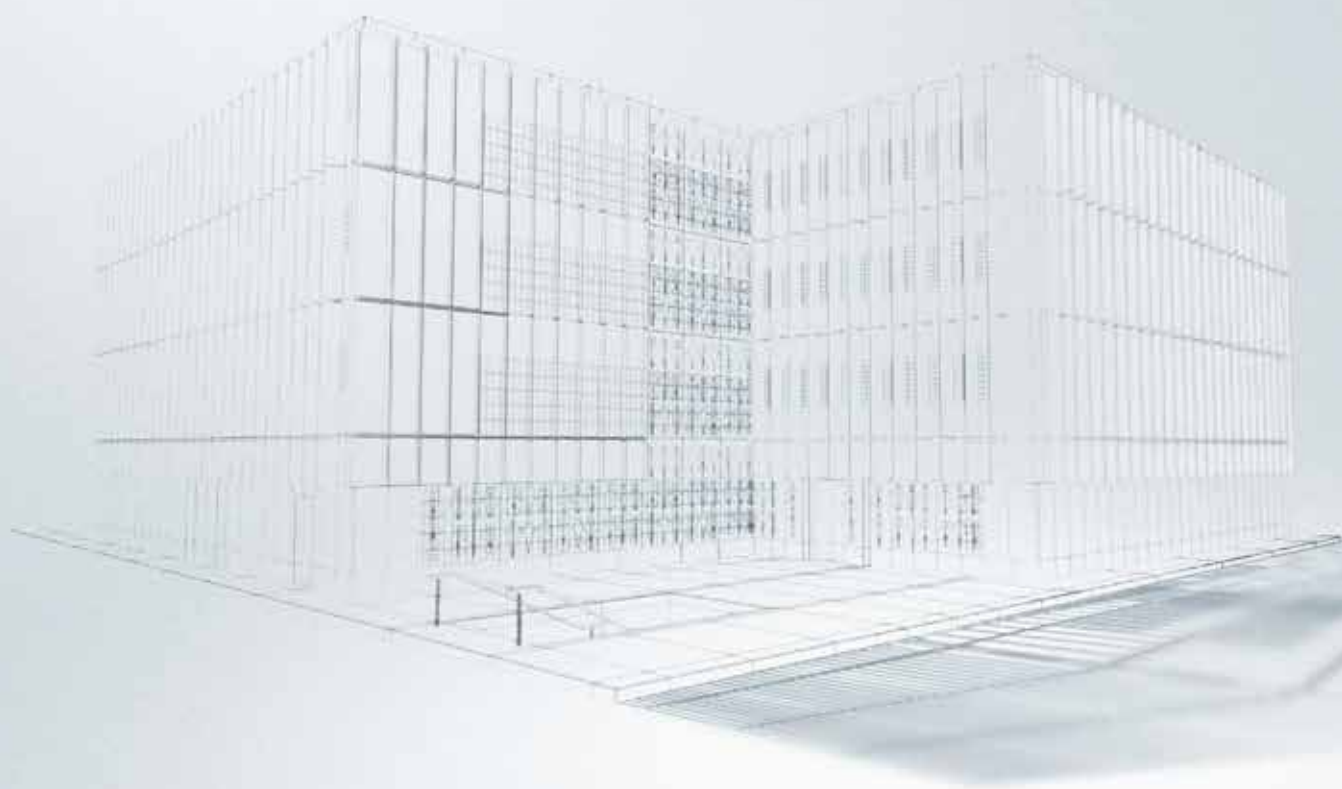


# HENDERSON OPPORTUNITIES TRUST PLC

Annual Report for the year ended 31 October 2017



MANAGED BY  
**Janus Henderson**  
— INVESTORS —

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## Strategic Report

**“I am pleased to report that the Net Asset Value (NAV) total return for the year ended 31 October 2017 was 29.5%, while the FTSE All-Share, our benchmark, returned 13.4%. This strong outperformance more than recovered the shortfall in the preceding year. Over time our outperformance has been significant; the NAV total return was 50% better than the benchmark over three years and 99% better over five years.”**

Peter Jones, Chairman

### Total return performance to 31 October

	1 year %	3 years %	5 years %
NAV <sup>1</sup>	29.5	47.7	124.6
Share price <sup>2</sup>	32.3	30.1	143.0
Sector Average NAV <sup>3</sup>	21.2	46.2	103.6
Benchmark <sup>4</sup>	13.4	31.0	62.5

<sup>1</sup> Net Asset Value (NAV) per ordinary share total return with income reinvested

<sup>2</sup> Share price total return using mid-market closing price

<sup>3</sup> Average NAV of the AIC UK All Companies Sector with income reinvested

<sup>4</sup> FTSE All-Share Index total return

Sources: Morningstar for the AIC, Datastream



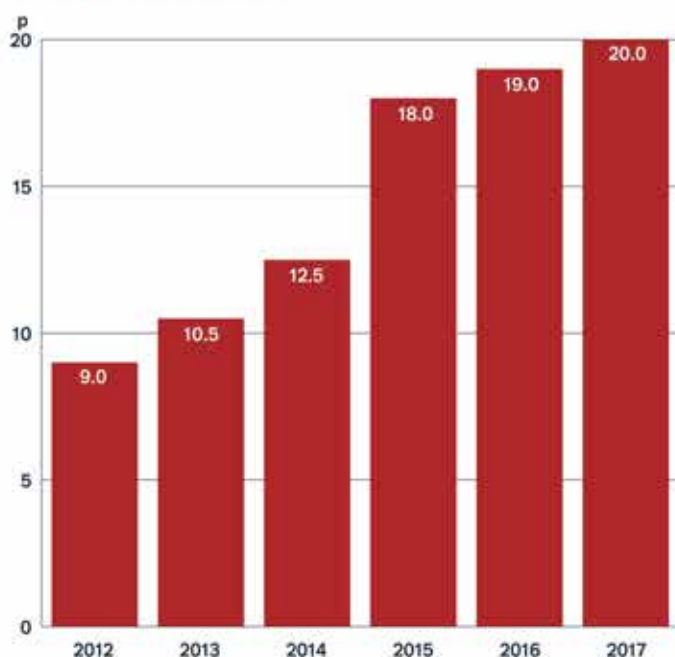
# Strategic Report: Performance Highlights

## Total Return Performance over the last 5 years

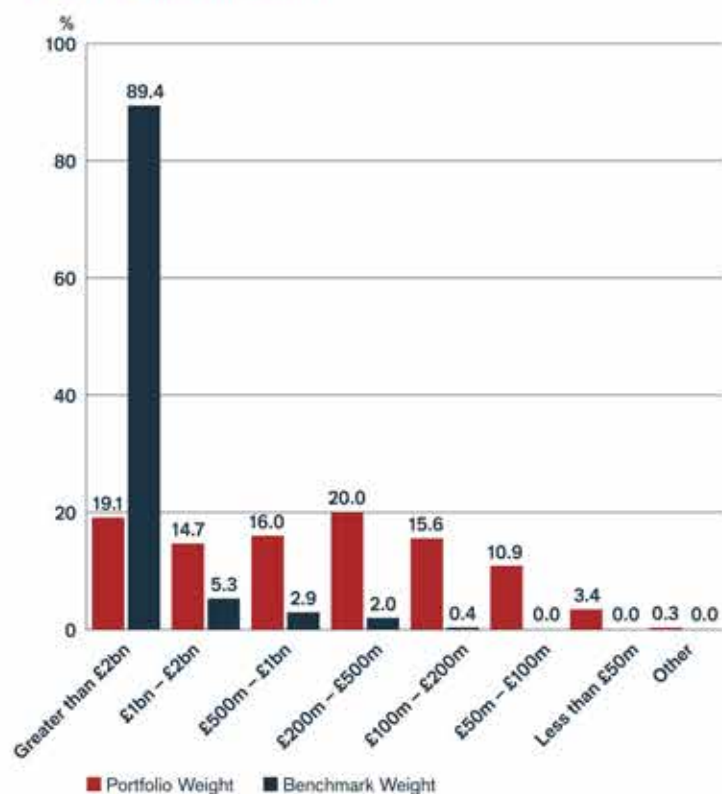


Source: Janus Henderson, Datastream

## Historical dividend



## Market capitalisation of the portfolio at 31 October 2017



## Strategic Report: Performance Highlights (continued)

NAV per share at year end

2017 **1,269.9p** 2016 **997.2p**

NAV total return<sup>1</sup>

2017 **29.5%** 2016 **0.4%**

Total return per share

2017 **292.2p** 2016 **3.2p**

Dividend for year<sup>5</sup>

2017 **20.0p** 2016 **19.0p**

Net gearing at year end

2017 **13.3%** 2016 **14.0%**

Net assets

2017 **£101.6m** 2016 **£79.8m**

Share price at year end

2017 **1,066.0p** 2016 **823.0p**

Share price total return<sup>2</sup>

2017 **32.3%** 2016 **-7.5%**

Discount at year end<sup>4</sup>

2017 **16.1%** 2016 **17.5%**

Dividend yield<sup>6</sup>

2017 **1.9%** 2016 **2.3%**

Ongoing Charge<sup>7</sup>

2017 **0.89%** 2016 **0.94%**

Number of investments at year end

2017 **100** 2016 **88**

<sup>1</sup> Net Asset Value (NAV) per ordinary share total return with income reinvested

