to find a number of attractive valuation opportunities in the UK across both new and existing holdings, and intend to remain fully invested with a modest (low to mid-teens) level of gearing.

James Henderson and Laura Foll
Fund Managers
5 February 2021

Twenty largest holdings at 31 October 2020

The stocks in the portfolio are a diverse mix of businesses operating in a wide range of end markets.

Ranking 2020 (2019)	Company	% of Portfolio	Approximate Market Capitalisation	Valuation 2019 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2020 £'000**
1 (12)	**Blue Prism**[1] One of the pioneers of the rapidly growing market for robotic process automation software.	4.3	£1.4b	2,256	–	(183)	2,008	**4,081**
2 *	**Ceres Power**[1] A designer of fuel cells for use across a wide range of end markets including transportation and commercial buildings.	3.9	£1.2b	1,035	530	(1,325)	3,445	**3,685**
3 (13)	**Boku**[1] A mobile payments and identity company which allows customers including Apple and Spotify to charge for their services via an individuals mobile phone bill.	3.3	£342m	2,170	310	–	599	**3,079**
4 (10)	**Oxford Instruments** A designer and manufacturer of highly specialist analysis equipment for use within industry and academic research.	3.0	£911m	2,337	–	–	528	**2,865**
5 (8)	**SigmaRoc**[1] A heavy building materials company with a strategy of growth via acquisitions. The management team are targeting companies with good asset backing and high market shares in the geographies they operate.	2.8	£114m	2,452	256	–	(90)	**2,618**
6 (2)	**Serica Energy**[1] An oil exploration and production business focused on the North Sea. Assets were bought at attractive prices from BP at a time when oil majors were reducing capital expenditure.	2.6	£280m	3,216	–	–	(706)	**2,510**
7 (1)	**RWS Holdings**[1] The world's leading provider of high-quality translation, intellectual property and language support services to a broad range of companies.	2.6	£1.5b	3,929	–	(1,394)	(77)	**2,458**
8 (6)	**Springfield Properties**[1] A Scottish housebuilder that builds both private and affordable housing, growing volumes quickly.	2.6	£95m	2,501	516	–	(572)	**2,445**
9 (15)	**Rio Tinto** A miner of aluminium, coal, copper, gold, iron ore, uranium, zinc and diamonds, operating good quality assets from a relatively low cost base.	2.3	£70.6b	2,007	–	–	172	**2,179**
10 (3)	**Tracsis**[1] A developer of technology and services that solve mission critical resource management problems in the transport sector, particularly rail.	2.3	£148m	2,975	–	(505)	(302)	**2,168**

* Not in the top 20 largest holdings last year
1 Quoted on the Alternative Investment Market ('AIM')

Twenty largest holdings at 31 October 2020 (continued)

Ranking 2020 (2019)	Company	% of Portfolio	Approximate Market Capitalisation	Valuation 2019 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2020 £'000
11 (17)	**Cohort[1]** A manufacturer of a diverse range of defence equipment including counter drone systems, equipment for submarines and communication devices for the army. The management team have a record of successful bolt-on acquisitions.	2.1	£246m	1,921	–	(128)	232	**2,025**
12 *	**Next Fifteen Communications[1]** A marketing and PR company with a focus on the faster growing technology industry.	2.1	£404m	1,741	377	–	(111)	**2,007**
13 *	**GB Group[1]** Fraud prevention and identity verification software. The company has grown well via a combination of organic growth and acquisitions.	2.1	£1.7b	1,208	183	–	609	**2,000**
14 *	**Surface Transforms[1]** A producer of high performance ceramic brakes for the motor industry.	2.0	£78m	840	61	–	974	**1,875**
15 *	**LoopUp[1]** A provider of software-as-a-service conference calls for predominantly professional services firms. They have benefitted from the current work from home environment.	1.9	£119m	542	–	–	1,295	**1,837**
16 *	**Integrafin Holdings** An investment platform for financial advisors that is growing well.	1.9	£1.6b	1,356	–	–	432	**1,788**
17 (19)	**Vertu Motors[1]** A UK car dealer with brands including Ford and Vauxhall. The management team has a successful track record and the balance sheet is strong.	1.9	£108m	1,861	440	–	(535)	**1,766**
18 (7)	**Johnson Matthey** Founded in 1817 this FTSE 100 company is today one of the global leaders in reducing emissions pollution through the application of world leading chemistry.	1.8	£4.2b	2,456	–	–	(737)	**1,719**
19 *	**Mirriad Advertising[1]** Advertising technology that allows adverts to be retrospectively placed in existing video content.	1.8	£78m	530	246	–	922	**1,698**
20 (5)	**Learning Technologies[1]** An e-learning technology provider for both the public and private sector. The company is growing strongly via organic growth and acquisitions.	1.8	£927m	2,552	–	(1,324)	451	**1,679**

At 31 October 2020 these investments totalled £46,482,000 or 49.1% of the portfolio.

* Not in the top 20 largest holdings last year
1 Quoted on the Alternative Investment Market ('AIM')

Investment portfolio at 31 October 2020

Ranking 2020	Company	Main activity	Valuation 2020 £'000
1	Blue Prism[1]	robotic process automation software	4,081
2	Ceres Power[1]	fuel cell technology	3,685
3	Boku[1]	mobile payment software provider	3,079
4	Oxford Instruments	scientific instruments	2,865
5	SigmaRoc[1]	construction materials	2,618
6	Serica Energy[1]	oil and gas exploration and production	2,510
7	RWS Holdings[1]	patent translation services	2,458
8	Springfield Properties[1]	Scottish housebuilder	2,445
9	Rio Tinto	general mining	2,179
10	Tracsis[1]	logistics software and services	2,168
	10 largest		**28,088**
11	Cohort[1]	military products and services	2,025
12	Next Fifteen Communications[1]	digital marketing agency	2,007
13	GB Group[1]	identity data intelligence	2,000
14	Surface Transforms[1]	braking systems	1,875
15	LoopUp[1]	conference call services	1,837
16	Integrafin Holdings	advisor platform	1,788
17	Vertu Motors[1]	motor retailer	1,766
18	Johnson Matthey	advanced materials technology	1,719
19	Mirriad Advertising[1]	advertising technology	1,698
20	Learning Technologies[1]	e-learning	1,679
	20 largest		**46,482**
21	Redcentric[1]	IT managed services	1,612
22	Ilika[1]	advanced materials	1,577
23	XP Power	electrical power components	1,520
24	GlaxoSmithKline	global pharmaceuticals and consumer healthcare	1,485
25	Zoo Digital[1]	dubbing and subtitling services	1,412
26	Van Elle[1]	construction services	1,398
27	4D Pharma[1]	novel drug development platform	1,279
28	Direct Line Insurance	UK car and home insurance	1,252
29	Studio Retail	UK online retail	1,200
30	Ricardo	automotive technology consultancy	1,188
	30 largest		**60,405**
31	Prudential	insurance	1,179
32	Tribal Group[1]	educational sector software and services	1,105
33	IQGeo[1]	software for telecoms and utility industries	1,079
34	HSBC	banking	1,073
35	Workspace	London office real estate investment trust	1,051
36	Franchise Brands[1]	franchise operation	1,032
37	Aveva Group	software services for engineering designers	1,029
38	The Gym Group	affordable gyms	1,015
39	Standard Chartered	banking	1,003
40	Aviva	general insurance	901
	40 largest		**70,872**

1 Quoted on the Alternative Investment Market ('AIM')
2 Unlisted

Investment portfolio at 31 October 2020 (continued)

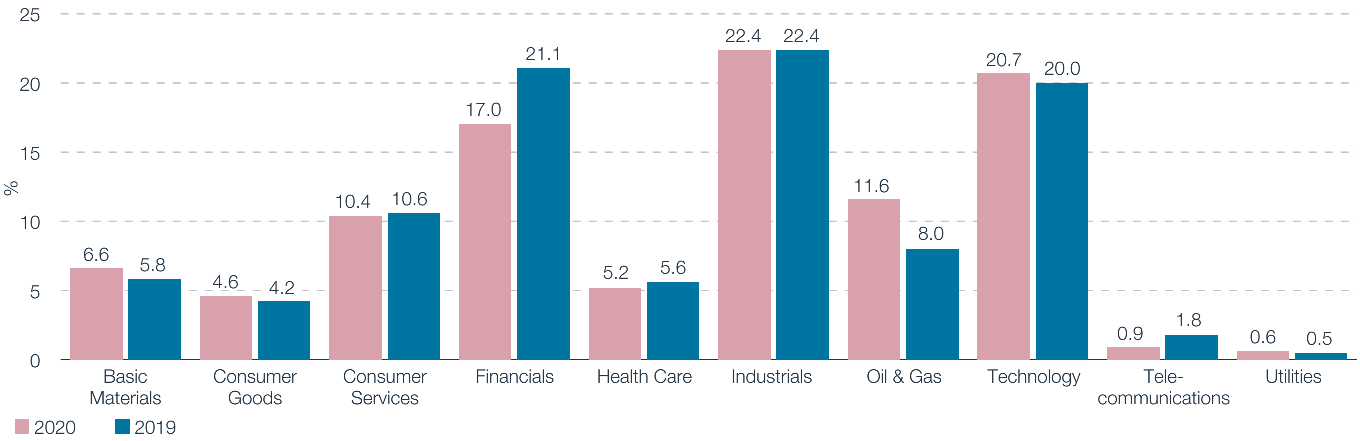
Ranking 2020	Company	Main activity	Valuation 2020 £'000
41	Vodafone	telecoms	875
42	IP Group	portfolio of early stage companies from universities	860
43	Anglo American	diversified miner	860
44	Redde Northgate	flexible vehicle hire	831
45	Reabold Resources[1]	oil and gas exploration	764
46	IG Group	investment services	761
47	Premier Miton Group[1]	fund management	734
48	Mondi	paper and packaging production	732
49	Flowtech[1]	industrial distributor	729
50	Scapa[1]	healthcare and industrial adhesives	726
	50 largest		**78,744**
51	Quixant[1]	gaming hardware and software	698
52	NatWest	banking	683
53	Atlantis[1]	renewable energy generation	678
54	Creo medical[1]	surgical devices	648
55	Provident Financial	sub prime lending	641
56	Assura	healthcare property	639
57	Keystone Law[1]	legal services	630
58	AFC Energy[1]	fuel cell technology	626
59	Eurocell	extruded plastic products	588
60	Jersey Oil & Gas[1]	oil and gas exploration and production	586
	60 largest		**85,161**
61	K3 Capital[1]	UK corporate broker	572
62	ITM Power[1]	green energy technology	570
63	EQTEC[1]	energy from waste technology	522
64	Deltic Energy[1]	oil and gas exploration	516
65	Hollywood Bowl	bowling centres	507
66	Rolls-Royce	aero engines and power systems	503
67	Jadestone Energy[1]	oil and gas production	478
68	Fonix Mobile[1]	mobile payments technology	475
69	Hammerson	retail property owner	469
70	International Personal Finance	sub prime and digital lending	431
	70 largest		**90,204**
71	IQE[1]	semiconductor components	411
72	Horizon Discovery[1]	drug development and diagnostic services	408
73	Oxford Sciences Innovation[2]	portfolio of companies from Oxford University	407
74	Deltex Medical[1]	medical monitoring equipment	372
75	International Consolidated Airlines	airline	362
76	Senior	aerospace and industrial engineer	346
77	CML Microsystems	specialist semiconductors	345
78	Oxford Biodynamics[1]	drug and technology	343
79	Lloyds Banking	UK retail and corporate bank	336
80	M&G	UK financial services	293
	80 largest		**93,827**
81	Safestyle[1]	UPVC windows and doors	223
82	Indus Gas[1]	gas production in India	199
83	KRM22[1]	risk monitoring systems	162
84	GRC International[1]	data protection and cyber security	132
85	Premier Oil	oil and gas exploration and production	97
86	Eve Sleep[1]	online bedding retailer	66
87	Velocys[1]	early stages gas to liquids technology	53
	Total Investments		**94,759**

1 Quoted on the Alternative Investment Market ('AIM')
2 Unlisted

Portfolio information

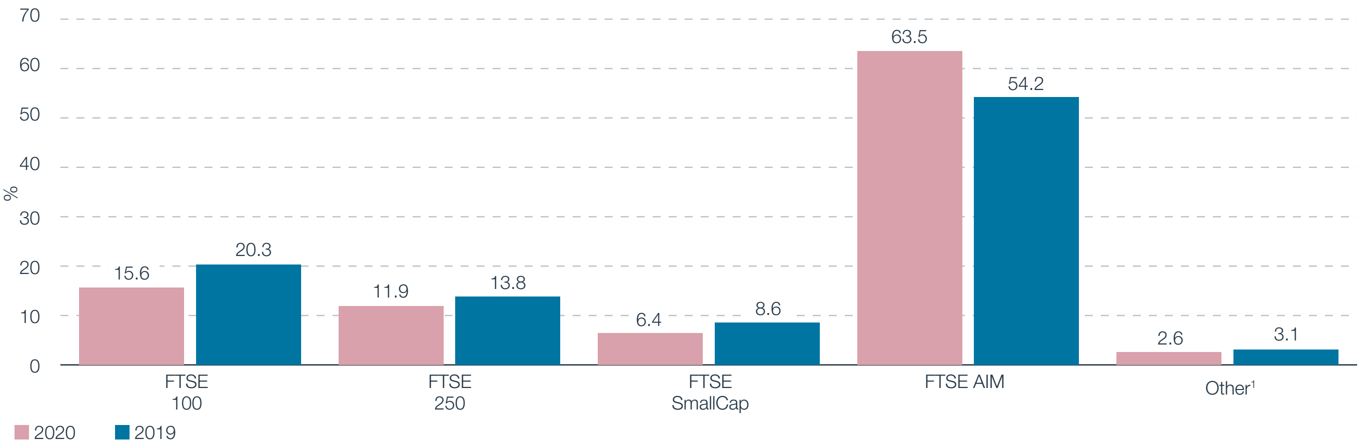
Portfolio by Sector at 31 October

As a percentage of the investment portfolio excluding cash



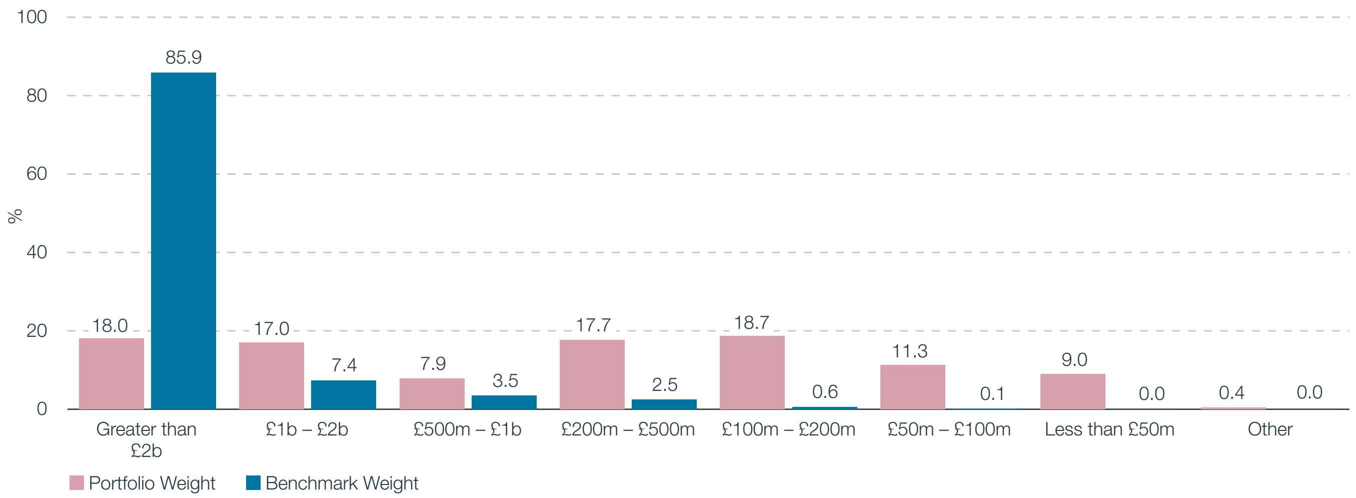
Portfolio by Index at 31 October

As a percentage of the investment portfolio excluding cash



1 Other also includes AIM investments outside the FTSE AIM Index and shares listed on the main market which are not included in the FTSE All-Share Index

Market capitalisation of the portfolio at 31 October 2020

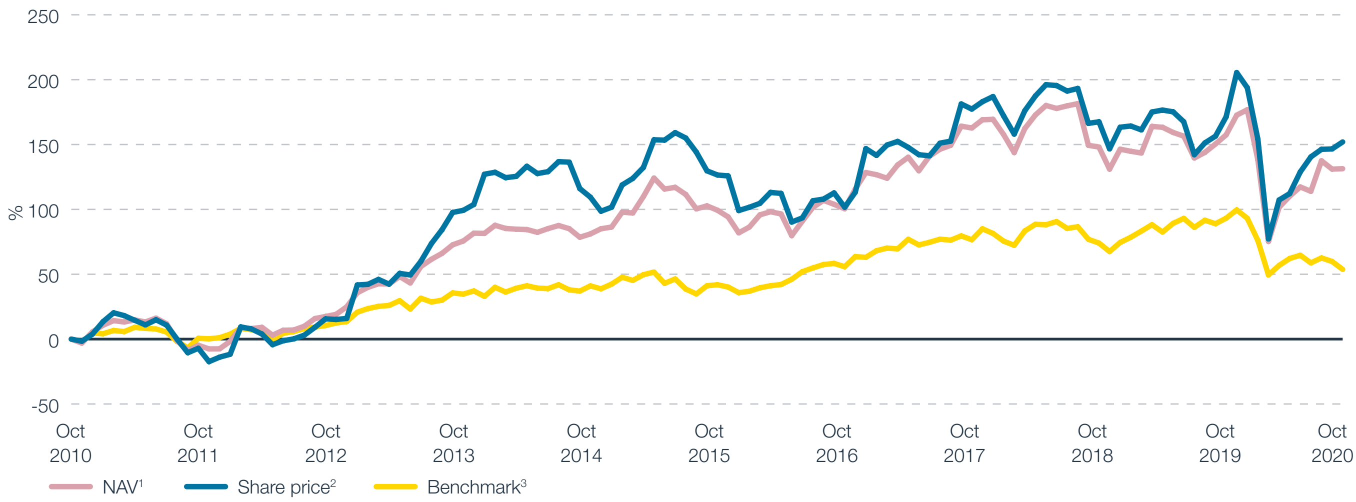


A glossary of terms can be found on pages 69 and 70

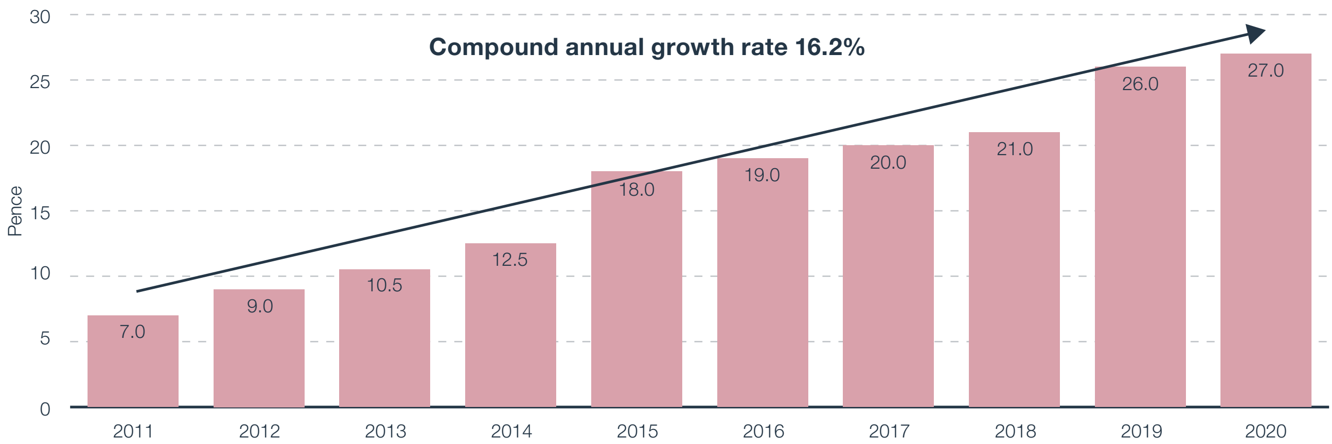
Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

Historical information

Total return performance over the last 10 years



Dividend



Financial information

Year ended 31 October	Total net assets £'000	Net asset value per ordinary share pence	Net revenue return per ordinary share pence
2011	40,408	501.0	7.9
2012	48,490	608.8	10.9
2013	70,434	884.3	12.5
2014	72,302	903.7	15.2
2015	81,007	1,012.5	22.5
2016	79,782	997.2	20.5
2017	101,599	1,269.9	21.8
2018	94,360	1,179.4	20.2
2019	91,798	1,161.8	29.9
2020	**82,643**	**1,046.3**	**12.8**

1 Net Asset Value (NAV) per ordinary share total return (including dividends reinvested)
2 Share price total return (including dividends reinvested)
3 FTSE All-Share Index
A glossary of terms can be found on pages 69 and 70 and Alternative Performance Measures can be found on pages 71 and 72
Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

Business model

Strategy

The Company's purpose is to achieve its investment objective. The purpose is fulfilled by operating as an investment company enabling the Company to delegate operational matters to specialised third-party service providers. Their performance is monitored and challenged by an independent Board of Directors (the 'Board') which retains oversight of the Company's operations.

The Company's status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (the 'Act'). The Company operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ('Section 1158') as amended. The Company has obtained approval from HMRC of its status as an investment trust under Section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so.

The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

The Company and the Board are governed by the Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company's shares are listed on the Main Market of the London Stock Exchange and the Company is subject to the Listing Rules, Prospectus Rules and the Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ('FCA').

Benefits

The Company's business model offers numerous advantages:

- it provides investors with access to a professionally and actively managed portfolio of assets;
- it offers investors exposure to global companies;
- it enables investors to spread the risks of investing;
- it enhances returns to investors by operating as an approved investment trust meaning no capital gains tax is paid on the realisation of investments;
- the closed end structure allows the Fund Managers to take a longer term view on investments and remain fully invested;
- the ability to use leverage to increase returns for investors; and
- oversight by a Board of Directors wholly independent of the investment manager.

Investment objective

The Company aims to achieve capital growth in excess of the FTSE All-Share Index from a portfolio of UK investments.

Investment policy

Asset allocation

The following investment ranges apply:

Equities: 70% to 100%
Fixed Income and Cash: 0% to 30%

Stock selection is not constrained by the FTSE All-Share Index and there are no limits on investment by sector or market capitalisation. Therefore the makeup and weighting of the portfolio will differ materially from the FTSE All-Share Index.

The Company will invest in a portfolio of 70 to 100 investments on an unconstrained basis across the whole range of market capitalisations. Excluding investments written down to zero.

The Company can, but normally does not, invest up to 15% of its gross assets in investment companies (including listed investment trusts).

The Company may invest in unlisted securities up to a maximum of 10% of gross assets at the time of investment.

Dividend

Income growth is a secondary objective to capital growth. However, the Company does seek dividend growth over time.

Derivatives

The Company may use financial instruments known as derivatives for the purpose of efficient portfolio management while maintaining a level of risk consistent with the risk profile of the Company.

Gearing

Net gearing (defined as all borrowings less cash balances and investments in cash funds) is limited by the Board to a maximum of 25% of the Company's net assets, calculated on a fully diluted basis.

Arrangements with the Manager

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ('AIFMD').

The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited ('HGIL') in accordance with an agreement which became effective on 22 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the FCA. References to the

Business model (continued)

Manager within this report refer to the services provided by HIFL and HGIL. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson.

The management agreement with HIFL is reviewed annually by the Management Engagement Committee.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration, accounting and cash management services are carried out, on behalf of Janus Henderson, by BNP Paribas Securities Services. Melanie Stoner (Fellow of the Chartered Governance Institute) acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Fund Managers

The portfolio is managed by James Henderson and Laura Foll.

James was appointed as a joint Fund Manager of the Company's portfolio in 2007. He joined Janus Henderson in 1984 and has been involved with investment trusts throughout his career. He has been the Fund Manager of Lowland Investment Company plc since 1990 and has been responsible for the investment portfolio of The Law Debenture Corporation plc since 2003. He also co-manages the Henderson UK Equity Income & Growth Fund.

Laura was appointed as a joint Fund Manager of the Company's portfolio in September 2018. She joined Janus Henderson in 2009 as part of the Graduate Scheme. During this time, she worked in various teams including fixed income, performance, marketing and equities. Laura then became a global analyst in the Value and Income team and later an assistant Fund Manager. In 2013 she became Deputy Fund Manager for Lowland Investment Company plc and Joint Fund Manager in November 2016. She was appointed as Co-Manager of the Henderson UK Equity Income & Growth Fund in 2014 and became lead manager of that fund in September 2020.

Fees

The management agreement provides for the payment of a composite management fee which is calculated and paid quarterly in arrears. The base management fee is charged at 0.55% of net assets per annum payable quarterly at a rate of 0.1375% based on net assets at the end of the previous quarter.

The management agreement also provides for the payment of a performance fee, calculated as 15% of any outperformance of the Net Asset Value over the benchmark, subject to a limit on the total management and performance fees payable in any one year of 1.5% of the average net assets (calculated quarterly) during the year. No performance fee will be payable if on the last day of the Company's accounting year the Company's share price is lower than the share price at the preceding year end. No performance fee will be payable if on the last day of the Company's accounting year the Company's Net Asset Value per share is lower than its value at the preceding year end. Any underperformance relative to the benchmark, or any unrewarded outperformance (for example, as a result of the cap), will be carried forward and set against any outperformance or underperformance respectively in subsequent years. No performance fee is payable for the year ended 31 October 2020. Performance fee arrangements were reviewed during the year.

Dividend approach

Income growth is a secondary objective to capital growth. However, the Company does seek dividend growth over time. The Board is optimistic that the progressive dividend policy of recent years can be maintained, although this may from time to time require utilisation of the revenue reserve.

Since the beginning of the 2020 financial year the Company has paid quarterly dividends. When deciding dividends the Board has regard to a variety of factors, including the current and forecast levels of dividend income from the portfolio, the sustainability of that income, cash resources and any macro and economic risks. The Fund Managers provided portfolio updates together with a projected schedule in respect of the income generated by the underlying investments to assist the Board's decision.

Ongoing charges

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments and performance fees. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charges and monitors the expenses incurred by the Company on a regular basis.

For the year ended 31 October 2020 the ongoing charge was 0.88% (2019: 0.91%) of net asset value excluding the performance fee and (given that the performance fee for 2020 and 2019 was zero) 0.88% (2019: 0.91%) including the performance fee.

Borrowings

The Company has an unsecured loan facility in place which allows it to borrow as and when appropriate. £20m (2019: £20m) is available under the facility. Net gearing is limited by the Board to 25% of net assets. The maximum amount drawn down in the period under review was £14.1m (2019: £14.6m), with borrowing costs for the year totalling £131,000 (2019: £177,000). £14.1m (2019: £12.6m) of the facility was in use at the year end. Net gearing at 31 October 2020 was 13.6% (2019: 12.7%) of net asset value.

Business model (continued)

Viability statement

The Company is normally a long-term investor; the Board believes it is appropriate to assess the Company's viability over a five year period in recognition of its long-term horizon and what the Board believes to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties as documented in this Strategic Report.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular investment strategy and performance against benchmark, whether from asset allocation or the level of gearing, and market risk, materialising in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the liquidity of the portfolio and the borrowings in place when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's borrowing facilities and how a breach of any covenants could impact on the Company's net asset value and share price.

The Directors do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. In coming to this conclusion, the Board has considered the current COVID-19 pandemic and the impact of the end of the UK's transition phase of leaving the European Union. The Company's revenue stream has been severely impacted by widespread dividend cuts in the UK market as a result of the COVID-19 pandemic. The Board believes that income will recover to historic income levels within a two to three year period and the Company has sufficient distributable reserves to meet any dividend distributions until dividend income fully recovers. The Board does not believe that these factors will have a long-term impact on the viability of the Company and its ability to continue in operation, notwithstanding the short-term uncertainty they have caused in the markets.

Based on this assessment, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five year period.

Section 172 statement

The Board is responsible for approving the Company's long-term objectives and commercial strategy and for promoting the Company's success. The Board devotes time at at least one of its meetings each year to reviewing overall strategy and progress is monitored throughout the year. The Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests, as set out in Section 172 of the Act. The Board regards a well governed business model as essential for the successful delivery of its investment proposition. The Directors consider the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account. The Company manages shareholders' assets with constant awareness of the Company's stakeholders and their interests. The Board has identified its key stakeholders using a stakeholder map. The Directors regard the Company's key stakeholders to be the Company's shareholders and potential investors, the Manager and other key third-party service providers.

To this end, the Board secures the Company's success by engaging reputable third-party suppliers with established track records to deliver the day-to-day operations. The most important of these is the Manager, and in particular the Fund Managers, who are responsible for the management of the Company's assets in line with the investment objective. The Board maintains a close working relationship with the Manager and holds it to account for the smooth running of the Company's day-to-day business. The Board retains responsibility for decisions regarding corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions for the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

The Fund Managers promote the Company with the support of the Manager's dedicated investment trust sales team and the Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the UK.

To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reporting from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the expected level of service.

Business model (continued)

Engagement with key stakeholders

The Company's key stakeholders are listed below with examples of the way the Board and the Company has interacted with them in the year under review.

Stakeholders	Engagement
Shareholders and potential investors	The Board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. Unlike trading companies, the Board appreciates that this often takes the form of meeting with the Fund Managers rather than members of the Board. The Manager provides information on the Company, press releases and videos of the Fund Managers on the Company's website and via various social media channels. Feedback from all meetings between the Fund Managers and shareholders is shared with the Board. The Chairman is available to meet with shareholders to understand their views on governance and the Company's performance. With assistance from the Manager, the Chairman seeks meetings with shareholders who might wish to meet with him. The annual report and half-year results are circulated to shareholders who wish to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet which is available on the website. The Fund Managers provide presentations to shareholders and analysts following the publication of the annual financial results. In normal times, the Fund Managers attend the AGM and provide a presentation on the Company's performance and the future outlook. The Board usually encourages shareholders to attend and participate in the AGM and shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Managers and all Directors. However, as a result of COVID-19, this year's AGM will take a different format (see the Chairman's Statement on page 4 for details). In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Correspondence from shareholders is shared with the Chairman and the Board. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels.
Janus Henderson as Manager • Fund Manager • Sales and marketing • Company secretarial • Financial reporting • Internal controls functions • Internal audit • Investment accounting and administration (outsourced by Janus Henderson to BNP Paribas Securities Services)	The most important of the Company's third-party service providers is the Manager, and in particular the Fund Managers, who are responsible for the management of the Company's assets in line with the investment objective. Representatives of the Manager regularly attend Board meetings, providing the opportunity for the Manager and the Board to reinforce further their mutual understanding of what is expected from all parties. Through receipt of timely and accurate information (including monthly performance and compliance reporting against a schedule of investment limits and restrictions determined by the Board and Fund Managers) and regular engagement with representatives of the Manager, the Board is able to provide timely and constructive feedback to the Manager in order that the Manager can meet the Company's investment objective to the best of its ability.

Business model (continued)

Stakeholders	Engagement
Other third-party service providers	As an investment company, all services are outsourced to third-party service providers. Whilst there is an interdependency between the Company's key third-party service providers (i.e. the Manager (and indirectly BNP Paribas Securities Services who provide accounting and administration services to the Company), the Broker, Depositary, Registrar and Auditor), the Board considers these key third-party service providers also to be one of the Company's key stakeholder groups. The Board relies on the Manager to provide the third-party service providers with the information required to meet the Company's requirements. The Company's third-party service suppliers' performance is assessed in detail at least annually by the Management Engagement Committee. The Board also seeks to control the Company's costs, thereby enhancing performance and returns for the Company's shareholders. The Corporate Secretary and Financial Reporting Manager for Investment Trusts, in particular, engage with the key suppliers on a regular and continuous basis and the Manager provides the third-party service providers with feedback from the Board about the day-to-day service provided by each of the third-party suppliers. The Board also meets directly with representatives of the Depositary on an annual basis. The Audit and Risk Committee reviews the internal controls and risk management systems in place at BNP Paribas Securities Services, the Registrar and Depositary predominantly through the assessment of each supplier's internal controls and assurance report.