<sup>2</sup> Share price total return using mid-market closing price

<sup>3</sup> FTSE All-Share Index total return

<sup>4</sup> Calculated using published daily NAVs including current year revenue

<sup>5</sup> This represents an interim dividend of 6.0p and a proposed final dividend of 14.0p. See page 50 for more details

<sup>6</sup> Based on the ordinary dividends paid for the year and the mid-market closing price at the year end

<sup>7</sup> Ongoing charge excludes performance fee. Ongoing charge including performance fee is 1.91% (2016: 0.94%)

A glossary of terms is available on page 22

Sources: Morningstar for the AIC, Janus Henderson, Datastream



# Strategic Report: Chairman's Statement

## Review of Performance

I am pleased to report that the Net Asset Value (NAV) total return for the year ended 31 October 2017 was 29.5%, while the FTSE All-Share, our benchmark, returned 13.4%. This strong outperformance more than recovered the shortfall in the preceding year, in which the NAV total return was 0.4% whereas the benchmark total return was 12.2%. Since just 20% of the portfolio is invested in the FTSE 350, and over 50% is held in AIM stocks, divergence of performance against the FTSE All-Share is inevitable. However, over time our outperformance has been significant and the following table illustrates that the NAV total return was 50% better than the benchmark over three years and 99% better over five years:

	1 Year %	3 Years %	5 Years %
NAV (Total Return)	29.5	47.7	124.6
Share Price (Total Return)	32.3	30.1	143.0
FTSE All-Share (Total Return)	13.4	31.0	62.5

During the year the share price discount to the NAV reduced marginally from 17.5% to 16.1%. The share price total return for the year was 32.3%. On pages 8 and 9 we show the major stock contributors and detractors and on page 11 to 12 how the largest 20 holdings performed. This demonstrates that certain smaller companies contributed substantially to the portfolio's outperformance. The outperformance was achieved notwithstanding the uncertainties which tended to dominate political and economic commentary in the UK. Steady continuing growth in the global economy provided a helpful backdrop and the strength of companies within the portfolio, many of which delivered good results and improved valuations, was undoubtedly another key factor.

## Earnings & Dividends

The revenue return was 21.8p, compared with 20.5p last year. The final dividend of 14.0p to be paid from revenue will be payable, subject to shareholder approval, on 23 March 2018 to shareholders on the Register of Members on 16 February 2018. The shares will be marked ex-dividend on 15 February 2018. The total dividend for the year is 20.0p an increase of 1.0p on the previous year. The focus in the investment approach is not necessarily on companies that pay dividends but often successful cash generative businesses will find dividend paying a good discipline. The Board is therefore optimistic that the progressive dividend policy of recent years can be maintained.

## Fees & Expenses

Reflecting the excellent results and strong outperformance against benchmark in the year under review, the maximum performance fee of £0.9m is to be paid, whereas no performance fee was paid in respect of the previous year.

The combined management and performance fees are capped at 1.5% of the average net assets (calculated quarterly) during the year. The cap meant the performance fee was £0.2m lower than it would have been without the cap. As was noted in last year's Annual Report Janus Henderson and the Board agreed a reduced fee from 1 November 2015 and a full explanation of fees can be found on page 6 of this Report.

## Continuation Vote

There was a continuation vote at the AGM on 16 March 2017 which was passed by a vote in favour of 99.3%. The next continuation vote will be in March 2020 following the three year cycle.

## Buy-Backs and Share Issuance

There were no buy-backs carried out during the year nor were any shares issued.

## MiFID II

MiFID II is a fundamental overhaul of the regulatory rules for financial services in Europe. It came into force on 3 January 2018 and, amongst a plethora of other rule changes, places restrictions on how investment firms pay for third-party research. The Company's Investment Manager, Janus Henderson, decided that from 3 January 2018, it will pay directly for third-party research for its European fund ranges and for client portfolios managed in the EU. This includes research used in managing our investment portfolio and this change will reduce the costs borne by the Company. Access to high quality research is integral to the investment process at Janus Henderson and we are confident that the Fund Managers will continue to have the access required to develop the investment insights which should hopefully maintain superior investment performance.

## AGM

Our Annual General Meeting will be held at 2.30pm on 15 March 2018 at the registered office, 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting accompanies this Annual Report. The Directors will vote their own shareholdings in favour of all the resolutions to be put to the AGM and the Directors recommend that shareholders support all the resolutions.

In addition to the formal business of the meeting, the Fund Managers, James Henderson and Colin Hughes, will give a presentation following which tea will be served.



# Strategic Report: Chairman's Statement (continued)

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## Investment Strategy

The objective of our Fund Managers is to find and hold stocks that are good businesses with attractive valuations, diverse customer bases and sound prospects, and which are capable of delivering sustainable growth over time. These companies are to be found across the market capitalisation range but there will usually be a focus on smaller companies, many of which are overlooked or under-researched and offer greater potential for outperformance in the longer term.

Your Board believes that clear focus on stock picking rather than on making macro-economic calls is the way to add value for shareholders. The Fund Managers therefore spend a great deal of time researching and meeting with investment companies, which will normally include around 400 face-to-face meetings each year.

## Gearing

The Board believes that a reasonable level of borrowings will help grow the NAV over time. However, the Fund Managers may vary the gearing for tactical purposes. Over the year the gearing expressed as a percentage of NAV reduced marginally from 14.0% last year to 13.3% this year. Since the half year the gearing has been reduced from 15.9%. The absolute level of borrowings increased from £11.8m to £14.6m over the year. The makeup of the borrowings is shown on page 53. Given the bias of the portfolio is to small companies, we monitor the relative liquidity of the portfolio to ensure that gearing levels can be quickly adjusted if necessary.

## The Board

As part of the Board's succession plan, Peter May will not stand for re-election as a Director at the AGM, having now served more than 13 years as a Board member. Throughout his tenure as Director and Audit Committee Chairman, Peter has devoted a great deal of time and energy to the Company, contributing significantly to its success. The Board would like to extend its thanks and best wishes for the future to Peter. Following the AGM Frances Daley, who has been a member of the Board and of the Audit Committee since June 2015, will succeed as Chair of the Audit Committee.

## Auditors Appointment

The Company put the audit out to tender during the year (for more details please see page 35). Following conclusion of the audit tender process the appointment of BDO LLP will be put to shareholders at the AGM in March. We extend our thanks to PricewaterhouseCoopers LLP for their many years of good service.

## Outlook

The ongoing Brexit negotiations continue to cause uncertainty regarding the near-term outlook and it is still too early to determine with any certainty the impact it will have on the economy. However, the performance during this financial year demonstrates that good quality companies can produce strong results in challenging markets. The Fund Manager's task is to identify such companies and make them count in the portfolio, and your Board believes that the relatively unconstrained multi-cap approach to investment in your portfolio should allow the Manager the best opportunity for success.

Peter Jones  
Chairman  
26 January 2018

# Strategic Report: Business Model

## Strategy

The Company's strategy is to achieve its investment objective through the appointment of external management which operates in accordance with the Company's investment policy.

## 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.

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.

## Management

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'). The management agreement with HIFL is terminable on six months' notice and is reviewed annually. Both entities are authorised and regulated by the Financial Conduct Authority. References to the Manager within this report refer to the services provided by both entities. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson, following the merger of Henderson Group plc and Janus Capital Group, Inc. on 30 May 2017.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative resources. Some of the administration, accounting services and cash management are carried out, on behalf of Janus Henderson, by BNP Paribas Securities Services.

Melanie Stoner FCIS acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

## Management Fee

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.

## Performance Fee

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. A performance fee of £913,000 is payable for the year ended 31 October 2017.



# Strategic Report: Fund Managers' Report

## Portfolio Review

The portfolio comprises 100 holdings in companies of varying sizes with the composition determined not by the benchmark but by the search for holdings that, together, can provide strong growth without being unduly volatile. Over half the portfolio by value is in companies listed on AIM which therefore do not qualify for inclusion in our benchmark, the FTSE All-Share Index. Some of these are of a size that, were they listed on the main market, would qualify them for the FTSE 250 Index rather than the FTSE Small Cap Index. We seek returns from a diverse range of companies so that there is less concentration risk coming from any sector or theme. This is illustrated in the broadly-spread attribution for the year.

This diversity is important as the political and economic backdrop is as unpredictable as ever, with long term planning having become difficult. For example, a "hard" Brexit leading to World Trade Organisation tariffs could have serious consequences for some businesses, while others who are selling products in the UK may benefit as some European goods become less competitive. There remain plenty of good opportunities for companies in the UK.

	2017 %	2016 %	2015 %	2014 %	2013 %
NAV (total return)	29.5	0.4	13.5	3.4	47.1
FTSE All-Share (total return)	13.4	12.2	3.0	1.0	22.8
Outperformance (+)/ Underperformance (-)	+16.1	-11.8	+10.5	+2.4	+24.3

## Performance

### Investment Approach

As long-term investors, we spend a considerable amount of time researching and meeting companies in whom we may or may not invest on your behalf. This long-term approach is reflected in a holding period of typically three to five years with our recent trend being towards the upper end of that range. We do, however, remain alive to shorter term opportunities. Our typical holding period reflects our appreciation that the cycle for any business to grow and mature is not easily reconciled with the volatility, fads and fashions of the stock market, or with the general economic background.

The portfolio is a mixture of large, medium and small companies. We employ a number of valuation techniques but are not slavishly reliant upon any one methodology in arriving at our selections. We enjoy building relationships with the senior executive teams of our portfolio companies and will meet with them a number of times during the course of a typical year. This will include formal results presentations as well as informal discussions and site visits where appropriate. Over the course of the last three years, we have had in excess of 1,250 face to face meetings and company visits.

The number of holdings, which includes one unlisted investment, is at the top end of the 70 to 100 range that has applied over the last seven years. We believe that this range is about right for a fund of this size, providing enough diversification to mitigate risk but also enough concentration to make the contribution of individual winners

significant. Our exposure to stocks in the FTSE 100 and FTSE 250 reduced slightly from 31.4% to 29.1% as a result of superior performance from some of our AIM listed companies. Exposure to stocks with over £1 billion in market capitalisation has risen from 25.8% to 33.8% of the portfolio, due to strong performance across the market so that our typical gearing levels are comfortably covered by the most liquid part of the portfolio.

## Portfolio Activity

During the year we have been active in 66 companies, starting new positions in 20 and selling out completely in 9. Our new investments included 13 IPOs (Initial Public Offering), slightly up on last year. We have generally focused our attention on smaller IPOs and this has continued to be a worthwhile hunting ground. We have avoided many of the high profile larger offerings where we simply did not see value or growth. We continued to hold all but one of this year's IPO's at the year end. Our top ten holdings represented an unchanged 28.1% of the portfolio. There have been five new entrants to our top ten list, all of which we have held for a number of years. They are **Blue Prism**, **Keyword Studios**, **Conviviality Retail**, **XP Power** and **Clinigen**. Our Early Stage Development Companies of emerging technologies or services, including healthcare, which are not yet sustainably cash generative but have robust and highly differentiated intellectual property, accounted for 6.1% of the portfolio, against 12.6% last year. This area of the market suffered some high profile disappointments and prices generally declined whether or not progress in the technology of that company was made. Also, some of the holdings were reduced.

### Top Five Sales

The largest was that of **e2v technologies**, the developer and manufacturer of high technology electronic components, was acquired by Teledyne Technologies in an agreed all cash deal at 275p per share, a premium of over 50% to the share price at the start of the year.

While **Keyword Studios** has been a significant outperformer this year we have, despite our long term belief in the outstanding prospects for the business, taken profits to manage our exposure to single investments. We also took profits in another new entrant to our top ten, **Blue Prism**. We have been careful in both cases not to be too aggressive in selling as the momentum in both businesses has been both real and sustainable. By the end of the year **Blue Prism** was our largest holding and **Keyword Studios** our third.

In the immediate post Brexit stock market mayhem we added to our position in **International Consolidated Airlines**, the parent company of British Airways and Spain's Iberia. Having nearly doubled our money from that low point, we reduced our position back towards our original holding.

Lastly, we participated in the IPO of **Accrol**, a manufacturer of tissue paper, in June 2016, and saw the stock rise to a 40% premium to the issue price. However, we became increasingly concerned about the targeted growth prospects and decided to sell out. This proved fortuitous as the shares were subsequently suspended following a major profit warning and a shortfall in short term funding.



# Strategic Report: Fund Managers' Report (continued)

## Top Five Purchases

With the oil price stabilising, we decided to be bold and purchased a holding in **Eland Oil & Gas**, an emerging producer in the Niger delta. Eland listed on the market in 2012 with the target of bringing back on stream various wells in that troubled region. This has proved much harder than first thought, taking nearly five years longer than anticipated. Now, however, oil is flowing and production is building swiftly. Cash flow next year could match the current market capitalisation.

**UP Global** is an Oldham based developer and designer of branded products focused on the homewares market, selling into the rapidly growing discount retail marketplace. After tracking this company prior to its IPO on the main market, we decided that the structural growth potential of this portion of the retail market was very attractive. The stock rose sharply from float at 128p to a peak of 228p but, despite producing results ahead of market expectations, the current trading environment has seen a sharp downturn in customer orders so profits for the next two years will not match earlier expectations. We took immediate action to limit our exposure, but have retained a smaller position as the structural growth story remains compelling once consumer confidence has recovered.

We also took the opportunity to start a position in **Learning Technologies**, an e-learning company, as part of its' funding for the acquisition of Net Dimensions. This acquisition adds geographical reach, and greater exposure to highly regulated sectors, thereby completing a full service e-learning offer. Organic growth is being complemented by highly effective integration and loss elimination. The chairman and a major shareholder here is Andrew Brode, who is also chair at **RWS**, another of our top ten companies.

**Redcentric**, a provider of managed services supporting corporate IT departments, had a significant profit warning and re-statement of results in late 2016. We purchased our position after this fall. Now that the historic position has been clarified, the company can once again face forward in what is a sector subject to consolidation. Importantly, no clients or service lines were affected by this internal issue so the book of business remains solid.

Lastly, we supported the IPO on AIM of **Oxford Biodynamics**, a drug and technology company using novel epigenetic biomarkers to aid drug discovery. Their platform, EpiSwitch, has recently shown a high degree of accuracy in identifying all four stages of breast cancer. If further trials are successful, this will allow oncologists to make significantly better informed decisions for their patients' future treatment regimes. The shares have performed well since IPO.

## Portfolio Attribution Analysis

### Top Five

The table below shows the top five contributors to the Company's absolute performance in NAV and their contribution relative to benchmark.

Top 5 contributors to performance		
	Share price return %	Contribution to NAV %
Blue Prism	+356.0	+4.6
Keyword Studios	+266.2	+4.1
Conviviality Retail	+115.0	+1.8
RWS	+60.2	+1.7
XP Power	+112.5	+1.4

Source: Janus Henderson

**Blue Prism** enables robotic process automation, notably in mundane semi-automated tasks such as in call centres. By automating large elements of routine logic based functions, it releases the operative to carry out higher value functions. Since floating on AIM in 2016 at 78p the shares have risen more than tenfold, owing to very strong demand and the rapid internationalising of the offer through partner channels without undue financial strain. Cash is received upfront and revenue for 2017 has risen to £24m from original forecasts of £9m with 2018 now set to achieve £40m against original forecasts of £12m. The pace of growth shows no sign of slackening and, though the valuation is high, it remains a core holding.

**Keyword Studios** is a global leader in services to the video games industry. Shortly after its IPO in 2013 at 123p, two major console developers Sony (PlayStation) and Microsoft (Xbox) threw the support industry into turmoil by changing at short notice the launch dates for their new models. This put a dent in **Keyword Studios** short term profit forecasts. We did not panic at this external event but continued to believe in material medium term growth. The share price has since risen more than tenfold on a combination of organic growth and complementary acquisitions. These have moved the company from a project driven outsourcer to a strategic partner to all the leading global games developers. Given its rapid growth in a highly fragmented industry, it remains another core holding.

**Conviviality Retail**, an alcoholic beverage wholesaler and supplier to franchise convenience stores, has seen the promise of the benefits of the Matthew Clark and Bibendum acquisitions materialise ahead of expectations, while evidence of growth emerged in the underlying trading of franchisees. This has driven a share re-rating but the cash generation of the stock is strong and the dividend is growing. With the quality of the team that CEO Diana Hunter has assembled around her, we look forward to seeing the strategy evolve further.