Board discussions and decision-making

The Board is aware that not all decisions made by the Board will result in a positive outcome for all of the Company's stakeholders. The Board takes into consideration the Company's purpose, investment objective and investment policy as well as the interests of the Company's stakeholders when discussing matters and making decisions. The following are examples of the key discussions held and decisions made by the Board during the financial year ended 31 October 2020:

- The Board understands that shareholders and potential investors require information in order to make decisions about their investment in the Company. Through the presentation of the Company's half-year and annual results to shareholders in the half-year Update and Annual Report and making them available on the website to other stakeholders, the Company has provided information in order that shareholders and potential investors are able to make informed decisions about their investment in the Company;
- Directors are required to act in a way they consider to be for the benefit of its members as a whole. Consideration and approval of the resolutions put to shareholders at the Annual General Meetings in 2020 and 2021 and the proposed amendments to the Company's Articles of Association (ensuring more shareholders have access to general meetings in the future) are considered by the Directors to be for the benefit of its members as a whole;
- The Company aims to return income on shareholder investments in the Company. The Board facilitates this through the approval of the Company's quarterly dividends;
- Another aspect of shareholder interests is management of the Company's discount and ensuring that their investment in the Company is close to the value of the Company's underlying holdings. The Chairman and Manager discuss regularly, taking into account feedback from shareholders and potential investors, in order to agree how best to approach the management of the Company's discount; and
- The Fund Managers' approach to investing sustainably includes analysis of the environmental, social and governance impact the companies in the portfolio have on the wider community and the environment.

The Chairman has included more information regarding a number of these matters in his statement (see pages 3 and 4).

Throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager, receiving updates from the Fund Managers on areas such as portfolio activity (to manage the volatility in the market and to take advantage of opportunities), gearing and the ability to meet the ongoing income requirements of shareholders.

The Fund Managers present the impact of their decisions relating to the portfolio to the Board at each meeting, and to shareholders at the Annual General Meeting and other arranged meetings during the year, as well as through the

Business model (continued)

half-year and annual results announcements. The Board's engagement with the Manager is necessary to evaluate the Company's portfolio's performance against the stated strategy and benchmark and to understand any risks or opportunities this may present to the Company.

Culture

As explained in the Section 172 statement on page 18, the Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests.

The Board applies various policies, practices and behaviour to ensure that the Board's culture is in line with the Company's purpose, values and strategy. The Manager is considered by the Board to be the Company's most significant third-party service provider therefore the relationship with key individuals, in particular the Fund Managers, the Company Secretary, the Director and Head of Investment Trusts and the Financial Reporting Manager for Investment Trusts, are paramount to the success of the Company. There is continuous engagement and dialogue with these key individuals and the Directors (in particular with the Chairman and Chairman of the Audit and Risk Committee) between Board Meetings. Communication channels are open and information, ideas and advice flow between the Board and the Manager with the aim of delivering better results for shareholders and other stakeholders and ultimately driving the Company's long-term sustainable success. The need to foster, maintain and continually evolve corporate culture is taken into account when decision-making and is therefore integral to the Company's policies and practices.

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to Directors' conflicts of interest, Directors' dealings in the Company's shares, bribery (including the acceptance of gifts and hospitality) and tax evasion. The Board assesses and monitors compliance with these policies regularly through Board meetings and the annual evaluation process (for more information see the performance evaluation section on pages 31 and 32).

The Board seeks to appoint the best possible service providers and evaluates the service on a regular basis as described on page 33. The Board considers the culture of the Manager and other service providers through regular reporting and by receiving regular presentations from these stakeholders.

Directors are also required to consider the impact on the community and environment. The Board further describes the Company's and Manager's approach to environmental, social and governance matters on pages 23 and 24.

Managing our risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency, liquidity and reputation. The principal risks and uncertainties facing the Company relate to investing in the shares of companies that are listed in the United Kingdom, including small companies. Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly, whether upwards or downwards, and it may not be possible to realise an investment at the Manager's assessment of its value. Falls in the value of the Company's investments can be caused by unexpected external events. The companies in which investments are made may operate unsuccessfully, or fail entirely, such that shareholder value is lost. The Company is also exposed to the operational risk that one or more of its contractors or sub-contractors may not provide the required level of service.

The Board considers regularly the principal risks facing the Company in order to mitigate them as far as practicable. The Board monitors the Manager, its other service providers and the internal and external environments in which the Company operates to identify new and emerging risks. The Board's policy on risk management has not materially changed from last year, although the inherent likelihood of the occurrence of poor investment performance, failure or serious difficulties of one of the Company's third-party service providers, the loss of bank borrowing facilities and failure of the Manager to manage financial or administrative controls due to the increased possibility of cyberattacks or issues with bandwidth as many employees worked from home were increased due to the COVID-19 pandemic. The Board has received regular updates from the Fund Managers during the pandemic. These have enabled the Directors to monitor and manage risks related to the pandemic. COVID-19 will continue to affect the value of the Company's investments due to the disruption of supply chains and demand from products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The pandemic has triggered a share fall in global stock markets and created uncertainty around future dividend income. The Board notes that the Fund Managers' investment process remains unchanged by the COVID-19 pandemic and they continue to focus on long-term company fundamentals and detailed analysis of current and future investments. It is the Board's view that demographic change, technological change, environmental sustainability and political change are emerging risks.

The Board has drawn up a risk map which identifies the substantial risks to which the Company is exposed. The Board has also put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy. These principal risks fall broadly under the following categories:

Business model (continued)

Risk	Controls and mitigation
Investment activity and strategy An inappropriate investment strategy (for example, in terms of asset allocation, stock selection, failure to anticipate external shocks or the level of gearing) may lead to a reduction in NAV, underperformance against the Company's benchmark and the Company's peer group; it may also result in the Company's shares trading on a wider discount to NAV.	The Manager provides the Directors with management information including performance data reports and portfolio analyses on a monthly basis. The Board monitors the implementation and results of the investment process with the Fund Managers, who attend all Board meetings, and reviews regularly data that monitors risk factors in respect of the portfolio. The Manager operates in accordance with investment limits and restrictions determined by the Board; these include limits on the extent to which borrowings may be used. The Board reviews its investment limits and restrictions regularly and the Manager confirms its compliance with them each month. The Board reviews investment strategy at each Board meeting. The Board seeks to manage these risks by ensuring a diversification of investments through regular meetings with the Fund Managers with measurement against performance indicators and by reviewing the extent of borrowings.
Financial instruments and the management of risk By its nature as an investment trust, the Company is exposed in varying degrees to market risk, interest rate risk, liquidity risk, currency risk and credit and counterparty risk. Market risk arises from uncertainty about the future prices of the Company's investments.	An analysis of these financial risks and the Company's policies for managing them are set out in Note 15 on pages 61 to 65.
Operational and cyber Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the Custodian or the Depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its services providers may not provide the required level of service. The Company may also be exposed to the risk of cyberattack on its service providers.	The Manager has contracted some of its operational functions, principally those relating to trade processing, investment administration, accounting and cash management, to BNP Paribas Securities Services. The risk of failure of the Manager to manage financial or administrative controls due to the increased possibility of cyberattacks or issues with bandwidth as many employees worked from home was increased due to the COVID-19 pandemic. The Directors report that, despite the COVID-19 pandemic, there has been no change to the level of service provided by the Manager or the Company's other third-party suppliers and the pandemic has served to highlight the resilience and high quality of the services provided. Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Audit and Risk Committee report on page 36.
Accounting, legal and regulatory A breach of Section 1158 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the FCA's Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage.	The Manager is contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal controls reports produced by Janus Henderson on a quarterly basis, which confirm regulatory compliance.
Liquidity In line with the Company's investment strategy the Fund Managers can invest on an unconstrained basis across the whole range of market capitalisations. This includes investing in smaller, early stage development companies. The market for these shares is less liquid than for those stocks which have a larger market capitalisation.	The Board monitors the Company's exposure to these smaller companies on a monthly basis and reviews this in detail at Board meetings. The liquidity of the whole portfolio is also considered at Board meetings.

Business model (continued)

Risk	Controls and mitigation
Net gearing The ability to borrow money for investment purposes is a key advantage of the investment trust structure. A failure to maintain a bank facility would prevent the Company from gearing. A breach of the Company's borrowing covenants or the gearing range determined by the Board could lead to the Company becoming a forced seller of shares with possible losses for shareholders.	The Board reviews the level of net gearing at each Board meeting in the light of the liquidity of the portfolio and ensures that it is well within the covenants so that this risk is unlikely to arise.
Failure of Janus Henderson A failure of the Manager's business, whether or not as a result of regulatory failure, cyber risk or other failure could result in the Manager being unable to meet its obligations and its duty of care to the Company.	The Board meets regularly with representatives of the Manager's Investment Management, Risk, Compliance, Internal Audit and Investment Trust teams and reviews internal control reports from the Manager on a quarterly basis. The failure of the Manager would not necessarily lead to a loss of the Company's assets, however, this risk is mitigated by the Company's ability to change its investment manager if necessary, subject to the terms of its management agreement.

Environmental, social and governance ('ESG') matters

Climate change, responsible ownership and the Stewardship Code

Responsible Investment is the term used to cover the Manager's work on ESG issues in the Company's investee companies. It is very wide ranging and all investment decisions are made with consideration of the ESG context. It is an integral part of the investment process. Further detail on Janus Henderson's commitment to Corporate Social Responsibility can be found in the Janus Henderson Impact Report, available on Janus Henderson's website (**www.janushenderson.com**).

In some areas, considerable progress can be seen. The governance of many businesses has improved. Board composition has become more diverse and gender equality is being tackled by the business community. Some governance issues are easily measurable and progress is being made. This includes some social issues. The attention being paid, for instance to child labour, has meant a closer scrutiny by large companies of their suppliers' work practices which has been beneficial. However, there are ESG issues that are subjective and as a result progress is difficult to monitor. The environmental area is particularly challenging. The energy sector is the largest contributor to greenhouse gases and therefore global warming. Disinvestment is unlikely to help solve the problem, but being supportive of companies in their efforts to develop renewables might, provided that the returns on renewables appear sufficient. Decarbonisation might mean that the returns from the large energy companies are not sustainable but, at present, the speed of change is not rapid enough to disrupt the business model of large energy companies. We are still invested in traditional oil exploration companies, but in aggregate the portfolio companies have a lower carbon footprint than the index.

We prefer dialogue with, rather than the exclusion of, companies that score badly in environmental screens so as to try and understand the issues. One of the ways an awareness of these issues colours all investment decisions is in the search for companies that are positively helping provide the answers. For instance the portfolio has several holdings (including **Ceres Power** and **ITM Power**) involved in hydrogen fuel cells and the hydrogen supply chain.

ESG issues are both a challenge and an opportunity. For a company to have a long term sustainable business model it needs to be aware of the issues and act appropriately.

Janus Henderson is a signatory to and supports the Financial Reporting Council's ('FRC') UK Stewardship Code (the 'Stewardship Code') and seeks to protect and enhance value for the Company's shareholders through active management, integration of ESG factors into investment decision making, voting and company engagement. Janus Henderson will report on how they have applied the provisions of the UK Stewardship Code 2020 in their annual Responsible Investment Review in early 2021. The Board has reviewed the Janus Henderson Stewardship Statement, which is available to view at **www.janushenderson.com**. Janus Henderson is a signatory to the United Nations Principles of Responsible Investment and an active member of a wide range of organisations and initiatives that work to promote ESG integration and responsible investment.

Voting and the Stewardship Code

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. The Board has chosen to delegate responsibility to the Manager for voting the rights attached to the shares held in the Company's portfolio, and the Manager actively

Business model (continued)

votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Managers, who have an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles which set out the Manager's approach to corporate governance and compliance with the Stewardship Code and are publicly available on the Manager's website at **www.janushenderson.com**. To retain oversight of the process, the Directors receive annual reporting on how the Manager has voted the shares held in the Company's portfolio, and they review the ESG Investment Principles at least annually.

During the year to 31 October 2020, the Fund Managers met with directors of various investee companies to discuss corporate governance issues and helped to shape their policies on such matters. In addition to the issues raised by the Manager (which included corporate governance and firm culture, remuneration issues, ESG strategy, sustainability and destruction of heritage sites), a broad range of topics was tackled, including fair pricing for customers, separation of the roles of Chairman and CEO and reduction of emissions targets.

In the period under review, investee companies held 111 general meetings. The shares held in the Company's portfolio were voted at all of these meetings. The level of governance in the companies held in the portfolio is generally of a high standard which meant support in favour of the majority of resolutions proposed by management was warranted. However, in respect of 1.4% of the resolutions proposed, support in line with management recommendation was not warranted and, following discussion between the Fund Managers and Janus Henderson's governance team, the shares were voted against management recommendation on the passing of 10 resolutions and abstentions were recorded for 8 resolutions. On occasion, the Manager might make a voting decision following consultation with the Chairman on behalf of the Board.

In terms of the resolutions not supported, these covered proposed and existing executive share plan performance and vesting targets, alignment of bonuses with shareholder and other stakeholders' experience, independence concerns, high non-audit fees and share issuance authorisations.

The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Business ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017. The Company has received assurances from its main suppliers that they maintain a zero-tolerance policy towards the provision of illegal services.

Board diversity and experience

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Board welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review on ethnic representation on boards.

The Directors are broad in their experience and skills, bringing knowledge of investment markets, business, financial services and stakeholder expertise to discussions on the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective.

The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The Board's prime responsibility, however, is the strength of the Board and its overriding aim in making any new appointments must always be to select the best candidate based on objective criteria and merit.

Currently the Board comprises five Directors: three female (60%) and two male (40%). Whilst the Company has no employees and, therefore, has nothing further to report in respect of gender representation within the Company, the Company reports that the Manager fosters and maintains an environment that values the unique talents and contributions of every individual. The Manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients and shareholders.

For and on behalf of the Board

Peter Jones
Chairman
5 February 2021

Key performance indicators

Measuring our performance

In order to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators ('KPIs').

The charts, tables and data on pages 1 and 15 show how the Company has performed against those KPIs, and a glossary of terms and alternative performance measures is included on pages 69 to 72.

KPI	Action
Absolute performance	The Board reviews, at each of its meetings, the performance of the portfolio, gearing levels, the net asset value per share and the Company's share price.
Performance measured against the benchmark	The Board reviews and compares, at each of its meetings, the performance of the portfolio as well as the net asset value and share price for the Company and compares them with the performance of the Company's benchmark, the FTSE All-Share Index.
Discount/premium to the net asset value per share ('NAV')	The Board monitors the level of the discount to the NAV at which the Company's shares trade and reviews the average discount for the AIC UK All Companies Sector. The Board considers whether to use share buy backs to enhance shareholder value. Shares are only bought back at a price materially below the prevailing NAV, thereby increasing the NAV for the remaining shareholders. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula.
Performance against the Company's peer group	The Company is included in the AIC's UK All Companies Sector, which represents the Company's peer group. In addition to comparison against the stated benchmark, the Board also considers the performance against the peer group at each Board meeting.
Dividend per share growth	The Board reviews and compares at each of its meetings the progression of the revenue per share over the course of the year.

Governance

Board of Directors

The Directors appointed to the Board at the date of this Annual Report are:

Peter Jones

Position: Chairman

Date of appointment: 12 December 2011. Peter will retire from the Board at the conclusion of the Annual General Meeting in March 2021

Committees: Chairman of the Board since 17 March 2016. Chairman of the Insider Committee, Nominations Committee and Management Engagement Committee

Relevant skills and experience: Peter was chief executive of Associated British Ports for six years up to March 2013. He was a non-executive director of Hargreaves Services plc. He was formerly chairman of Port of Milford Haven and a non-executive director of Mercantile Ports & Logistics Ltd.

External appointments: Peter is a director of a small number of private limited companies.