# Strategic Report: Fund Managers' Report (continued)

**RWS**, through its most recent acquisition of Moravia, has moved well beyond its original patent translation roots and has been a long-term favourite of ours. A potent combination of growth, cash-flow and dividends has made a compelling story for the last ten years. A new bolder phase this year saw two major acquisitions. Moravia is a leading provider of localisation services to the world's technology giants and adds a new fast growing client base. Earlier this year, RWS acquired Luz, a west coast USA based language service provider to the life sciences market. These acquisitions have diversified sector and client risk materially without diluting growth or cash generation. It remains a core position.

**XP Power**, the designer and manufacturer of electrical power supplies, has been in the portfolio for more than ten years. It has again delivered good growth in profits as it continues to take market share through design and new product innovation, leading to new product wins with targeted original equipment manufacturers. These design wins, principally in medical and industrial technology markets, secure participation for the life of the product, typically around six to seven years. This has improved visibility for the future.

## Bottom Five

The table below shows the bottom five detractors from the Company's absolute performance in NAV and their contribution relative to benchmark.

Top 5 detractors from performance		
	Share price return %	Contribution to NAV %
4D Pharma	-51.3	-3.6
hVIVO	-67.7	-1.0
Atlantis Resources	-44.4	-1.0
Ilika	-53.6	-0.5
NAHL	-31.6	-0.5

Source: Janus Henderson

**4D Pharma**, which harnesses bacteria in a revolutionary new class of medicines called live biotherapeutics, saw its share price fall earlier in the year as a lack of meaningful news flow weighed on the shares. This is expected to change dramatically over the next 9-15 months as human trials in cancer and asthma commence and study results from phase I in Paediatric Crohn's are released. 2018 could be a pivotal year.

Last year **hVIVO**, was again among our bottom performers. The change in strategy to focus on its own product pipeline rather than being just a services provider to the pharma industry has not produced the results hoped for with initial trial results in two programmes not meeting the primary endpoints required. The company is husbanding cash resources as further trial results are awaited in influenza and malaria vaccines.

The developer of renewable tidal energy projects, **Atlantis Resources**, commissioned the first phase of its MeyGen scheme off the north coast of Scotland and power is now being produced and

sold into the national grid. Phase 1A will produce 6 megawatts but when the project is completed, output should deliver 350 megawatts. The shares have been hit however, by Government procrastination over the funding of tidal power and its place within a broader framework of renewable sources. This is itself under pressure from falling subsidies.

**Ilika**, a developer of novel materials, was spun out of the School of Chemistry at the University of Southampton in 2004. The current lead product is a solid state miniaturised battery targeted for use in medical devices, emerging "wearable" technologies and as a remote power source for the "internet of things". There has been no overtly negative news but we are still waiting for a breakthrough announcement and the stock market is losing patience.

A common feature of the above has been they are all early stage companies trying to make the transition from the ownership of promising technology to full commercialisation. Stock markets are not yet giving them the benefit of the doubt. They have all seen share price declines of 45 to 70%.

In the autumn 2016 budget statement, the Chancellor announced potential changes to the level of claims in the small claims court relating to road traffic accidents. This has necessitated some fundamental changes at **NAHL**, who provide marketing leads to the legal profession. The period of doubt persisted for much of the last year but the path to restoration of peak profitability has become clearer and pilot trials of the new business model have gone well. We have added to our position and remain encouraged for the future.

## Outlook

The big issue for markets internationally in 2018 is how quantitative easing ends and what are the consequences. In addition in the UK we face the added complication of trying to achieve a "good" Brexit deal.

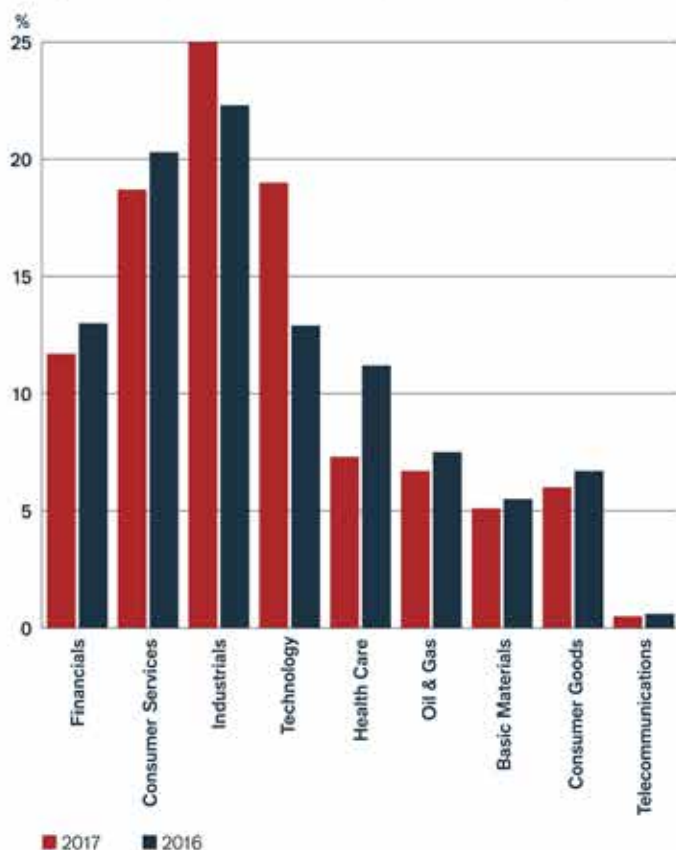
The excess money created by nearly ten years of quantitative easing has to some extent encouraged asset price bubbles most notably in domestic house prices and bonds. Elsewhere, for instance in modern art, bloodstock and vintage cars, prices are often eye watering. It is still early days in the adjustment to a more normalised period of monetary policy from central banks but they are keenly aware that a false move, or two, could be negatively interpreted by the markets and cause unnecessary harm. In such a scenario equity markets would be impacted as well. But it would be wrong to be too dogmatic since the steady tightening of monetary policy in the US has been benign for financial markets. Real growth in profits, cash and dividends are being created by the best companies and it remains our task to find them for you. We remain committed to the market, will keep the disciplines that have served you well but realise we will need to live with higher valuations than in the recent past.

James Henderson and Colin Hughes  
Fund Managers  
26 January 2018

## Strategic Report: Fund Managers' Report (continued)

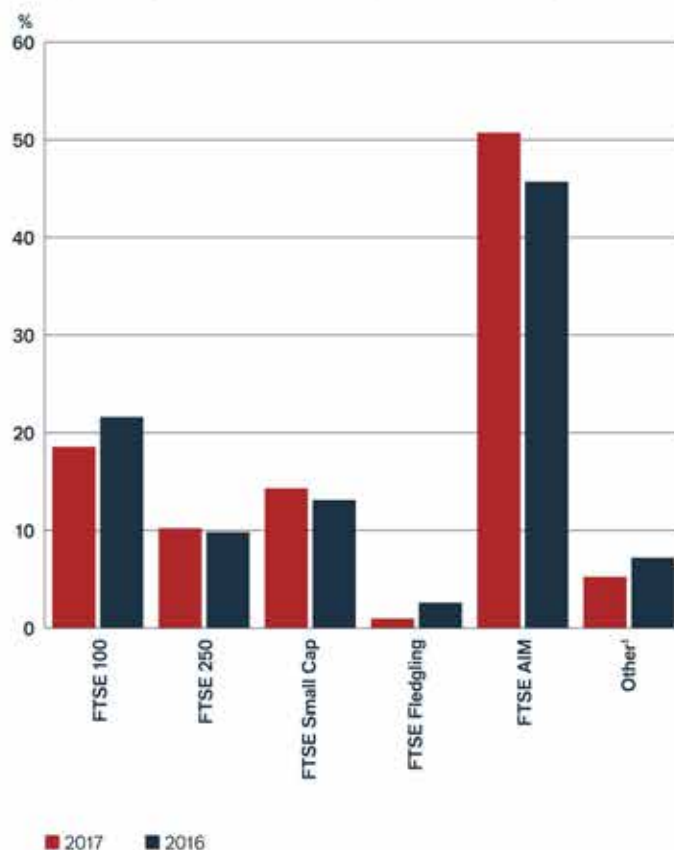
### Portfolio by Sector

As a percentage of the investment portfolio excluding cash.



### Portfolio by Index

As a percentage of the investment portfolio excluding cash.



<sup>1</sup> 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.



# Strategic Report: Fund Managers' Report (continued)

## Twenty Largest Holdings at 31 October 2017

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

Rank 2017 (2016)	Company	% of Portfolio	Approximate Market Capitalisation	Valuation 2016 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2017 £'000
1 (16)	<b>Blue Prism<sup>1</sup></b> One of the pioneers of the rapidly growing market for robotic process automation software.	4.4	£900m	1,487	–	(818)	4,397	5,066
2 (4)	<b>RWS<sup>1</sup></b> The world's leading provider of high-quality translation, intellectual property and language support services. Its customer base encompasses many companies.	4.0	£1,230m	2,422	626	–	1,556	4,604
3 (13)	<b>Keyword Studios<sup>1</sup></b> A leading global player in the provision of services for the video games industry across all major platforms.	3.8	£985m	1,613	–	(1,069)	3,850	4,394
4 (1)	<b>4D Pharma<sup>1</sup></b> A pharmaceutical business focusing on live bio therapeutics. The company could create a very exciting pipeline of drugs.	2.6	£240m	6,130	–	–	(3,145)	2,985
5 (3)	<b>HSBC</b> The global bank provides international banking and financial services.	2.6	£147,000m	2,500	–	–	479	2,979
6 (11)	<b>Conviviality Retail<sup>1</sup></b> A leading independent distributor of alcoholic drinks to the pub and restaurant sector and impulse purchase market.	2.3	£745m	1,667	–	(551)	1,598	2,714
7 *	<b>XP Power</b> A leading supplier of AC-DC power supply solutions with particular emphasis on power efficiency and environmental adherence.	2.2	£670m	1,275	–	–	1,345	2,620
8 (6)	<b>Micro Focus</b> A global software company in enterprise infrastructure with its roots in the extraction of value from mature technologies. The recent purchase of HP Software has transformed the business.	2.2	£11,500m	2,202	–	–	318	2,520
9 (15)	<b>Clinigen<sup>1</sup></b> A global pharmaceutical and services business operating clinical trial services.	2.1	£1,385m	1,554	–	–	918	2,472
10 (2)	<b>Ricardo</b> A global engineering, environmental and strategic consultancy, focused on efficiency and waste elimination and benefiting from ever tighter environmental controls.	2.0	£435m	2,591	–	–	(301)	2,290
11 (20)	<b>Senior</b> A manufacturer of specialist engineering products for the automotive and aerospace sectors. The civil aerospace business is set to return to growth with good margins.	1.9	£1,200m	1,307	–	–	855	2,162

# Strategic Report: Fund Managers' Report (continued)

Rank 2017 (2016)	Company	% of Portfolio	Approximate Market Capitalisation	Valuation 2016 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2017 £'000
12 *	<b>Loopup<sup>1</sup></b> A global software-as-a-service provider for remote meetings, delivering hassle free conference calls for mainstream business users.	1.8	£115m	900	–	–	1,238	2,138
13 (8)	<b>Tracsis<sup>1</sup></b> A developer of technology and services that solve mission critical resource management problems in the transport sector, particularly rail.	1.7	£135m	1,807	308	(75)	(69)	1,971
14 *	<b>Johnson Matthey</b> 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.	1.6	£6,500m	1,194	579	–	87	1,860
15 (19)	<b>Faroe Petroleum<sup>1</sup></b> An oil exploration and production business focussed on the Norwegian and UK sectors of the North Sea with a good track record of discovery and monetisation.	1.5	£370m	1,400	–	–	399	1,799
16 (7)	<b>Rio Tinto</b> A miner of aluminium, coal, copper, gold, iron ore, uranium, zinc and diamonds, operating good quality assets from a relatively low cost base.	1.5	£62,300m	2,130	–	(816)	460	1,774
17 (17)	<b>Royal Dutch Shell 'B' shares</b> Explores, produces and refines oil; it produces fuels, chemicals and lubricants as well as operating filling stations worldwide. It has attacked its cost base and has high class assets.	1.5	£196,200m	1,481	–	–	214	1,695
18 (14)	<b>Vertu Motors<sup>1</sup></b> The UK's 5th largest motor retailer which has grown organically and by acquiring and improving the performance of underachieving businesses.	1.5	£175m	1,605	–	–	85	1,690
19 *	<b>Tarsus</b> An international exhibitions and conferences business.	1.4	£345m	1,163	218	–	301	1,682
20 *	<b>Assura</b> The UK's leading investor in modern health centres helping GP's and the NHS bring healthcare closer to the patient.	1.4	£1,100m	1,274	313	–	74	1,661
				<b>37,702</b>	<b>2,044</b>	<b>(3,329)</b>	<b>14,659</b>	<b>51,076</b>

At 31 October 2017 these investments totalled £51,076,000 or 44.0% of the portfolio.

\* Not in the top 20 largest investments last year

<sup>1</sup> Listed on the Alternative Investment Market ('AIM')



# Strategic Report: Investment Portfolio

at 31 October 2017

Position	Company	Main Activity	Valuation £'000
1	Blue Prism <sup>1</sup>	robotic process automation software	5,066
2	RWS <sup>1</sup>	patent translation services	4,604
3	Keyword Studios <sup>1</sup>	video games support services	4,394
4	4D Pharma <sup>1</sup>	drug development platform	2,985
5	HSBC	banking	2,979
6	Conviviality Retail <sup>1</sup>	food retailers and wholesalers	2,714
7	XP Power	electrical power components	2,620
8	Micro Focus	software application management	2,520
9	Clinigen <sup>1</sup>	speciality pharmaceuticals	2,472
10	Ricardo	automotive technology consultancy	2,290
<b>10 largest</b>			<b>32,644</b>
11	Senior	aerospace and automotive products	2,162
12	Loopup <sup>1</sup>	conference call services	2,138
13	Tracsis <sup>1</sup>	logistics software and services	1,971
14	Johnson Matthey	advanced materials technology	1,860
15	Faroe Petroleum <sup>1</sup>	oil and gas exploration and production	1,799
16	Rio Tinto	general mining	1,774
17	Royal Dutch Shell 'B' shares	integrated oil and gas	1,695
18	Vertu Motors <sup>1</sup>	motor retailer	1,690
19	Tarsus	international exhibitions and conferences	1,682
20	Assura	healthcare property	1,661
<b>20 largest</b>			<b>51,076</b>
21	ITV	television broadcaster and programme producer	1,645
22	SDL	software and translation services	1,524
23	Redde <sup>1</sup>	support services for insurance	1,517
24	Standard Chartered	banking	1,501
25	Cohort <sup>1</sup>	military products and services	1,475
26	Rolls Royce	aero engines and power systems	1,459
27	Burberry	clothing designer and retailer	1,426
28	Tribal <sup>1</sup>	educational sector software and services	1,386
29	BHP Billiton	general mining	1,363
30	Gateley <sup>1</sup>	corporate lawyer	1,360
<b>30 largest</b>			<b>65,732</b>
31	Workspace	London office real estate investment trust	1,327
32	Quantum Pharma <sup>1</sup>	specialist medicines	1,317
33	The Gym Group	affordable gyms	1,310
34	Learning Technologies <sup>1</sup>	e-learning	1,305
35	Ebiquity <sup>1</sup>	media and marketing analytics	1,292
36	Oxford Instruments	scientific instruments	1,241
37	IP Group	research funding	1,232
38	Aveva	software services for engineering designers	1,183
39	Horizon Discovery <sup>1</sup>	drug development and diagnostic services	1,178
40	Eland Oil & Gas <sup>1</sup>	oil and gas explorer and production	1,119
<b>40 largest</b>			<b>78,236</b>
41	Oxford Biodynamics <sup>1</sup>	drug and technology	1,112
42	Flowtech <sup>1</sup>	water services and boosters	1,089
43	Serica Energy <sup>1</sup>	oil and gas exploration	1,070
44	Ubisense <sup>1</sup>	location solutions	1,060
45	NAHL <sup>1</sup>	legal marketing	1,036
46	Safestyle <sup>1</sup>	upvc windows and doors	988
47	Van Elle <sup>1</sup>	construction services	970
48	Alfa Financial Software	asset finance software	945
49	Character <sup>1</sup>	toys and games	927
50	Prudential	insurance	926
<b>50 largest</b>			<b>88,359</b>