Wendy Colquhoun

Position: Independent non-executive Director

Date of appointment: 1 September 2018. Subject to re-appointment by shareholders, Wendy will become Chairman of the Board, Insider Committee, Nominations Committee and Management Engagement Committee at the conclusion of the Annual General Meeting in March 2021

Committees: Member of the Audit and Risk Committee, Insider Committee, Nominations Committee and Management Engagement Committee

Relevant skills and experience: Wendy was previously a partner at international law firm CMS Cameron McKenna Nabarro Olswang LLP and advised investment trust boards for over 25 years on advisory and transactional matters. She has also previously held positions at Dickson Minto and Linklaters.

External appointments: Wendy is a director of Schroder UK Mid Cap Fund plc and Capital Gearing Trust plc. She is also a trustee of the Stewart Ivory Financial Education Trust, a director of, and chairman of the risk and governance committee for, Scottish Financial Enterprise.

Davina Curling

Position: Independent non-executive Director

Date of appointment: 1 November 2019

Committees: Member of the Audit and Risk Committee, Insider Committee, Nominations Committee and Management Engagement Committee

Relevant skills and experience: Davina has over 25 years of fund management experience. Davina was managing director and head of Pan European equities at Russell Investments. Prior to that she was head of European equities at F&C, ISIS and Royal & SunAlliance. Davina has also previously held positions at Nikko Capital Management (UK) and Kleinwort Benson.

External appointments: Davina is currently a director of Invesco Income Growth Trust plc and BlackRock Greater Europe Investment Trust plc and a member of the investment committee of St James's Place. She is currently a trustee of the Rosanna Hospital Charity.

Frances Daley

Position: Audit and Risk Committee Chairman

Date of appointment: 18 June 2015

Committees: Audit and Risk Committee Chairman since 15 March 2018. Member of the Insider Committee, Nominations Committee and Management Engagement Committee

Relevant skills and experience: Frances is a Chartered Accountant (FCA) with significant financial and commercial experience having held several senior finance and general management positions in accountancy, investment banking and corporate sector companies over the last 30 years.

External appointments: Frances is the chairman of Barings Emerging EMEA Opportunities PLC, an emerging markets investment trust listed on the London Stock Exchange and a non-executive director of Regional REIT Limited.

Chris Hills

Position: Independent non-executive Director

Date of appointment: 17 June 2010

Committees: Member of the Audit and Risk Committee, Insider Committee, Nominations Committee and Management Engagement Committee

Relevant skills and experience: Chris is chief investment officer of Investec Wealth and Investment Limited, a position he has held (originally with Carr Sheppards) for over 20 years. He was formerly a director of Baring Fund Management.

External appointments: Chris is a member of the investments committee of University College London.

Corporate governance report

The Corporate Governance report and the Audit and Risk Committee report form part of the Directors' report.

Corporate governance

The Board is accountable to shareholders for the governance of the Company's day-to-day affairs and is pleased to report on the Company's governance arrangements and how the principles of the applicable codes have been applied during the year under review.

Applicable corporate governance codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code ('UK Code') issued by the FRC have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations and all day-to-day activities are outsourced to external service providers. The Board has therefore considered the principles and provisions of the AIC Code of Corporate Governance ('AIC Code') issued in February 2019. The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (**www.frc.org.uk**). The AIC Code is available on the AIC website (**www.theaic.co.uk**) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of compliance

The Company has complied with the principles and provisions of the AIC Code except in respect of the appointment of a senior independent director.

No senior independent director has been appointed. The Chairman of the Audit and Risk Committee leads the annual evaluation of the Chairman's performance. Shareholders are invited to raise any concerns with either the Chairman of the Audit and Risk Committee or with any of the other Directors, each of whom has areas of expertise on which they lead.

The Company has no chief executive or other executive directors and has therefore not reported further in respect of these provisions. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit and Risk Committee considers the need for such a function at least annually (see page 37 for further information).

As the Company has no employees and has a small Board of solely non-executive Directors, the Board has not established a separate Remuneration Committee. The remuneration of Directors is dealt with by the Board as a whole.

Directors

The Board has set, and each Director has agreed to adopt, generic terms and conditions of appointment of non-executive Directors of the Company.

Any shareholder wishing to inspect these documents is requested to contact the Company Secretary at **itsecretariat@janushenderson.com**.

Appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for appointment by the shareholders at the next AGM in accordance with the Articles of Association.

In accordance with the AIC code, all Directors are standing for re-appointment at the AGM, with the exception of Peter Jones who will retire at the conclusion of the AGM.

The contribution and performance of each of the Directors seeking re-appointment was reviewed by the Nominations Committee at its meeting in December 2020, which recommended their continuing appointment to the Board.

Under the Articles of Association shareholders may remove a Director before the end of their term by passing a special resolution at a meeting. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

Tenure

Whilst there is no requirement to implement a formal tenure policy for Directors (other than the Chairman), it is anticipated that Directors would not normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to shareholders at the time, a one or two year extension might be necessary.

Chris Hills reached his nine year anniversary in June 2019. It is expected that Chris Hills will remain on the Board until the conclusion of the Annual General Meeting in March 2022 to allow for the recruitment of his replacement during the coming year, given the Chairman's retirement and the resultant small number of Directors on the Board.

Chairman tenure policy

Given the entirely non-executive nature of the Board and as the Chairman may not be appointed as such at the time of their initial appointment as a Director, the Chairman's tenure may be longer where this is considered by the Board to be

Corporate governance report (continued)

in the best interests of the Company. As with all Directors, the continuing appointment of the Chairman is subject to satisfactory performance evaluation, annual re-appointment by shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board. The Directors are cognisant of the benefits of Board diversity and the regular refreshment of the Board's membership and seek to refresh the Board while retaining a balance of knowledge of the Company, diversity and ongoing relationship with the Fund Managers. Having reached his nine year anniversary in December 2020, Peter Jones will retire from the Board at the conclusion of the Annual General Meeting in March 2021 and, subject to re-appointment by shareholders, Wendy Colquhoun will become Chairman of the Board, Insider Committee, Nominations Committee and Management Engagement Committee.

Directors' independence

All Directors are non-executive, have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in December 2020, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Manager. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a service contract with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for Directors to declare situational conflicts for consideration by those Directors who have no interest in the matter. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes and the register of interests. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively. The Chairman has had no relationship that may have created a conflict between his interests and those of the Company's shareholders.

Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by the Manager at the request of the Chairman. Davina Curling attended such an induction following her appointment in November 2019. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors are also able to attend external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered as part of the annual performance evaluation.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover was in place in respect of the Directors throughout the financial year and remains in place at the date of this report. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Corporate governance report (continued)

The Board's Committees

The Board has three principal Committees: the Audit and Risk Committee, the Management Engagement Committee and the Nominations Committee.

Board of Directors
comprises five independent non-executive directors

Chairman: Peter Jones

Audit and Risk Committee
Chairman: Frances Daley

Purpose: Ensure the integrity of the financial reporting, evaluate the effectiveness of the systems of internal control and risk management and oversee the relationship with the external auditor

Management Engagement Committee
Chairman: Peter Jones

Purpose: Ensure that the performance of third-party service providers meet expectations and their terms of engagement remain appropriate

Nominations Committee
Chairman: Peter Jones

Purpose: Ensure the Board has a balance of skills, experience and diversity, oversee performance evaluations of the Board and its Committees, a formal approach to the appointment of directors and maintains an effective framework for succession planning

Third-party service providers appointed by the Board

Janus Henderson
Fund Managers: James Henderson and Laura Foll

Investment Management, Sales, Marketing, Corporate Secretary

Alternative Investment Fund Manager:
Henderson Investment Funds Limited

Janus Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services

HSBC Bank plc
Custodian and depositary

JP Morgan Cazenove
Corporate broker

Computershare Investor Services plc
Registrar

The Board has also constituted an Insider Committee which meets when required to assist the Board in discharging its responsibilities under the Market Abuse Regulations and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. All Directors are members of the Insider Committee, which is chaired by the Chairman of the Board.

The terms of reference for each Committee are kept under regular review by the Board and are available on the Company's website **www.hendersonopportunitiestrust.com**. The reports on the activities of each of the Board's principal Committees are set out on pages 33 to 37.

Corporate governance report (continued)

Board of Directors

Composition

The Board comprises five non-executive Directors and their biographies are included on page 27. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year. All Directors are resident in the UK. Peter Jones will be retiring from the Board at the conclusion of the Annual General Meeting in March 2021.

Role of the Board

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board is responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and others are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board meets formally at least five times a year, with additional Board or Committee meetings arranged when required. The Directors have regular contact with the Fund Managers and representatives of the Corporate Secretary between meetings.

The Chairman is responsible for leading the Board and for ensuring that it continues to deal effectively with all aspects of its responsibilities.

The Board has a formal schedule of matters specifically reserved for its decision, which include: strategy and management; structure and capital; financial reporting and controls; internal controls and risk management; contracts; communications and public relations; Board membership and other appointments; delegation of authority; remuneration; corporate governance; and policies. The schedule of matters reserved for the Board is available on the website **www.hendersonopportunitiestrust.com**.

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that the affairs of the Company are monitored and controlled. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act and regularly reviews investment strategy. The Board receives regular reports from the Manager on marketing and investor relations.

The Board has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company. To enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Board attendance

The table below sets out the number of scheduled Board and Committee meetings held during the year under review and the number of meetings attended by each Director. Due to the COVID-19 restrictions in place at the time, Wendy Colquhoun, Davina Curling and Chris Hills did not attend the AGM in March 2020. Peter Jones, Frances Daley and Max King were in attendance at the AGM in March 2020.

	Board	ARC	MEC	NC
Number of meetings	**5**	**3**	**1**	**1**
Peter Jones	5/5	n/a	1/1	1/1
Wendy Colquhoun	5/5	3/3	1/1	1/1
Davina Curling	5/5	3/3	1/1	1/1
Frances Daley	5/5	3/3	1/1	1/1
Chris Hills	5/5	3/3	0/1	1/1
Max King[1]	3/3	2/2	n/a	1/1

ARC: Audit and Risk Committee
MEC: Management Engagement Committee
NC: Nominations Committee
1 Retired 19 March 2020

Chris Hills was unavoidably delayed on the morning of the MEC meeting. The MEC reported the matters discussed at the meeting and Chris Hills agreed with the recommendations subsequently made to the Board.

The Insider Committee did not meet during the year.

The Directors and Committees of the Board also met during the year to undertake business such as the approval of the Company's results and dividends, renewal of the Loan Facility and for investment updates.

Performance evaluation

The performance of the Company is considered in detail at each Board meeting. The Nominations Committee has conducted a review of the Board's performance, together with that of its Committees, the Chairman and each individual Director for the year under review. The Nominations Committee met without the Chairman present to discuss the performance of the Chairman. The evaluation of the Board, its Committees and each individual Director was conducted

Corporate governance report (continued)

by way of an evaluation questionnaire. The results of the questionnaires were supplied to the Chairman who collated the results and provided a summary to the Board. The Chairman of the Audit and Risk Committee collated the feedback on the Chairman and provided a summary in respect of the Chairman's evaluation. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was satisfactory and the Board retains a good balance of skills and experience. In particular, it is considered that each Director makes a significant contribution to the affairs of the Company, the Chairman continues to display effective leadership and Directors seeking re-appointment at the Company's AGM merit re-appointment by shareholders.

Audit, risk and internal control

The Board has established an Audit and Risk Committee, whose report is on pages 35 to 37. The report explains why the Company does not have its own internal control function, how the independence and effectiveness of the external auditor is assessed, and how the Board satisfies itself on the integrity of the financial statements. The report covers the process by which the Board satisfied itself that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. It also describes risk management procedures, as well as how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Relationship with Janus Henderson

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 43, the Independent Auditor's Report on pages 45 to 49 and the Viability statement on page 18.

The Board has delegated contractually to external third parties the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the Depositary as explained on page 69), the day-to-day accounting and cash management, company secretarial and administration requirements 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 is invited to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

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 Janus Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are minuted, ensuring that any Director's concerns are recorded. The Board and the Manager operate in a supportive, co-operative and open environment.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between Henderson Secretarial Services Limited and Janus Henderson, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman of the Company in line with the audited procedures in place.

Janus Henderson and BNP Paribas Securities Services, which acts for Janus Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are contained on pages 16 and 17.

In addition to the monitoring of investment performance at each Board meeting, the Management Engagement Committee undertakes an annual review of the Company's investment performance over both the short and longer term, together with the quality of other services provided by the Manager including company secretarial and accounting.

Following an annual review, it is the Directors' opinion that the continuing appointment of the Manager on the existing terms is in the best interests of the Company and its shareholders as a whole.

Corporate governance report (continued)

Management Engagement Committee

The Management Engagement Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company.

Membership

All Directors are members of the Management Engagement Committee, which is chaired by the Chairman of the Board.

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and responsibilities

In discharging its duties over the course of the year, the Committee considered:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the AIC peer group, the share price total return, NAV total return, dividend growth and dividend yield;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its competitors in the AIC peer group and other Janus Henderson managed investment companies;
- the key clauses of the management agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the brokers, depositary, custodian, registrar, sales, marketing and research providers, auditors, legal counsel and the Company's accountants.

Re-appointment of the Manager

Following completion of its annual review of the Manager in September 2020, the Committee concluded that the continued appointment of the Manager remained in the best interests of the Company and the shareholders, and therefore recommended to the Board the re-appointment of Janus Henderson for a further year. More detail can be found on page 32.

Committee evaluation

The activities of the Management Engagement Committee were considered as part of the Board appraisal process.

Nominations Committee

The Nominations Committee is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees and any recommendation to the Board on the appointment of new Directors through an established formal procedure.

Membership

The Committee is chaired by the Chairman of the Board (except when the Chairman's performance or the appointment of a successor is being considered). All Directors are members of the Committee.

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and responsibilities

In discharging its duties over the course of the year, the Committee considered:

- the composition of the Board and each of its Committees, taking account of the skills, experience and knowledge of each Director and whether the diversity of these continued to contribute to the success of the Company;
- the outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of Directors or knowledge and skills represented on the Board;
- the use of an independent external facilitator for the Board evaluation, concluding that it was not necessary for the year under review. The Committee will consider the merit of using an external facilitator again in 2021;
- the tenure of each of the Directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming complacent;
- the independence of the Directors taking account of the Directors' other commitments, in line with the guidelines established by the AIC Code;
- the time commitment of the Directors, in the context of their other business commitments and appointments, and whether this had been sufficient over the course of the year;
- succession planning for appointments to the Board, the tenure of the current Directors and the recommendations of the AIC Code in respect of the length of service of Directors and the Chairman; and
- the performance and contribution of the Directors standing for re-appointment at the upcoming annual general meeting.

Corporate governance report (continued)

Following completion of its reviews, the Committee concluded that the Board continued to operate effectively. Taking into account the FRC's guidance, the Committee considered that no Director was 'overboarded'.

Taking account of the performance of individual Directors, the Committee recommended to the Board that it should support the re-appointment of all Directors at the 2021 Annual General Meeting.

When considering succession planning and tenure policy, the Nominations Committee bears in mind the balance of skills, knowledge, experience, gender and diversity of Directors, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. The individual performance and contribution of each Director remains a key element of the Company's approach in making determinations on tenure. The Nominations Committee considers diversity as part of the annual performance evaluation and the range of backgrounds, and different qualities each Director brings to the Board and its discussions is considered varied and distinct.

Given the small size of the Board, it is not considered appropriate for the Company to have set targets for gender diversity; candidates are assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when recruitment becomes necessary and did so with the recruitment of Davina Curling who joined the Board on 1 November 2019. Stephenson Executive Search Limited was selected to assist with this search, and has not provided any other services to the Company.

The Nominations Committee also reviews any Directors seeking re-appointment at the AGM and makes recommendations to the Board as to whether this is appropriate. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Nominations Committee also takes into account the mix of skills and experience of the current Board members. The Committee considers the time commitment of the Directors including other business commitments and appointments.

The Nominations Committee meets in December each year to carry out its annual review of the Board and its Committees. The results of the most recent performance evaluation are detailed on pages 31 and 32.

Committee evaluation

The activities of the Nominations Committee were considered as part of the Board appraisal process.

For and on behalf of the Board

Peter Jones
Chairman
5 February 2021

Audit and Risk Committee report

The Audit and Risk Committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and oversees the relationship with the external auditor.