# Strategic Report: Investment Portfolio (continued)

at 31 October 2017

Position	Company	Main Activity	Valuation £'000
51	Atlantis <sup>1</sup>	tidal power projects	916
52	GB Group <sup>1</sup>	identity data intelligence	874
53	Countryside Properties	housebuilder	844
54	Joules <sup>1</sup>	clothing and homeware	825
55	Luceco	electrical equipment	824
56	Eurocell	extruded plastic products	823
57	Be Heard <sup>1</sup>	digital marketing	802
58	GKN	engineering	793
59	CML Microsystems	semi conductor manufacturers	792
60	Hollywood Bowl	bowling centres	783
<b>60 largest</b>			<b>96,635</b>
61	Dairy Crest	dairy products	759
62	Xaar	ink jet printing technology	734
63	Alpha Financial <sup>1</sup>	financial consulting	713
64	Sportech	gaming and betting website	709
65	Miton <sup>1</sup>	fund management	700
66	Ted Baker	clothing designer and retailer	684
67	Revolution Bars	premium bars	678
68	Servelec	technology services	662
69	IG Group	investment services	654
70	Alpha FX <sup>1</sup>	FX services	647
<b>70 largest</b>			<b>103,575</b>
71	Eve Sleep <sup>1</sup>	online retailer	637
72	International Consolidated Airlines	airline	636
73	Redcentric <sup>1</sup>	IT managed services	615
74	Springfield Properties <sup>1</sup>	Scottish housebuilder	572
75	Footasylum	specialist retailer	554
76	On the Beach	online travel retailer	541
77	Berkeley Energia	uranium project in Spain	541
78	Vodafone	mobile phone operator	539
79	Medica	outsourced radiology services	532
80	Pearson	educational and media publishing	528
<b>80 largest</b>			<b>109,270</b>
81	Proactis <sup>1</sup>	expense control software	480
82	Velocys <sup>1</sup>	oil equipment and services	456
83	SCS	furniture retailer	456
84	Fidessa	financial software	455
85	Premier Oil	oil and gas exploration and production	451
86	Xafinity	employee benefit consultancy	446
87	Quiz <sup>1</sup>	multi-channel fast fashion	441
88	hVIVO <sup>1</sup>	bio medical services	439
89	Lakehouse	asset support services	422
90	Oxford Sciences Innovation <sup>2</sup>	research funding	400
<b>90 largest</b>			<b>113,716</b>
91	Ilika <sup>1</sup>	advanced materials	375
92	Freeagent <sup>1</sup>	soletrader accounting software	373
93	Plexus <sup>1</sup>	oil and gas equipment rental	373
94	UP Global	value brand wholesaler	336
95	WYG <sup>1</sup>	engineering consultancy	335
96	Oxford Pharmascience <sup>1</sup>	drug development	303
97	Benchmark <sup>1</sup>	animal health	209
98	Thruvision	body scanning technology	192
99	Circle Oil <sup>1</sup>	oil and gas exploration	—
100	Kenmare Resources	heavy minerals mining	—
<b>Total Investments</b>			<b>116,212</b>

<sup>1</sup> Listed on the Alternative Investment Market ('AIM')

<sup>2</sup> Unlisted



# Historical Record

## Historical Record

Year ended 31 October	Total net assets £'000	Net asset value per ordinary share pence	Net revenue return per ordinary share pence	Dividend pence
2007 <sup>1</sup>	62,283	758.8	7.1	6.0
2008 <sup>1</sup>	26,248	319.8	17.7	15.5
2009 <sup>1</sup>	35,889	437.2	11.4	10.5
2010	42,898	532.0	7.4	6.5
2011	40,408	501.0	7.9	7.0
2012	48,490	608.8	10.9	9.0
2013	70,434	884.3	12.5	10.5
2014	72,302	903.7	15.2	12.5
2015	81,007	1,012.5	22.5	18.0
2016	79,782	997.2	20.5	19.0
<b>2017</b>	<b>101,599</b>	<b>1,269.9</b>	<b>21.8</b>	<b>20.0</b>

<sup>1</sup> Distributions in these years included exceptional VAT refunds

## History and Background

The Company was incorporated and was listed in 1985 as Strata Investments plc. In January 1992 the name was changed to Henderson Strata Investments plc and in January 2007 to Henderson Opportunities Trust plc. The Company is now a constituent of the AIC UK All Companies Sector.

The Company's original mandate was to invest in smaller companies across the international markets, and the benchmark was the FTSE SmallCap (excluding investment companies) Index. On 10 February 2005 the investment policy was changed to focus on UK micro cap companies and the benchmark was changed to the FTSE Fledgling (excluding investment companies) Index. On 19 January 2007 the objective was changed to investment in shares on an unconstrained basis across the UK market and the benchmark became the FTSE All-Share Index. At that date the ordinary shareholders received a bonus issue of one subscription share for every five ordinary shares. The Annual General Meeting in 2014 was the final conversion opportunity of the subscription shares. After 29 April 2014 the subscription shares no longer carried any rights. 35,670 subscription shares were converted into ordinary shares following the conclusion of the 2014 Annual General Meeting. A Trustee was appointed over the remaining subscription shares, which were repurchased by the Company for a nominal amount and cancelled.

Shareholders have the opportunity to vote every three years on the continued life of the Company: the next vote is scheduled for the Annual General Meeting to be held in 2020.

# Strategic Report: Corporate Information

## 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  
(Chairman 17 March 2016)

Peter was chief executive of Associated British Ports for six years up to March 2013. He is 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.

### Frances Daley

**Position:** Director

**Date of appointment:** 18 June 2015

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 29 years. She is the chairman of Baring Emerging Europe PLC, an emerging markets investment trust listed on the London Stock Exchange.

Frances will become Audit Committee Chairman following Peter May's retirement from the Board.

### Chris Hills

**Position:** Director

**Date of appointment:** 17 June 2010

Chris is chief investment officer of Investec Wealth and Investment Limited, a position he has held (originally with Carr Sheppards) for 20 years. He was formerly a director of Baring Fund Management. He was appointed to the board of the Association of Investment Companies (AIC) in January 2015. He is a member of the investments committee of University College London.

All Directors are non-executive. All are members of the Audit Committee, currently chaired by Peter May, and the Management Engagement Committee and Nominations Committee, both chaired by Peter Jones.

## Management

### Fund Manager

James Henderson became Fund Manager 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 manages the Henderson UK Equity Income & Growth Fund.

### Malcolm King (known as Max)

**Position:** Director

**Date of appointment:** 16 June 2005

Max has over 30 years' experience in fund management including investment in UK smaller companies and is a Chartered Accountant (ACA). He is a director of Ecofin Global Utilities & Infrastructure Trust. He retired from Investec Asset Management in 2016.

### Peter May

**Position:** Audit Committee Chairman

**Date of appointment:** 10 June 2004

Peter is a Chartered Accountant (ACA). His background is in corporate finance, including 17 years spent at Charterhouse and 9 years at MacArthur. He became Audit Committee Chairman in 2006.

Peter will be retiring at the conclusion of the Annual General Meeting in March 2018.

### Fund Manager

Colin Hughes has been involved in the management of the Company's portfolio since 2002. Since January 2007 he has assisted James Henderson with the management of the small company investments. He joined Janus Henderson in 1998 to manage UK smaller companies portfolios, prior to which he was with London Life and AMP Asset Management.

### Investment Analyst

Laura Foll 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.



# Strategic Report: Corporate Information (continued)

## Registered Office

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

## 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

**Depository 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

## Independent Auditor

**Chartered Accountants and Statutory Auditors**  
PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## Financial Calendar

Annual results	announced January 2018
Ex dividend date	15 February 2018
Dividend record date	16 February 2018
Annual General Meeting <sup>1</sup>	15 March 2018
Final dividend payable on	23 March 2018
Half year results	announced June 2018

## Information Sources

For more information about Henderson Opportunities Trust plc, visit the website at [www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com).

### HGi

HGi is a content platform provided by Janus Henderson that offers online personalisation where you can 'follow' investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Janus Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi.  
<http://HGi.co/rb>



Follow Janus Henderson Investment Trusts 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. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 0345 722 5525, email [customercare.HSDL@halifax.co.uk](mailto:customercare.HSDL@halifax.co.uk) or visit their website [www.halifax.co.uk/sharedealing](http://www.halifax.co.uk/sharedealing).

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.

Investors in Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

<sup>1</sup> Held at the Company's registered office at 2.30pm



# Strategic Report: Corporate Information (continued)

## Status

The Company is registered as a public limited company and is an investment trust as defined under section 833 of the Companies Act 2006 (the 'Act'). It has been approved as an investment company under sections 1158/1159 of the Corporation Tax Act 2010 ('Section 1158'), as amended, and is a member of the Association of Investment Companies ('AIC').

The Directors are of the opinion that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company maintains a primary listing on the London Stock Exchange and is subject to the Listing, Prospectus and Disclosure Guidance and Transparency Rules published by the UK Listing Authority. The Company is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

## 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. Ongoing charges are 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 2017 the ongoing charge was 0.89% excluding the performance fee and 1.91% including the performance fee (2016: 0.94% both including and excluding performance fee as no fee was payable).

## Borrowings

The Company has an unsecured loan facility in place which allows it to borrow as and when appropriate. £20 million (2016: £20 million) 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 £19.6 million (2016: £16.34 million), with borrowing costs for the year totalling £200,000 (2016: £213,000). £14.6 million (2016: £11.8 million) of the facility was in use at the year end. Net gearing at 31 October 2017 was 13.3% (2016: 14.0%) of net asset value.

## 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 6. The Chairman's Statement and Fund Managers' Report provide commentary on the outlook for the Company.

## Responsible Investment, Voting and the UK Stewardship Code

The Board delegates the Company's investment management activities, including corporate governance and corporate responsibility in respect of investee companies, to Janus Henderson. The Board retains oversight as to how duties in this area are discharged by reviewing Janus Henderson's Responsible Investment Policy and receiving regular reporting on how the policy has been applied in respect of the shares in its portfolio. The Manager's policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients. This includes environmental, social and ethical issues, its approach to proxy voting and the application of the UK 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. Voting recommendations are guided by the best interests of the investee companies' shareholders and, depending on the nature of the resolution, the Fund Managers may give specific instructions on voting non-routine and unusual or controversial resolutions. The policy can be found on the Manager's website at [www.janushenderson.com](http://www.janushenderson.com).

## Employees, Social, Community, Human Rights and Environmental Matters

As an investment trust, 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.

The Company's core activities are undertaken by Janus Henderson, which has implemented environmental management practices. Janus Henderson's corporate responsibility statement is included on its website. In 2012 it was granted CarbonNeutral® company status which it has committed to maintain at least until the end of 2018.

The Company's Annual Report is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as CarbonNeutral®.

## Bribery Act

The Company has no employees. The Board has reviewed the implications of the Bribery Act 2010 and confirmed its zero tolerance to bribery and corruption in its business activities. It has received assurances from the Company's main contractors and suppliers, listed on page 17, that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.



# Strategic Report: Corporate Information (continued)

## Modern Slavery

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

## Criminal Finances Act 2017

The Board has considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

## Board Diversity and Experience

The Company's affairs are overseen by a Board comprising of five non-executive Directors – one female and four males. The Directors are diverse in their experience bringing knowledge of investment markets, business, banking and accounting and auditing expertise to discussions regarding the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective, and are cognisant of diversity when making appointments to the Board. Further detail is provided on page 32 in the Nominations Committee section. The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

## Performance Measurement and Key Performance Indicators

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, 2 and 3 show how the Company has performed against those KPIs:

KPI	Action
<b>Absolute performance</b>	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.
<b>Performance measured against the benchmark</b>	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 ('benchmark').
<b>Discount/premium to the net asset value per share ('NAV')</b>	<p>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.</p> <p>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.</p>
<b>Performance against the Company's peer group</b>	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.

For and on behalf of the Board

Peter Jones  
Chairman  
26 January 2018



# Strategic Report: Corporate Information (continued)

## Principal Risks and Uncertainties

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. 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 has drawn up a risk map which identifies the substantial risks to which the Company is exposed. These principal risks fall broadly under the following categories:

Risk	Controls and Mitigation
<b>Investment activity and strategy</b>	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. 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 index and the Company's peer group; it may also result in the Company's shares trading on a wider discount to NAV. 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.
<b>Financial instruments and the management of risk</b>	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 52 to 56.
<b>Operational</b>	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 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.  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 Corporate Governance Statement on page 30.
<b>Accounting, legal and regulatory</b>	In order to qualify as an investment trust the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'), to which reference is made on page 18 under the heading 'Status'. A breach of Section 1158 could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to corporation tax. The Section 1158 criteria are monitored by the Manager and the results are reported to the Directors at each Board meeting. The Company must comply with the provisions of the Companies Act 2006 ('the Act') and, as the Company's shares are listed for trading on the London Stock Exchange, the Company must comply with the UK Listing Authority's Listing Rules ('UKLA Rules'). A breach of the Act could result in the Company and/or the Directors being fined or becoming the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of Section 1158. The Board relies on Henderson Secretarial Services Limited, its Corporate Secretary and its professional advisers to ensure compliance with the Act and the UKLA Rules.



## Strategic Report: Corporate Information (continued)

Risk	Controls and Mitigation
<b>Liquidity</b>	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.
<b>Net gearing</b>	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 light of the liquidity of the portfolio and ensures that it is well within the covenants so that this risk is very unlikely to arise.
<b>Failure of Janus Henderson</b>	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 and Assurance, 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.

### 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 our 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, 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. Only a substantial financial crisis affecting the global economy could have an impact on this assessment. Whilst there is currently uncertainty in the markets due to the UK's negotiations to leave the European Union following the June 2016 referendum result, the Board does not believe that this will have a long term impact on the viability of the Company and its ability to continue in operation.

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.

For and on behalf of the Board

Peter Jones  
Chairman  
26 January 2018



# Strategic Report: Glossary and Alternative Performance Measures

## 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.

## 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.

## Benchmark

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

## Capital Return per share

The capital return per share is the capital profit for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year.

## 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

From 22 July 2014 all AIFs were required to appoint a Depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and 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.

## 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 registrars 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.

## Dividend Yield

The annual dividend expressed as a percentage of the share price.

## Gearing

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

## 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.



# Strategic Report: Glossary and Alternative Performance Measures (continued)

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## Net Asset Value ('NAV') per ordinary share

The value of the Company's assets (i.e. investments, cash held and debtors) less any liabilities (i.e. bank borrowings, debt securities and creditors) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Statement of Financial Position. The NAV is published daily.

## Ongoing Charge

The ongoing charge reflects 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 Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs, excluding any performance fees, in accordance with the AIC methodology and is the annualised ongoing charge divided by the average net asset value in the period.

## Premium/Discount

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 share.

## Revenue Return per ordinary share

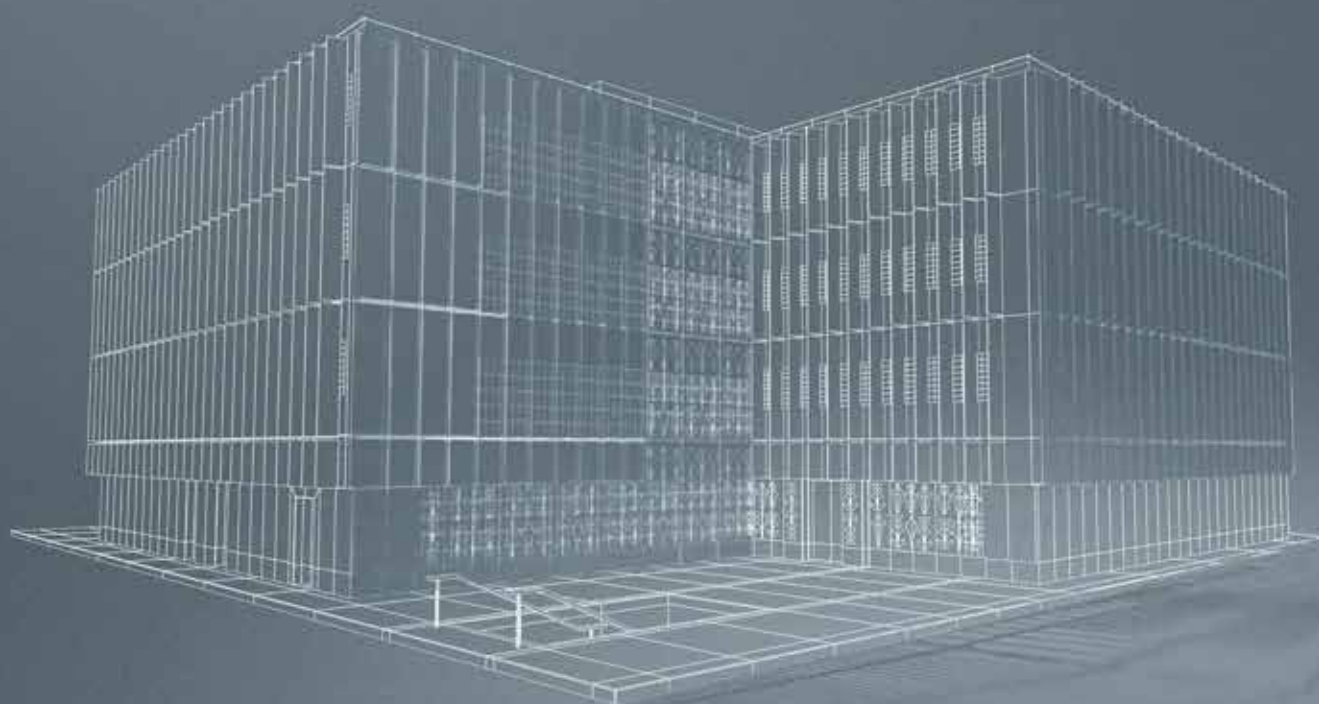
The revenue return per ordinary share is the revenue return profit for the year divided by the weighted average number of ordinary shares in issue during the year.

## Total Return Performance

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest 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).