Composition

During the year, the Audit and Risk Committee comprised all of the Directors, with the exception of the Chairman of the Board. The Audit and Risk Committee is chaired by Frances Daley, who is a Chartered Accountant. The other Audit and Risk Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit and Risk Committee's members has recent and relevant financial experience. The Audit and Risk Committee as a whole is considered to have competence relevant to the sector. The biographies of the Audit and Risk Committee members are shown on page 27. All members of the Audit and Risk Committee are independent. The Chairman of the Board was invited by the Audit and Risk Committee Chairman to attend meetings. Upon Peter Jones' retirement from the Board the Board will comprise only four Directors, and therefore the Chairman of the Board will be permitted to be a member of the Audit and Risk Committee.

Meetings

The Audit and Risk Committee met three times during the year under review: in advance of the publication of both the annual and the half year results and on one other occasion with an agenda that was focused on its broader responsibilities. The Company's Auditor is invited to attend meetings as necessary. Representatives of the Manager (including representatives of the Risk, Internal Audit, Business Continuity functions, and the Chief Information Security Officer), BNP Paribas Securities Services and the Depositary/Custodian may also be invited.

Role and responsibilities

The role of the Audit and Risk Committee is to assist the Board in applying the financial reporting and internal control principles and to maintain an appropriate relationship with the Auditor.

In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies and the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Janus Henderson;
- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model, strategy and continued operation (including advising the Board on whether the Company is able to meet its liabilities as they fall due) in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's Auditor, the Manager and the Corporate Secretary;
- consideration of the valuation of the Company's unquoted and nil value investments for recommendation to the Board;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Janus Henderson, and the Company's other principal third-party service providers;
- consideration of Janus Henderson's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit, information security and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's Anti-Bribery Policy and the policies and procedures in place to prevent tax evasion;
- consideration of the nature and scope of the external audit and the findings therefrom;
- annual consideration of whether there is a need for an internal audit function;
- consideration of the appointment of the Auditor, the Auditor independence, objectivity, effectiveness, provision of any non-audit services and tenure of appointment;
- consideration of the audit plan, including the principal areas of focus;
- consideration of Janus Henderson's whistleblowing policy for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence;
- consideration of the management fee and performance fee calculations; and
- consideration of the annual confirmation from the Company's Depositary in respect of the safe-keeping of the Company's assets.

Committee evaluation

The Committee's responsibilities are set out in formal terms of reference which are reviewed at least annually. The Committee formally reports to the Board after each of its meetings and the Committee's activities were considered as part of the Board appraisal process.

Audit and Risk Committee report (continued)

Annual report for the year ended 31 October 2020

In relation to the Annual Report for the year ended 31 October 2020 the following significant issues were considered by the Audit and Risk Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments is verified by reconciliation to the Custodian's records and the Directors have received quarterly reports and an annual confirmation from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.
Recognition of income	Income received is accounted for in line with the Company's accounting policies, as set out on page 55, and is reviewed by the Committee.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.
Maintaining internal controls	The Committee receives regular reports on internal controls from Janus Henderson and its delegates and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The assurance reports for two of the Company's service providers were qualified (one was only part qualified) by the respective service auditors. The Committee reviewed the instances giving rise to the qualifications and received confirmation that the exceptions identified had no impact on the Company.
Performance fee	The calculation of the performance fee payable to Janus Henderson is reviewed by the Audit and Risk Committee before being approved by the Board. No performance fee is payable in respect of the financial year ended 31 October 2020.
Resource risk	The Company's day-to-day activities are delegated to third parties. The Board monitors the performance of third party suppliers on an ongoing basis.

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit and Risk Committee supports the Board in the continuous monitoring of the internal control and risk management framework.

The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;
- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and Depositary and reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the Company's system of internal controls for the year ended 31 October 2020. During the course of its review the Board has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant.

Audit and Risk Committee report (continued)

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the investment manager, Janus Henderson.

The Board places reliance on the Company's framework of internal control and the Audit and Risk Committee's view on reporting received from specific second and third line defence teams at the Manager.

The Manager's Risk team supports the Audit and Risk Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations at the Manager and presents at least annually to the Audit and Risk Committee. The Board has therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Auditor appointment and tenure

Regulations currently in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process in 2017 which led to the appointment of BDO LLP (BDO).

The auditor is required to rotate partners every five years. This is the third year that the current audit partner, Peter Smith, has been in place.

Auditor review and independence

The Committee monitors the auditor's independence through the approval of a policy regulating the non-audit services that may be provided by the auditor to the Company, assessing the appropriateness of audit fees paid and by reviewing the information and assurances provided by the auditor on their compliance with the relevant ethical standards.

BDO confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

The Audit and Risk Committee has the opportunity to discuss the audit process with the auditor without representatives of the Manager present and considers the effectiveness of the audit process.

Policy on non-audit services

The Audit and Risk Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditor. The Audit and Risk Committee has determined that the statutory auditor will not be engaged to provide any non-audit services without the approval of the Audit and Risk Committee. The statutory auditor is not pre-approved to provide any non-audit services. The Audit and Risk Committee may approve the provision of non-audit services if they consider such services to be:

- relevant to the statutory audit work;
- more efficiently provided by the statutory audit firm than by a third party; and
- at low risk of impairing the independence, objectivity and effectiveness of the audit.

The Audit and Risk Committee will refer to the Board any engagement with a cost or potential cost greater than £10,000. All engagements for non-audit services will be determined on a case-by-case basis. In addition, the provision of any non-audit services by the auditors is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies.

There have been no non-audit services provided by BDO since their appointment.

Effectiveness of the external audit

The Committee considers the effectiveness of the audit process after each audit. The FRC's Audit Quality Inspection Report is supplied to the Audit and Risk Committee for information to assist with the assessment of the Auditor's effectiveness.

The Audit and Risk Committee remained satisfied with the performance of BDO for the year ended 31 October 2020.

Fees

Fees paid or payable to the Auditor are detailed in Note 6 on page 58.

For and on behalf of the Board

Frances Daley
Audit and Risk Committee Chairman
5 February 2021

Directors’ remuneration report

Annual statement

As Chairman, Peter Jones reports that Directors’ fees were not increased during the year.

There have been no major decisions on Directors’ remuneration or any changes to the remuneration paid to each individual Director in the year under review.

Report on implementation

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the ‘Regulations’). The report also meets the relevant requirements of the Companies Act 2006 (the ‘Act’) and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors’ remuneration. As required by Section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting (‘AGM’) on 11 March 2021. The Company’s remuneration policy has been in place since 1 November 2012 and was last approved by shareholders at the AGM in 2020. No changes to the policy are proposed.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

The Company’s Auditor is required to report on certain information contained within this report; where information set out has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board as a whole considers the Directors’ remuneration. The Board has not appointed a remuneration committee to consider such matters. 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 review annually the fees paid to the boards of directors of other comparable investment trust companies).

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. The Company’s Articles of Association limit the fees payable to the Directors in aggregate to £150,000 per annum. Subject to the overall limit, 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 promote the long-term success of the Company.

All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit and Risk Committee who are paid a higher fee in recognition of their additional responsibilities. The policy is to review fee rates annually, although such review will not necessarily result in any change to the rates, and account is taken of fees paid to the Directors of other investment trust companies.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No Director has a service contract with the Company. Directors’ appointments may be terminated at any time by written notice with no compensation payable.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

Directors’ interests in shares (audited)

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

	Ordinary shares of 25p	
	31 October 2020	1 November 2019
Peter Jones	**18,500**	17,500
Wendy Colquhoun	**1,000**	1,000
Davina Curling	**–**	n/a
Frances Daley	**2,000**	2,000
Chris Hills	**4,000**	4,000
Max King	**n/a**	5,000

Davina Curling purchased 800 shares in December 2020. There have been no other changes to the Directors’ holdings in the period 1 November 2020 to the date of this Annual Report.

In accordance with the Company’s Articles of Association no Director is required to hold any shares in the Company by way of qualification.

Directors' remuneration report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the years ended 31 October 2020 and 31 October 2019 was as follows:

	Year ended 31 October 2020 Total salary and fees £	Year ended 31 October 2019 Total salary and fees £	**Year ended 31 October 2020 Expenses and taxable benefits £**	Year ended 31 October 2019 Expenses and taxable benefits £	**Year ended 31 October 2020 Total £**	Year ended 31 October 2019 Total £
Wendy Colquhoun	20,000	20,000	–	–	20,000	20,000
Davina Curling[1]	20,000	n/a	–	n/a	20,000	n/a
Frances Daley[2]	24,600	24,600	–	–	24,600	24,600
Chris Hills	20,000	20,000	–	–	20,000	20,000
Peter Jones[3]	29,200	29,200	–	–	29,200	29,200
Max King[4]	7,674	20,000	–	–	7,674	20,000
Total	**121,474**	**113,800**	**–**	**–**	**121,474**	**113,800**

Notes:
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made.
[1]Appointed on 1 November 2019 [2]Chairman of the Audit and Risk Committee [3]Chairman and highest paid Director, [4]Retired on 19 March 2020

For the years ended 31 October 2019 and 31 October 2020, the fees paid to Directors were: Chairman £29,200 per annum, Audit and Risk Committee Chairman £24,600 per annum and other Directors £20,000 per annum.

Expenditure on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividends. There were no other significant distributions, payments or other uses of the Company's net return or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

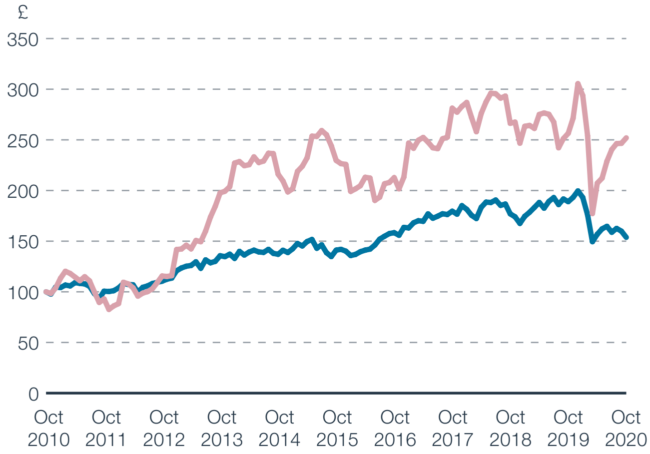
	2020 £	2019 £	2015 £	1 year change £	1 year change %	5 year change £	5 year change %
Total remuneration paid to Directors[1]	**121,474**	113,800	108,939	7,674	6.7	12,535	11.5
Ordinary dividend paid during the year[2]	**2,527,480**	1,698,755	1,104,118	828,725	48.8	1,423,362	128.9
Buyback of ordinary shares	**26,831**	938,927	–	(912,096)	(97.1)	(26,831)	n/a

1 Increases will fluctuate due to the number of Directors in any one year
2 The Company has paid quarterly dividends from the start of the 2020 financial year

Directors' remuneration report (continued)

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten year period ended 31 October 2020 with the return from the FTSE All-Share Index over the same period.



Henderson Opportunities Trust plc share price total return, assuming the investment of £100 on 31 October 2010 and the reinvestment of all dividends (excluding dealing expenses) (source: Morningstar Direct)

FTSE All-Share Index total return, assuming the notional investment of £100 on 31 October 2010 and the reinvestment of all income (excluding dealing expenses) (source: Morningstar Direct)

Statement of voting at AGM

At the 2020 AGM 2,486,179 votes (98.95%) were received in favour of the resolution seeking approval of the Directors' Remuneration Report, 22,796 (0.90%) were against, 3,700 were discretionary (0.15%) and 12,422 were withheld.
In relation to the approval of the Remuneration Policy, last voted on at the 2020 AGM, 2,483,567 votes (98.88%) were in favour for the resolution, 24,512 (0.97%) were against, 3,700 (0.15%) were discretionary and 13,318 were withheld.
All percentages of votes exclude votes withheld.

For and on behalf of the Board

Peter Jones
Chairman
5 February 2021

Directors' report

The Directors present the audited Financial Statements of Henderson Opportunities Trust plc (the 'Company') and their report for the year from 1 November 2019 to 31 October 2020. The Company (a public limited company registered and domiciled in England & Wales with company registration number 01940906) was active throughout the year under review and was not dormant.

The Investment Portfolio on pages 12 and 13, the Corporate Governance report and Audit and Risk Committee report on pages 28 to 37 and the Shareholder Information on pages 76 and 77 form part of the Directors' report.

Directors

Details of the Directors and their appointments can be found on page 27.

Share capital

The Company's share capital comprises ordinary shares with a nominal value of 25p each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

At 31 October 2019 and 31 October 2020 there were 8,000,858 ordinary shares in issue (of which 102,483 were held in treasury at 31 October 2020; 99,670 were held in treasury at 31 October 2019).

The Directors seek annual authority from shareholders to allot new ordinary shares, to disapply pre-emption rights of existing shareholders and to buy back shares for cancellation or to be held in treasury.

No shares were issued during the year.

During the year 2,813 shares were bought back under the authority provided by shareholders at the AGM in March 2019. At the AGM held in March 2020, the Directors were granted authority to buy back 1,183,966 shares (being 14.99% of the issued ordinary share capital as at 19 March 2020). There remains 1,183,966 ordinary shares available within this buy back authority, which will expire at the conclusion of the AGM in March 2021, as no shares have been bought back since the AGM in March 2020.

No shares have been issued or bought back in the period from 1 November 2020 to 5 February 2021. As shares in treasury do not carry voting rights, at 31 October 2020 and 5 February 2021 the number of shares in issue (with voting rights) was 7,898,375.

Fund Managers' interests

James Henderson has a beneficial interest in 85,950 (2019: 80,950) ordinary shares. Laura Foll has a beneficial interest in 1,167 (2019: 921) ordinary shares.

Five largest shareholders

As at 31 October 2020 the Company's five largest shareholders were:

	% of voting rights
Halifax Share Dealing	14.2
Hargreaves Lansdown	11.0
Interactive Investor	10.0
Janus Henderson Investors	7.6
Cazenove Capital Management	6.2

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 October 2020 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Janus Henderson Investors	7.6
Miton Global Opportunities plc	3.2

On 4 December 2020, the Company was notified that Miton Global Opportunities plc had reduced their holding to 2.98%. No other changes have been notified in the period 1 November 2020 to 5 February 2021.

Related party transactions

The Company's transactions with related parties in the year were with its Directors and the Manager. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 38.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in Note 21 on page 67.

Directors' report (continued)

Energy and carbon reporting

Details of the Company's disclosures with regard to energy and carbon reporting can be found on page 24.

Post balance sheet events

The Company has no post balance sheet events to report.

Future developments

While the future performance of the Company is mainly dependent on the performance of financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained on page 16. The Chairman's statement and Fund Managers' report provide commentary on the outlook for the Company.

Annual General Meeting ('AGM')

The Company's AGM is scheduled to take place at 2.30pm on Thursday 11 March 2021.

Due to the ongoing restrictions on large gatherings, shareholders will be unable to attend the Annual General Meeting on 11 March 2021 in person and it will be held as a "closed meeting".

The Notice of Meeting and details of the resolutions to be proposed at the AGM are contained in the Notice of Meeting being sent to shareholders with this Annual Report. The statutory business of the AGM will be conducted on a poll, counting the Directors in the quorum, and the Chairman will hold the proxy votes. Shareholders are strongly encouraged to submit their proxy forms ahead of the proxy voting deadline of 2.30pm on 9 March 2021 to ensure their vote counts. Shareholders holding shares on share dealing platforms should contact their platform directly to vote their shares.

A presentation from our Fund Managers, James Henderson and Laura Foll, providing their review of the year and thoughts on the future will be available to view on our website at **www.hendersonopportunitiestrust.com**. If shareholders would like to submit any questions in advance of the AGM, they are welcome to send these to the Corporate Secretary at **itsecretariat@janushenderson.com**, answers to shareholder questions will be provided on our website shortly after the AGM has been held.

The Board commits to holding physical meetings in future when restrictions are not in place and these can be held safely; however in case of any further extraordinary crises such as the COVID-19 lockdown, the Company is putting a proposed amendment to the Company's articles of association to shareholders to enable a combination of virtual and physical shareholder meetings to be held in the future.

Directors' statement as to disclosure of information to auditors

Each of the Directors who was a member of the Board at the date of approval of this Report confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditor is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Securities financing transactions

As the Company undertakes securities lending it is required to report on securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the accounting period ended 31 October 2020 are detailed on pages 73 to 75.

Other information

Information on recommended dividends, future developments and financial risks are detailed in the Strategic Report.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
5 February 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Company's Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors, who are listed on page 27, confirms that, to the best of his or her knowledge:

- the Company's Financial Statements, which have been prepared in accordance with UK Accounting Standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and Financial Statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Peter Jones
Chairman
5 February 2021

Financial Statements

Independent Auditor's Report to the Members of Henderson Opportunities Trust plc

Our opinion on the financial statements

Opinion

We have audited the financial statements of Henderson Opportunities Trust plc (the 'Company') for the year ended 31 October 2020 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's Report to the Members of Henderson Opportunities Trust plc (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How we addressed the key audit matter in the audit
Valuation and ownership of investments (Note 1 (d) and Note 11) The investment portfolio at the year end comprised listed equity investments valued at £94m. We consider the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity. Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We have responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: • Confirmed the year end bid price used by agreeing to externally quoted prices and for a sample of investments, assessed if there were contra indicators, such as liquidity considerations, to suggest that bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding the existence all of investments held at the balance sheet date. We also considered the completeness, accuracy and clarity of investment-related disclosures against the requirements of relevant accounting standard. Key observations: Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments.
Revenue recognition: (Note 1 (f) and Note 3) Income arises from dividends and is a key factor in demonstrating the performance of the portfolio. Judgement is required, by management, in determining the allocation of income to revenue or capital.	We responded to this matter by utilising data analytics to test 100% of the portfolio. We derived an independent expectation of income based on the investment holding and distributions per independent sources. We also cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital. We analysed the whole population of dividend receipts to identify any items for further discussion that could indicate a capital distribution, for example where a dividend represents a particularly high yield. We traced a sample of recorded dividend income receipts to bank statements. Key observations: Based on our procedures performed we concur with the judgements made by management in determining the allocation of income to revenue or capital.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated overleaf.

Independent Auditor's Report to the Members of Henderson Opportunities Trust plc (continued)

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (1% of net assets)	Assessing whether the financial statements as a whole present a true and fair view.	The value of net investments. The level of judgement inherent in the valuation. The range of reasonable alternative valuations.	£830,000 (2019: £920,000)
Performance materiality (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	Financial statement materiality. Risk and control environment.	£620,000 (2019: £690,000)

We have set a lower testing threshold for those items impacting revenue return of £100,000 (2019: £237,000), which is based on 10% of revenue return before tax.

We agreed with the Audit and Risk Committee that we would report to them all audit differences in excess of £40,000 (2019: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Company's transactions and balances which were most likely to give risk to a material misstatement, and focussed our audit work on these areas.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, FRS 102 accounting standard, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit and Risk Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the Investment Manager, Administrator and the board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Henderson Opportunities Trust plc (continued)

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Henderson Opportunities Trust plc (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board to audit the financial statements for the year ended 31 October 2018 and subsequent financial periods. We were reappointed by the members at the AGM on 19 March 2020 to audit the financial statements for the year ended 31 October 2020. The period of total uninterrupted engagement is three years, covering the year ended 31 October 2018 and subsequent financial periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
5 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Notes		Year ended 31 October 2020 Revenue return £'000	Year ended 31 October 2020 Capital return £'000	Year ended 31 October 2020 Total return £'000	Year ended 31 October 2019 Revenue return £'000	Year ended 31 October 2019 Capital return £'000	Year ended 31 October 2019 Total return £'000
2	Losses on investments held at fair value through profit or loss	–	(7,215)	(7,215)	–	(1,824)	(1,824)
3	Income from investments held at fair value through profit or loss	1,329	–	1,329	2,538	–	2,538
4	Other interest receivable and other income	166	–	166	379	–	379
	Gross revenue and capital losses	**1,495**	**(7,215)**	**(5,720)**	**2,917**	**(1,824)**	**1,093**
5	Management and performance fee	(130)	(305)	(435)	(147)	(342)	(489)
6	Other administrative expenses	(312)	–	(312)	(347)	–	(347)
	Net return/(loss) before finance costs and taxation	**1,053**	**(7,520)**	**(6,467)**	**2,423**	**(2,166)**	**257**
7	Finance costs	(40)	(91)	(131)	(53)	(124)	(177)
	Net return/(loss) before taxation	**1,013**	**(7,611)**	**(6,598)**	**2,370**	**(2,290)**	**80**
8	Taxation	(3)	–	(3)	(4)	–	(4)
	Net return/(loss) after taxation	**1,010**	**(7,611)**	**(6,601)**	**2,366**	**(2,290)**	**76**
9	Net return/(loss) per ordinary share – basic and diluted	12.78p	(96.36p)	(83.58p)	29.88p	(28.92p)	0.96p

The total columns of this statement represent the Profit and Loss Account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. The Company had no recognised gains or losses other than those disclosed in the Income Statement.

The notes on pages 54 to 67 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 31 October 2020	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
	At 1 November 2019	2,000	14,838	2,431	69,105	3,424	91,798
10	Ordinary dividends paid	–	–	–	–	(2,527)	(2,527)
	Net (loss)/return after taxation	–	–	–	(7,611)	1,010	(6,601)
17	Purchase of 2,813 ordinary shares to be held in treasury	–	–	–	(27)	–	(27)
	At 31 October 2020	**2,000**	**14,838**	**2,431**	**61,467**	**1,907**	**82,643**

Notes	Year ended 31 October 2019	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
	At 1 November 2018	2,000	14,838	2,431	72,334	2,757	94,360
10	Ordinary dividends paid	–	–	–	–	(1,699)	(1,699)
	Net (loss)/return after taxation	–	–	–	(2,290)	2,366	76
17	Purchase of 99,670 ordinary shares to be held in treasury	–	–	–	(939)	–	(939)
	At 31 October 2019	**2,000**	**14,838**	**2,431**	**69,105**	**3,424**	**91,798**

The notes on pages 54 to 67 form part of these financial statements

Statement of Financial Position

Notes		31 October 2020 £'000	31 October 2019 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss**		
	Listed at market value	33,606	45,684
	Quoted on AIM at market value	60,746	57,514
	Unlisted at market value	407	400
		94,759	**103,598**
	Current assets		
12	Investment held at fair value through profit or loss	2	2
13	Debtors	66	231
	Cash at bank and in hand	2,882	971
		2,950	1,204
14	Creditors: amounts falling due within one year	(15,066)	(13,004)
	Net current liabilities	**(12,116)**	**(11,800)**
	Total assets less current liabilities	**82,643**	**91,798**
	Net assets	**82,643**	**91,798**
	Capital and reserves		
16	Called up share capital	2,000	2,000
	Share premium account	14,838	14,838
17	Capital redemption reserve	2,431	2,431
17	Other capital reserves	61,467	69,105
	Revenue reserve	1,907	3,424
	Total shareholders' funds	**82,643**	**91,798**
19	Net asset value per ordinary share (basic and diluted)	1,046.3p	1,161.8p

These financial statements on pages 50 to 67 were approved and authorised for issue by the Board of Directors on 5 February 2021 and were signed on their behalf by:

Peter Jones
Chairman

The notes on pages 54 to 67 form part of these financial statements

Statement of Cash Flows

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Cash flows from operating activities		
Net (loss)/return before taxation	(6,598)	80
Add: finance costs	131	177
Add: losses on investments held at fair value through profit or loss	7,215	1,824
Withholding tax on dividends deducted at source	(5)	(7)
Decrease/(increase) in other debtors	167	(81)
(Decrease)/increase in creditors	(27)	132
Net cash inflow from operating activities	**883**	**2,125**
Cash flows from investing activities		
Purchase of investments	(12,719)	(28,081)
Sale of investments	14,938	23,431
Net cash inflow/(outflow) from investing activities	**2,219**	**(4,650)**
Cash flows from financing activities		
Equity dividends paid	(2,527)	(1,699)
Net loans drawn down	1,501	5,602
Buyback of ordinary shares	(27)	(939)
Interest paid	(138)	(175)
Net cash (outflow)/inflow from financing activities	**(1,191)**	**2,789**
Net increase in cash and cash equivalents	1,911	264
Cash and cash equivalents at start of year	971	707
Cash and cash equivalents at end of year	**2,882**	**971**
Comprising:		
Cash at bank	**2,882**	**971**

The notes on pages 54 to 67 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 78.

The Financial Statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (the 'SORP') issued in October 2019.

The principal accounting policies applied in the presentation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

The Financial Statements have been prepared under the historical cost basis except for the measurement of fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

b) Going concern

The Company's Articles of Association require that at the Annual General Meeting of the Company held in 2008, and every third year thereafter, an ordinary resolution be put to approve the continuation of the Company. The resolutions put to the Annual General Meetings in 2011, 2014, 2017 and in 2020 were duly passed. The next triennial continuation resolution will be put to the Annual General Meeting in 2023. The assets of the Company consist almost entirely of securities that are listed (or quoted on AIM) and are readily realisable. Accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks, as well as considering the additional risks related to COVID-19, and other matters discussed in connection with the Viability Statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Significant judgements and areas of estimation uncertainty

Considerations in respect of the classification of any dividends as revenue or capital are set out in accounting policy f) and the valuation policy of any unlisted investments is set out in accounting policy d). There have been no other significant judgements or estimations applied to the Financial Statements.

d) Investments held at fair value through profit or loss

Listed investments, including quoted AIM stocks, are held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid prices or the last trade price depending on the convention of the exchange on which the investment is quoted.

Unlisted investments are held at fair value through profit or loss and are valued by the Directors with regard to the International Private Equity and Venture Capital Guidelines ('IPEV') using primary valuation techniques such as recent transactions and net assets. Where fair value cannot reliably be measured the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'gains or losses on investments held at fair value through profit or loss'. Transaction costs in relation to the purchase or sale of investments are also expensed within this line. All purchases and sales are accounted for on a trade date basis.

e) Foreign currency

The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss, which are denominated in foreign currencies at the Statement of Financial Position date, are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital return or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

f) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature, in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares is recognised using the effective interest rate method in accordance with the SORP. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

Bank interest is accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled.

Fees earned from stock lending are accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled. This is after deduction of amounts withheld by the counterparty arranging the stock lending facility.

Where the Company enters into a commitment to sub-underwrite an issue of securities, in exchange for the receipt of commission, a derivative financial instrument is recognised initially at fair value. The derivative is re-measured subsequently at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where the actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

g) Management fees, performance fees, administrative expenses and finance costs

All expenses and finance costs are accounted for on an accruals basis.

The Board has determined that the capital return should reflect the indirect costs of earning capital returns. Since 1 November 2013, the Company has allocated 70% of its management fees and finance costs to the capital return of the Income Statement with the remaining 30% being allocated to the revenue return.

The management fee is calculated quarterly in arrears, as 0.55% per annum of the net assets. A performance fee of £nil was accrued in the period (2019: £nil). Performance fees payable are allocated 100% to the capital return.

All other administrative expenses are charged to the revenue return of the Income Statement.

Expenses which are incidental to the purchase or sale of an investment are recognised immediately in the capital return of the Income Statement, and are included within the gains/losses from investments held at fair value through profit or loss.

h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

i) Bank borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, less direct issue costs. They are subsequently remeasured at amortised cost. Finance costs, including interest payable, premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

j) Cash and liquid resources

For the purposes of the Statement of Cash Flows, cash comprises bank deposits that are repayable on demand and bank overdrafts. Liquid resources comprise readily disposable shares that do not qualify as cash, and include investments in money market funds as explained more fully in Note 12.

k) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends are recognised within the Statement of Changes in Equity.

l) The issue and repurchase of ordinary shares and the associated costs

The proceeds from the issue of new ordinary shares (including those relating to the sale of shares out of treasury), and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury) are taken directly to equity. Issue costs incurred in respect of new ordinary shares are offset against the proceeds received and dealt with in the share premium account. Issue costs incurred in respect of shares sold out of treasury are offset against proceeds received and dealt with in the share premium account. Share issue and repurchase transactions are accounted for on a trade date basis.

m) Capital reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares that have been repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on investments held. The following analyses what is accounted for in each of these components.

Capital reserve arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposals of investments;
- expenses and finance costs allocated to capital net of tax relief;
- realised foreign exchange differences of a capital nature; and
- cost of repurchasing ordinary share capital.

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

n) Distributions

Distributions can be made from the 'revenue reserve' and from realised gains in 'other capital reserves'. Distributions cannot be made from the 'share premium account' or the 'capital redemption reserve'.

2 Losses on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Gains on the sale of investments based on historical cost[1]	5,303	6,871
Revaluation losses/(gains) recognised in previous years	5,315	(3,418)
Gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**10,618**	**3,453**
Revaluation losses on investments held at 31 October	(17,833)	(5,277)
	(7,215)	**(1,824)**

1 Also includes special capital dividends of £110,000 (2019: £92,000)

Notes to the Financial Statements (continued)

3 Income from investments held at fair value through profit or loss

	2020 £'000	2019 £'000
UK:		
Dividends from listed investments	876	1,433
Dividends from AIM investments	348	798
	1,224	**2,231**
Non-UK:		
Dividends from listed investments	101	307
Dividends from AIM investments	4	–
	105	**307**
	1,329	**2,538**

4 Other interest receivable and other income

	2020 £'000	2019 £'000
Deposit interest	1	3
Stock lending commission	163	373
Underwriting commission (allocated to revenue)	2	3
	166	**379**

At 31 October 2020, the total value of securities on loan by the Company for stock lending purposes was £16,590,000 (2019: £14,423,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2020 was £20,075,000 (2019: £22,162,000). The Company's agent holds collateral at 31 October 2020 with the value of £17,545,000 (2019: £15,234,000) in respect of securities on loan, the value of which is reviewed on a daily basis and comprises CREST Delivery By Value ('DBVs') and Government Bonds with a market value of 106% (2019: 106%) of the market value of any securities on loan.

During the year the Company was not required to take up shares in respect of underwriting commission; no commission was taken to capital (2019: same).

5 Management and performance fee

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total return £'000
Management fee	130	305	435	147	342	489
Performance fee	–	–	–	–	–	–
	130	**305**	**435**	**147**	**342**	**489**

The basis on which the management fee is calculated is set out on page 17 in the Strategic Report. The allocation between revenue return and capital return is explained in Note 1(g) on page 55. No performance fee was earned during the year (2019: £nil).

Notes to the Financial Statements (continued)

6 Other administrative expenses

	2020 £'000	2019 £'000
Auditor's remuneration for audit services	26	22
Directors' fees (see the Directors' remuneration report on page 39)	121	114
Directors' and officers' liability insurance	5	5
Listing and regulatory fees	16	16
Custody fees	6	8
Depositary fees	9	9
Printing and postage	19	10
Registrar's fees	11	11
Marketing expenses recharged by Janus Henderson[1]	(2)	35
Bank facilities: arrangement and non-utilisation fees	27	30
Other expenses	54	59
Irrecoverable VAT	20	28
	312	**347**

1 Over accrual in prior period

All transactions with Directors are disclosed in the Directors' remuneration report and are related party transactions.

7 Finance costs

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
On bank loans and overdrafts	40	91	131	53	124	177

The allocation between revenue return and capital return is explained in Note 1(g) on page 55.

8 Taxation

Approved investment trusts are exempt from tax on capital gains.

The tax assessed for the year is the same as (2019: the same as) the applicable rate of corporation tax in the UK for the year ended 31 October 2020 of 19.00% (2019: 19.00%).

The tax charge for the year ended 31 October 2020 is £3,000 (2019: £4,000).

The differences are explained below:

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
Net return/(loss) before taxation	**1,013**	**(7,611)**	**(6,598)**	**2,370**	**(2,290)**	**80**
Corporation tax at 19.00% (2019: 19.00%)	192	(1,446)	(1,254)	450	(435)	15
Non-taxable UK dividends	(228)	–	(228)	(419)	–	(419)
Non-taxable overseas dividends	(8)	–	(8)	(37)	–	(37)
Excess management expenses	44	75	119	6	89	95
Irrecoverable overseas withholding tax	3	–	3	4	–	4
Capital losses not subject to tax	–	1,371	1,371	–	346	346
Total tax charge	**3**	**–**	**3**	**4**	**–**	**4**

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status. The Company has not recognised a deferred tax asset totalling £4,125,000 (2019: £3,585,000) based on a prospective corporation tax rate of 19.00% (2019: 17.00%).

Notes to the Financial Statements (continued)

8 Taxation (continued)

The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Net (loss)/return per ordinary share – basic and diluted

The total loss per ordinary share is based on the total loss attributable to the ordinary shares of £6,601,000 (2019: total return of £76,000) and on 7,898,521 ordinary shares (2019: 7,919,555) being the weighted average number of shares in issue during the year.

The (loss)/return per ordinary share can be further analysed as follows:

	2020 £'000	2019 £'000
Revenue return	1,010	2,366
Capital loss	(7,611)	(2,290)
Total (loss)/return	**(6,601)**	**76**
Weighted average number of ordinary shares	**7,898,521**	**7,919,555**

	2020	2019
Revenue return per ordinary share	12.78p	29.88p
Capital loss per ordinary share	(96.36p)	(28.92p)
Total (loss)/return per ordinary share (basic and diluted)	**(83.58p)**	**0.96p**

10 Ordinary dividends paid

	Record date	Payment date	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:				
Final dividend for the year ended 31 October 2018 of 14.5p	15 February 2019	22 March 2019	–	1,146
Interim dividend for the year ended 31 October 2019 of 7.0p	16 August 2019	20 September 2019	–	553
Final dividend for the year ended 31 October 2019 of 19.0p	21 February 2020	27 March 2020	1,501	–
First interim dividend for the year ended 31 October 2020 of 6.5p	22 May 2020	26 June 2020	513	–
Second interim dividend for the year ended 31 October 2020 of 6.5p	21 August 2020	25 September 2020	513	–
			2,527	**1,699**

The Board decided to pay quarterly dividends from the beginning of the 2020 financial year, to make dividends as predictable for shareholders as possible.

The Board declared a third interim dividend of 6.5p per ordinary share, paid on 18 December 2020 to shareholders on the register of the Company at the close of business on 20 November 2020. The ex-dividend date was 19 November 2020. Based on the number of ordinary shares in issue on 31 October 2020, the cost of this dividend was £513,000.

Subject to approval at the Annual General Meeting, the proposed final dividend of 7.5p per ordinary share will be paid on 26 March 2021 to shareholders on the register of members at the close of business on 19 February 2021. The shares will be quoted ex-dividend on 18 February 2021.

Notes to the Financial Statements (continued)

10 Ordinary dividends paid (continued)

The total dividends payable in respect of the financial year, which form the basis of the test under Section 1158 of the Corporation Tax Act 2010, are set out below:

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Revenue available for distribution by way of dividends for the year	1,010	2,366
Interim dividend for the year ended 31 October 2019: 7.0p	–	(553)
First interim dividend for the year ended 31 October 2020: 6.5p	(513)	–
Second interim dividend for the year ended 31 October 2020: 6.5p	(513)	–
Third interim dividend for the year ended 31 October 2020: 6.5p	(513)	–
Proposed final dividend for the year ended 31 October 2020: 7.5p (based on the 7,898,375 ordinary shares in issue at 5 February 2021) (2019: 19.0p on 7,898,375 ordinary shares)	(592)	(1,501)
Transferred (from)/to revenue reserve[1]	**(1,121)**	**312**

All dividends have been paid or will be paid out of revenue profit and the revenue reserve.

1 There is no undistributed revenue in the current year (2019: 12.3%)

11 Investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Valuation at 1 November	103,598	101,690
Investment holding gains at 1 November	(10,104)	(18,799)
Cost at 1 November	**93,494**	**82,891**
Purchases at cost	13,314	27,163
Sales at cost	(9,635)	(16,560)
Cost at 31 October	**97,173**	**93,494**
Investment holding (losses)/gains at 31 October	(2,414)	10,104
Valuation of investments at 31 October	**94,759**	**103,598**

The Company received £14,893,000 (2019: £23,431,000) from investments sold in the year. The book cost of these investments when they were purchased was £9,635,000 (2019: £16,560,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

All the investments were equity investments (2019: with the exception of Kenmare Resources warrants £nil).

Total transaction costs amounted to £33,000 (2019: £85,000) of which purchase transaction costs for the year ended 31 October 2020 were £27,000 (2019: £74,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the year ended 31 October 2020 were £6,000 (2019: £11,000). These comprise mainly commissions.

Substantial interests in investments

As at 31 October 2020 the Company held an interest in 3% or more of any class of share capital in Deltex Medical, Deltic Energy, IQGeo, Jersey Oil & Gas, Van Elle and Zoo Digital (2019: Be Heard, Cluff Natural Resources, Deltex Medical, IQGeo, Jersey Oil & Gas and Zoo Digital). These investments are not considered material in the context of these financial statements for either year.

12 Current asset investment

The Company has a holding in Deutsche Global Managed Platinum Income Fund, a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short term deposit. At 31 October 2020 this holding had a value of £2,000 (2019: £2,000).

Notes to the Financial Statements (continued)

13 Debtors

	2020 £'000	2019 £'000
Prepayments and accrued income	55	222
Tax recoverable	11	9
	66	**231**

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Unsecured sterling bank loans (see Note 15.6)	14,104	12,603
Purchases for future settlement	595	–
Bank loan interest payable	5	12
Other creditors	362	389
	15,066	**13,004**

15 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 16. In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk, and the Directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board and Janus Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below.

- straight-through processing via a deal order and management system ('OMS') is utilised for listed securities.
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio and pControl software.
- the IT tools to which the Janus Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Nasdaq BWise operational risk database;
  - Riskmetrics, UBS Delta, Style Research, Cognity and Barra for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - HiPortfolio for portfolio holdings and valuations.

These are supplemented by in-house developments in the Derivatives Risk and Compliance database.

15.1 Market risk

The fair value of a financial instrument held by the Company will fluctuate due to changes in market prices. This market risk comprises market price risk (see Note 15.1.1), currency risk (see Note 15.1.2) and interest rate risk (see Note 15.1.3). The Board reviews and agrees policies for managing these risks. The Fund Managers assess the exposure to market risk when making each investment decision, and monitor the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) will affect the fair value of investments.

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.1 Market risk (continued)

15.1.1 Market price risk (continued)

The Company's exposure to market price risk at 31 October 2020 and at 31 October 2019, is represented by the investments it holds, as shown on the Statement of Financial Position on page 52 under the heading 'Investments held at fair value through profit or loss'.

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from Janus Henderson. The Board meets regularly and at each meeting reviews investment performance. The Board monitors Janus Henderson's compliance with the Company's objective and is responsible for investment strategy and asset allocation.

Concentration of exposure to market price risk

An analysis of the Company's investment portfolio is shown on pages 12 and 13. This shows that the value of the investments is primarily in companies that are listed in the UK. Accordingly, there is a concentration of exposure to market price risk in the UK, although it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The table below illustrates the sensitivity of the total return after taxation for the year and the net assets to an increase or decrease of 20% in the fair values of the Company's investments. This level of change is considered to be reasonable based on historic market conditions.

Sensitivity analysis

	2020		2019	
	If prices go up 20% £'000	If prices go down 20% £'000	If prices go up 20% £'000	If prices go down 20% £'000
Investments (excluding investments in money market funds)	94,759	94,759	103,598	103,598
Impact on the income statement:				
Revenue return	(31)	31	(34)	34
Capital return	18,879	(18,879)	20,640	(20,640)
Impact on net assets and total return	**18,848**	**(18,848)**	**20,606**	**(20,606)**

15.1.2 Currency risk

A small proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items. The Company had £nil cash at bank at 31 October 2020 (2019: £nil) denominated in foreign currency.

Management of the risk

Janus Henderson monitors the Company's exposure to foreign currencies and reports any significant changes to the Board. Janus Henderson measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure and sensitivity

The Company's investments are predominately in sterling-based securities and its exposure to currency risk is not considered material.

15.1.3 Interest rate risk

Interest rate movements may affect:

- the level of income receivable from interest-bearing securities, money market funds and cash at bank and on deposit; and
- the interest payable on the Company's variable rate borrowings.

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.1 Market risk (continued)

15.1.3 Interest rate risk (continued)

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the Company's bank loan facility. The Company, generally, may make use of money market fund placings and does not hold significant cash balances; it uses short-term borrowings when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The Company's exposure at 31 October 2020 and at 31 October 2019 of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be reset.

	2020 Within one year £'000	2019 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	2,882	971
Money market funds	2	2
Creditors – within one year:		
Borrowings under loan facility	(14,104)	(12,603)
Total exposure to interest rates	**(11,220)**	**(11,630)**

Interest receivable and finance costs are at the following rates:

- interest received on cash balances and money market funds, or paid on bank overdrafts, is at a margin linked to LIBOR (2019: same); and
- interest paid on borrowings under the loan facility is at a margin over LIBOR for the type of loan. The weighted average interest rate of these is 0.8% as at 31 October 2020 (2019: 1.4%).

Interest rate risk sensitivity

The Company is exposed to interest rate risk primarily through its loan facility with The Royal Bank of Scotland International Limited and money market funds balances. The sensitivity is as follows: borrowings vary throughout the year as a result of the Board's borrowing policy. Net borrowings at the year end were £11,220,000 (2019: £11,630,000) and if that level of borrowings was maintained for a full year, then a 200 basis points change in LIBOR (up or down) would decrease or increase total net return after taxation and shareholders' funds by £224,000 (2019: £233,000).

15.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable. The Company had unsecured sterling loan facilities totalling £20m (2019: £20m) and an overdraft facility with the Custodian, the extent of which is determined by the Custodian on a regular basis by the value of the securities held by it on behalf of the Company. The facilities are subject to regular review.

The Board gives guidance to Janus Henderson as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company's assets should generally remain fully invested in equities. Any short term cash requirements will generally be met by short term borrowings.

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.2 Liquidity risk (continued)

The contractual maturities of the financial liabilities at 31 October based on the earliest date on which payment can be required are as follows:

	2020		2019	
	Due within one month £'000	**Due between one and three months £'000**	Due within one month £'000	Due between one and three months £'000
Bank overdraft, loans and interest	8,599	5,510	7,579	5,036
Other creditors	957	–	389	–
	9,556	**5,510**	**7,968**	**5,036**

15.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed regularly by Janus Henderson, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings or through a money market fund that uses such banks.

Stock lending transactions are carried out with a number of approved counterparties, whose credit rating is reviewed regularly by Janus Henderson and limits are set on the amount that may be lent to any one counterparty. Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed future date. Stock lending revenue is received for making the investments available to the borrower, which increases the returns on the portfolio. In all cases securities lent continue to be recognised in the Statement of Financial Position. Details of the value of securities on loan at the year end, and the collateral held, can be found in Note 4.

HSBC's Securities Lending Programme provides broad market access supported by indemnification. This indemnification covers replacement of loaned securities (and all ancillary benefits such as outstanding income and fees) in the event of a borrower default. HSBC will make whole any shortfall between the value realised out of selling collateral and value of the loaned securities.

In summary, the exposure to credit risk at 31 October 2020 was to cash at bank and money market funds of £2,884,000 (2019: £973,000) and to debtors of £66,000 (2019: £231,000) (see Note 13).

15.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investments) or the Statement of Financial Position amount is a reasonable approximation of fair value (sales for future settlement, dividends and interest receivable, purchases for future settlement, accruals, cash at bank, bank overdrafts and amounts due under the loan facility).

15.5 Fair value hierarchy disclosures

The table overleaf analyses fair value measurements for investments held at fair value through profit or loss. These fair value measurements are categorised into different levels in the fair value hierarchy based on the valuation technique used and are defined as follows:

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets;

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1; and

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.5 Fair value hierarchy disclosures (continued)

Fair value hierarchy at 31 October 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	94,352	–	407	94,759
Current asset investments	2	–	–	2
	94,354	**–**	**407**	**94,761**

Fair value hierarchy at 31 October 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	103,198	–	400	103,598
Current asset investments	2	–	–	2
	103,200	**–**	**400**	**103,600**

There have been no transfers during the year between any of the levels.

The total carrying value of receivables, as stated in Note 13, is a reasonable approximation of their fair value as at the year end date. The total carrying value of financial liabilities, as disclosed in Note 14, is a reasonable approximation of their fair value at the year end date.

A reconciliation of movements within Level 3 is set out below:

	2020 £'000	2019 £'000
Opening balance at 1 November	400	400
Revaluation	7	–
Closing balance at 31 October	**407**	**400**

The investment valuation of the Company's holding in Oxford Sciences Innovation has been reviewed and revalued accordingly.

15.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the revenue and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital at 31 October 2020 comprised its equity share capital, reserves and loans (as shown in Note 14) that are included in the Statement of Financial Position at a total of £96,747,000 (2019: £104,401,000).

The Board, with the assistance of Janus Henderson, monitors and reviews the structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account Janus Henderson's view on the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium) as well as the discount of the peer group and the level of the equity market;
- the need for new issues of equity shares, including allotments from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to externally imposed capital requirements:

- borrowings under the loan facility must not exceed 30% of the adjusted investment portfolio value (as defined by the bank providing the loan facility) and the consolidated net tangible asset value must not be less than £50m at any time;
- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet the capital restriction tests imposed on investment companies by company law.

The Company has complied with these requirements.

The Company has a revolving credit facility of £20m (the 'Facility') with The Royal Bank of Scotland International Limited.

The maximum drawn down position in the year was £14,104,000 and the lowest position in the year was £11,606,000.

Notes to the Financial Statements (continued)

16 Called up share capital

	2020 £'000	2019 £'000
Allotted and issued ordinary shares of 25p each 7,898,375 (2019: 7,901,188)	1,974	1,975
Ordinary shares of 25p each held in treasury 102,483 (2019: 99,670)	26	25
	2,000	**2,000**

During the year 2,813 (2019: 99,670) ordinary shares of 25p each were repurchased by the Company at a total cost, including transaction costs, of £27,000 (2019: £939,000). All of the shares were placed in treasury. Shares held in treasury do not carry a right to receive dividends.

17 Capital redemption reserve and other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Other capital reserves total £'000
At 1 November 2019	2,431	58,994	10,111	69,105
Transfer on disposal of investments	–	(5,315)	5,315	–
Net gains/(losses) on investments	–	10,618	(17,833)	(7,215)
Buyback of 2,813 ordinary shares	–	(27)	–	(27)
Expenses and finance costs allocated to capital	–	(396)	–	(396)
At 31 October 2020	**2,431**	**63,874**	**(2,407)**	**61,467**

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Other capital reserves total £'000
At 1 November 2018	2,431	53,528	18,806	72,334
Transfer on disposal of investments	–	3,418	(3,418)	–
Net gains/(losses) on investments	–	3,453	(5,277)	(1,824)
Buyback of 99,670 ordinary shares	–	(939)	–	(939)
Expenses and finance costs allocated to capital	–	(466)	–	(466)
At 31 October 2019	**2,431**	**58,994**	**10,111**	**69,105**

The capital reserve arising on revaluation of investments held includes £1,633,000 of unrealised losses on nil valued investments (2019: £852,000). Any distributions from capital reserve arising on investments sold would be restricted by this amount.

18 Net Debt Reconciliation

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 October 2019	971	(12,603)	(11,632)
Cash flows	1,911	(1,501)	410
Net debt as at 31 October 2020	**2,882**	**(14,104)**	**(11,222)**

Notes to the Financial Statements (continued)

18 Net Debt Reconciliation (continued)

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 October 2018	707	(7,001)	(6,294)
Cash flows	264	(5,602)	(5,338)
Net debt as at 31 October 2019	**971**	**(12,603)**	**(11,632)**

19 Net asset value per ordinary share – basic and diluted

The net asset value per ordinary share at the year end was 1,046.3p (2019: 1,161.8p). The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £82,643,000 (2019: £91,798,000) and on the 7,898,375 ordinary shares in issue at 31 October 2020 (2019: 7,901,188). There are no dilutive securities so the basic and diluted net asset value per ordinary share are the same.

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

	2020 £'000	2019 £'000
Total net assets at 1 November	91,798	94,360
Total net (loss)/return	(6,601)	76
Dividends paid in the year	(2,527)	(1,699)
Buyback of shares	(27)	(939)
Total net assets at 31 October	**82,643**	**91,798**

20 Capital commitments and contingent commitments

Capital commitments

There were no capital commitments at 31 October 2020 (2019: £nil).

Contingent commitments

As at 31 October 2020 there were no commitments in respect of sub-underwriting (2019: £nil).

21 Transactions with Janus Henderson

Under the terms of an agreement effective from 22 July 2014, the Company appointed a wholly owned subsidiary company of Janus Henderson Group plc ('Janus Henderson') to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services.

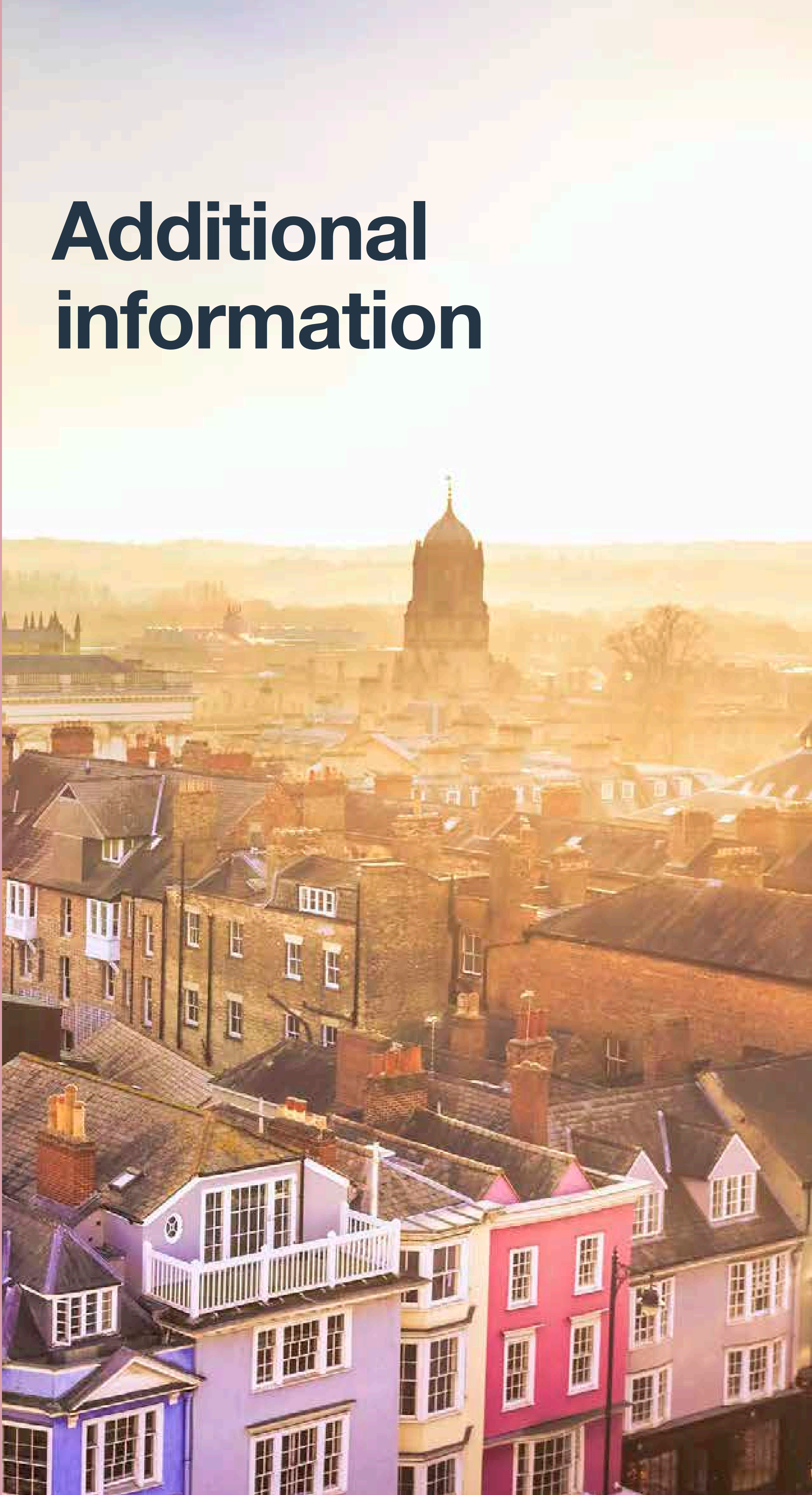
Details of the management fee arrangements for these services are given in the Strategic Report on page 17. The total of the management fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 October 2020 was £435,000 (2019: £489,000) of which £255,000 was outstanding at 31 October 2020 (2019: £292,000). A performance fee of £nil is payable to Janus Henderson in respect of the year ended 31 October 2020 (2019: £nil).

Janus Henderson also provides sales and marketing services for which there is no separate charge.

In addition to the above, Janus Henderson facilitates marketing activities with third parties which are recharged by Janus Henderson to the Company. The total amount in respect of these third party marketing activities, including VAT paid or payable for these services, for the year ended 31 October 2020 amounted to £nil (2019: £35,000) of which £nil was outstanding at 31 October 2020 (2019: £11,000).

Details of fees paid to Directors are included in the Directors' remuneration report on page 39 and in Note 6 on page 58.

Additional information



Glossary

Alternative Investment Fund Managers Directive ('AIFMD')

Agreed by the European Parliament and the Council of the European Union and adopted into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Alternative performance measures

A glossary of alternative performance measures can be found on pages 71 and 72.

Association of Investment Companies ('AIC')

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities. The Company is in the UK All Companies Sector.

Benchmark

An index against which performance is compared. For the Company this is the FTSE All-Share Index.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

As an AIF the Company is required to appoint a Depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring, verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a Custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's Registrar to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Investment trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Glossary (continued)

Market capitalisation

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Securities financing transactions

Securities financing transactions include activities such as repurchase agreements, securities or commodities lending, securities or commodities borrowing, buy or sell back transactions and margin lending transactions. When a company carries out such activities, there are disclosures that are required to be made under Regulation (EU) 2015-2365. The Company carries out stock lending activities, so needs to disclose the following under these regulations: the value of securities as a proportion of total lendable assets and net assets ('Global Data'), the ten largest collateral issuers and counterparties ('Concentration Data'), a summary by counterparty of collateral received from securities on loan ('Aggregate Transaction Data'), whether any re-use of collateral is carried out and the gross income and costs from securities lending ('Return and Cost').

Treasury shares

Shares repurchased by the Company but not cancelled.

Alternative performance measures (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') throughout the Annual Report, Financial Statements and Notes to the Financial Statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or premium

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per ordinary share.

		31 October 2020	31 October 2019
Net asset value per ordinary share (pence)	(A)	1,046.3	1,161.8
Share price per share (pence)	(B)	885.0	932.0
(Discount) or Premium (C= (B-A)/A) (%)	(C)	(15.4%)	(19.8%)

Net gearing

The net gearing reflects the amount of borrowings (see Note 14) (i.e. bank loans or overdrafts) the Company has used to invest in the market less cash and investment in cash funds (see Statement of Financial Position), divided by net assets.

		2020	2019
Bank loans or overdrafts (Note 14) (£'000)	(A)	14,104	12,603
Less:			
Cash at bank	(B)	(2,882)	(971)
Investment in cash funds	(C)	(2)	(2)
Net gearing (£'000)	(D)	**11,220**	**11,630**
Net assets (see page 52) (£'000)	(E)	**82,643**	**91,798**
Gearing (F = D / E) (%)	(F)	13.6%	12.7%

NAV per ordinary share

The value of the Company's assets (i.e. investments held at fair value through profit or loss (see Note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. bank borrowings (see Note 14)) for which the Company is responsible divided by the number of ordinary shares in issue (see Note 16). The aggregate NAV is also referred to as Total shareholders' funds in the Statement of Financial Position. The NAV per ordinary share is published daily and the year end NAV can be found on page 1 and further information is available on page 67 in Note 19 within the Notes to the Financial Statements.

Alternative performance measures (unaudited)

(continued)

Ongoing charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total investment management fees and administrative expenses and expressed as a percentage of the average daily net asset values throughout the year.

	2020 £'000	2019 £'000
Management fees (Note 5)	435	489
Other administrative expenses (Note 6)	312	347
Less: non-recurring expenses	(5)	(2)
Ongoing charges	**742**	**834**
Performance fee	–	–
Ongoing charges including performance fee	**742**	**834**
Average net assets[1]	**83,989**	**92,086**
Ongoing charges ratio	**0.88%**	**0.91%**
Ongoing charges ratio including performance fee	**0.88%**	**0.91%**

1 Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Information Document ('KID') is calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs and look through to costs incurred by other investment trusts and funds the Company invests in.

Revenue return per share

The revenue return per share, is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see Note 9 on page 59).

Total return

The return on the share price or NAV taking into account both the rise and fall of NAV/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in Note 10 on pages 59 and 60.

	NAV per share	Share price
NAV/share price per share at 31 October 2019 (pence)	1,161.8	932.0
NAV/share price per share at 31 October 2020 (pence)	1,046.3	885.0
Change in the year (%)	(9.9%)	(5.0%)
Impact of dividends reinvested (%)	2.9%	3.5%
Total return for the year (%)	**(7.6%)**	**(1.7%)**

Dividend yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		31 October 2020	31 October 2019
Annual dividend (pence)	(A)	27.0	26.0
Share price (pence)	(B)	885.0	932.0
Yield (C=A/B) (%)	(C)	3.1%	2.6%

Securities financing transactions (unaudited)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015-2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 31 October 2020 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets as at 31 October 2020 are disclosed below:

	Stocklending	
Market value of securities on loan £'000	% of lendable assets	% of assets under management
16,590	17.5	20.1

Concentration Data

The ten largest collateral issuers across all the securities financing transactions as at 31 October 2020 are disclosed below:

Issuer	Market value of collateral received £'000
UK Treasury	3,391
Government of Japan	3,226
Intesa Sanpaolo	692
Atlantia	646
Uni Credit	638
BHP Group	618
Generali	616
Snam It	616
Nexi	616
Finecobank	616
	11,675

The top ten counterparties of each type of securities financing transactions as at 31 October 2020 are disclosed below:

Counterparty	Market value of securities on loan £'000
JP Morgan	5,811
HSBC	3,182
UBS	2,725
Barclays	1,853
Credit Suisse Europe	1,312
Merrill Lynch International	1,066
Credit Suisse Dublin	241
Citigroup	208
Bank of Nova Scotia	192
	16,590

All counterparties have been included.

Securities financing transactions (unaudited)

(continued)

Aggregate Transaction Data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan as at 31 October 2020:

Stock lending

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
Barclays	United Kingdom	Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,730
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	214
		Equity	Main Market Listing	JPY	Tri-party	HSBC	3
Credit Suisse	Ireland	Government Debt	Investment Grade	USD	Tri-party	HSBC	53
		Equity	Main Market Listing	CAD	Tri-party	HSBC	51
		Equity	Main Market Listing	AUD	Tri-party	HSBC	50
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	37
		Equity	Main Market Listing	USD	Tri-party	HSBC	27
		Equity	Main Market Listing	EUR	Tri-party	HSBC	26
		Equity	Main Market Listing	GBP	Tri-party	HSBC	11
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	1
Credit Suisse	Switzerland	Government Debt	Investment Grade	JPY	Tri-party	HSBC	401
		Equity	Main Market Listing	JPY	Tri-party	HSBC	360
		Equity	Main Market Listing	EUR	Tri-party	HSBC	268
		Equity	Main Market Listing	USD	Tri-party	HSBC	164
		Equity	Main Market Listing	CAD	Tri-party	HSBC	136
		Equity	Main Market Listing	AUD	Tri-party	HSBC	58
		Equity	Main Market Listing	HKD	Tri-party	HSBC	1
HSBC	Hong Kong	Government Debt	Investment Grade	GBP	Bilateral	HSBC	3,341
		Government Debt	Investment Grade	GBP	Tri-party	HSBC	13
		Equity	Main Market Listing	GBP	Tri-party	HSBC	4
		Equity	Main Market Listing	USD	Tri-party	HSBC	4
JP Morgan	United Kingdom	Equity	Main Market Listing	EUR	Tri-party	HSBC	5,435
		Equity	Main Market Listing	GBP	Tri-party	HSBC	726
Merrill Lynch International	United Kingdom	Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,088
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	29
		Government Debt	Investment Grade	USD	Tri-party	HSBC	2
Bank of Nova Scotia	Canada	Equity	Main Market Listing	CAD	Tri-party	HSBC	72
		Equity	Main Market Listing	GBP	Tri-party	HSBC	58
		Equity	Main Market Listing	USD	Tri-party	HSBC	54
		Equity	Main Market Listing	EUR	Tri-party	HSBC	12
		Equity	Main Market Listing	JPY	Tri-party	HSBC	6
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	2
Citigroup	United States	Government Debt	Investment Grade	EUR	Tri-party	HSBC	214
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	4
UBS	Switzerland	Equity	Main Market Listing	HKD	Tri-party	HSBC	1,011
		Equity	Main Market Listing	EUR	Tri-party	HSBC	429
		Equity	Main Market Listing	AUD	Tri-party	HSBC	1,166
		Equity	Main Market Listing	CHF	Tri-party	HSBC	284
							17,545

Securities financing transactions (unaudited)

(continued)

Re-use of collateral

The Company does not engage in any re-use of collateral.

Return and Cost

The return and cost of engaging in securities lending by the Company and the securities lending agent in absolute terms and as a percentage of overall returns are disclosed below:

Total gross amount of securities lending income £'000	Direct and indirect costs and fees deducted by securities lending agent £'000	% return of the securities lending agent	Net securities lending income retained by the Company £'000	% return of the Company
204	41	20	163	80

General shareholder information

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager ('AIFM') is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document called 'AIFMD Disclosure' which can be found on the Company's website **www.hendersonopportunitiestrust.com**.

BACS

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 78) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard ('CRS')

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the Registrar, which has 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 by dialling 0370 707 1059. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Foreign Account Tax Compliance Act ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the USA) to file yearly reports on their non-USA financial accounts. Investment trusts need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company makes an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, identify and report USA reportable accounts to HMRC, as required.

General Data Protection Regulation ('GDPR')

GDPR came into force on 25 May 2018. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investment ('NMPI') Status

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products ('PRIIPs') Regulation/Key Information Document ('KID')

Investors should be aware that the PRIIPs Regulation requires the Manager, as PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by legislation. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General shareholder information (continued)

Performance details/share price information

Details of the Company's share price and NAV per share can be found on the website. The address is **www.hendersonopportunitiestrust.com**. The Company's NAV is published daily.

The market price of the Company's shares can also be found in the London Stock Exchange Daily Official List.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar via **www.computershare.com**.

Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services plc, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary at the number provided on page 78.

Corporate information

Registered office

201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

Service providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: support@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Stockbrokers

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1059
Email: web.enquiries@computershare.co.uk

Independent Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Financial calendar

Annual results	announced February 2021
Ex dividend date	18 February 2021
Dividend record date	19 February 2021
Annual General Meeting	11 March 2021
2020 Final dividend payable on	26 March 2021
Half year results	announced June 2021
Q1 dividend payable	June 2021
Q2 dividend payable	September 2021
Q3 dividend payable	December 2021
2021 Final dividend payable	March 2022

Information sources

For more information about Henderson Opportunities Trust plc, visit the website at **www.hendersonopportunitiestrust.com.**

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

For alternative access to Janus Henderson's insight you can follow on Twitter, YouTube and Facebook.

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee share code

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

Henderson Opportunities Trust plc
Registered as an investment company in England and Wales
Registration number 01940906
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL/ISIN number: 0853657/GB0008536574
London Stock Exchange (TIDM) Code: HOT
Legal Entity Identifier (LEI): 2138005D884NPGHFQS77

Global Intermediary Identification Number (GIIN): LVAHJH.99999.SL.826

Telephone: **0800 832 832**
Email: **support@janushenderson.com**

www.hendersonopportunitiestrust.com

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Janus Henderson
INVESTORS

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The Association of
Investment Companies

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