# Corporate Report

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# Report of the Directors

The Directors present the audited Financial Statements of the Company and their report for the year from 1 November 2016 to 31 October 2017. Henderson Opportunities Trust plc ('the Company') (registered and domiciled in England & Wales with company registration number 01940906) was active throughout the year under review and was not dormant.

The Corporate Governance Statement, Audit Committee Report and the Investment Portfolio on pages 30 to 35 and pages 13 and 14 form part of the Report of the Directors.

## Investment Objective and Policy

During the year the Board considered the wording of the Company's investment objective and investment policy and made some amendments to make the language clearer for shareholders. The Company has been advised that as these changes are not material, FCA and shareholder approval is not required.

## Related Party Transactions

The Company's transactions with related parties in the year were with the 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 28.

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 provision of sales and marketing services 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 20 on page 57.

## 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 2016 and 31 October 2017 there were 8,000,858 ordinary shares in issue. No shares were issued during the year. As at 25 January 2018 being the last practicable date prior to publication of this Annual Report the total voting rights were 8,000,858.

The Directors seek annual authority from the shareholders to allot new ordinary shares, to disapply pre-emption rights of existing shareholders and to buyback shares for cancellation or to be held in treasury. At the AGM held in March 2017 the Directors were granted authority to buyback 1,199,328 shares (being 14.99% of the issued ordinary share capital as at 16 March 2017). In the period from 1 November 2017 to 25 January 2018 being the last practicable date prior to publication of this Annual Report the Company did not buyback any ordinary shares. There remained 1,199,328 ordinary shares available within the buyback authority granted in 2017. This authority will expire at the conclusion of the 2018 AGM. The Directors intend to renew this authority subject to shareholder approval.

## Fund Manager's Interests

James Henderson, the Fund Manager, has a beneficial interest in 80,950 (2016: 80,950) ordinary shares and a non beneficial interest in 280,229 (2016: 280,229) ordinary shares.

## Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 31 October 2017 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

Shareholder	% of voting rights
Investec Wealth & Investment Limited	4.00%
Janus Henderson Investors	9.99%
Prudential plc Group of Companies	3.96%

No changes have been notified in the period 1 November 2017 to 25 January 2018 being the last practicable date prior to publication of this Annual Report.

## Annual General Meeting

The AGM will be held on Thursday 15 March 2018 at 2.30 pm at the Company's registered office. The Notice and details of the resolutions to be put to the AGM are contained in the circular being sent to shareholders with this report.

## Other Information

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

## Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors who were members 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 Auditors are 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 Auditors are aware of that information.

## Report of the Directors (continued)

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### 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.

By order of the Board

Henderson Secretarial Services Limited  
Corporate Secretary  
26 January 2018



# 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 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; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 DTR 4.1.12

Each of the Directors, who are listed on page 16, 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.

In the case of each Director in office at the date of the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- they have taken all of the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

For and on behalf of the Board

Peter Jones  
Chairman  
26 January 2018

The Annual Report is published on a website maintained by Janus Henderson [www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com).

The maintenance and integrity of the website is the responsibility of Janus Henderson; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Directors' Remuneration Report

## 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 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 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.

This remuneration policy was approved by shareholders at the Annual General Meeting ('AGM') on 16 March 2017 and will remain in place until the AGM in 2020 unless it is amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

## Report of 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 in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies Act 2006 ('the Act') and the Listing Rules of the Financial Conduct Authority 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 AGM on 15 March 2018. The Company's remuneration policy has been in place since 1 November 2012 and was approved by shareholders at the AGM in 2017 in accordance with section 439A of the Act. There have been no changes to the policy. No changes to the policy are currently proposed. The policy will remain in place until 2020, unless amended by way of an ordinary resolution put to shareholders at a general meeting.

The Company's Auditors are required to report on certain information contained within this report; where information set out below 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).

## Statement from the Chairman

As Chairman, Peter Jones reports that Directors' fees were increased with effect from 1 April 2017, as detailed on page 29. The increases were made after consideration of the fees paid to directors of investment trusts in the peer group and the Janus Henderson managed investment trusts. The Board continues to believe that fees paid to Directors should be commensurate with the need to attract and retain candidates of a suitable calibre to govern the Company effectively.

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

## 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 2017	1 November 2016
Peter Jones	12,000	7,500
Frances Daley	2,000	2,000
Chris Hills	2,000	2,000
Malcolm King	3,200	3,200
Peter May	10,540	10,540

Since the year end, Peter Jones has purchased a further 1,250 shares. There have been no other changes to the Directors' holdings in the period 1 November 2017 to the date of this Annual Report.

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

## Relative Importance of Spend 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 share buy-backs or 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.

	2017 £	2016 £	Change £
Total remuneration paid to Directors	107,550	112,135	(4,585)
Ordinary dividend paid during the year	1,560,167	1,480,159	80,008



# Directors' Remuneration Report (continued)

## Directors' Remuneration (audited)

The remuneration paid to the Directors who served during the years ended 31 October 2017 and 31 October 2016 was as follows:

	Year ended 31 October 2017 Total salary and fees £	Year ended 31 October 2016 Total salary and fees £	Year ended 31 October 2017 Expenses and taxable benefits £	Year ended 31 October 2016 Expenses and taxable benefits £	Year ended 31 October 2017 Total £	Year ended 31 October 2016 Total £
Peter Jones <sup>1</sup>	27,950	23,946	–	–	27,950	23,946
George Burnett <sup>2</sup>	n/a	10,212	n/a	–	n/a	10,212
Frances Daley	18,750	18,233	–	–	18,750	18,233
Chris Hills	18,750	18,233	–	–	18,750	18,233
Malcolm King	18,750	18,233	–	–	18,750	18,233
Peter May <sup>3</sup>	23,350	22,792	–	486	23,350	23,278
<b>Total</b>	<b>107,550</b>	<b>111,649</b>	<b>–</b>	<b>486</b>	<b>107,550</b>	<b>112,135</b>

### Notes:

The table above omits other columns set out in the Regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made.

1 Chairman and highest paid Director from 17 March 2016

2 Chairman and highest paid Director until 17 March 2016

3 Chairman of the Audit Committee

From 1 April 2017 fees were increased as follows (previous rates are shown in brackets): Chairman £28,200 (£27,600) per annum, Audit Committee Chairman £23,600 (£23,000) per annum and other Directors £19,000 (£18,400) per annum.

## Performance

The graph below compares the mid-market price of the Company's ordinary shares over the nine year period ended 31 October 2017 with the return from the FTSE All-Share Index over the same period.



## Statement of Voting at Annual General Meeting ('AGM')

At the 2017 AGM 2,143,932 votes (99.2%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 15,177 (0.7%) were against, 2,206 (0.1%) were discretionary and 4,578 were withheld; the percentage of votes excludes votes withheld. The Remuneration Policy was last voted at the 2017 AGM. 2,147,022 votes (99.4%) were received voting for the resolution seeking approval of the Remuneration Policy, 11,535 (0.5%) were against, 2,206 (0.1%) were discretionary and 5,130 were withheld; the percentage of votes excludes votes withheld.

For and on behalf of the Board

Peter Jones  
Chairman  
26 January 2018



# Corporate Governance Statement

## Applicable Corporate Governance Codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') in April 2016 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in July 2016 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: [www.theaic.co.uk](http://www.theaic.co.uk) and [www.frc.org.uk](http://www.frc.org.uk).

## Statement of Compliance

The Board has considered the principles and recommendations of the Governance Codes and believe the Company has complied with the applicable provisions throughout the period under review.

The UK Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the AIC Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment trust company. The Company has no executive directors, employees or internal operations and has therefore not reported further in these respects.

All the Directors are non-executive, and as there is a Chairman and a Chairman of the Audit Committee amongst them, the appointment of a Senior Independent Director is considered to be superfluous.

## The Board

### Board composition

The Board currently consists of five non-executive Directors and the biographies of those holding office at the date of this report are included on page 16. 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.

## Internal controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Board has established an ongoing process for identifying, evaluating and managing the principal 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 year 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, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting.
- Regular financial 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.
- Contractual agreements with the Manager and all other third party service providers. The Board reviews performance levels and adherence to relevant provisions in 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.
- Review of additional reporting provided by:
  - The Manager's Operational 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.
  - The Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board noted the service auditors' qualification in respect of the assurance reports of Janus Henderson and HSBC Securities Services, two of the Company's third party service providers which covered controls during the reporting period. The Board is aware that the Audit Committee has sought additional clarification in respect of the exceptions which resulted in the qualifications and is satisfied that the matter has been considered in sufficient detail. In particular remedial action has been undertaken by both service providers to address the exceptions identified within the assurance reports.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 October 2017. During the course of its review the Board has not identified or been advised of any other failings or weaknesses that have been determined as significant.

In addition the Audit Committee has considered the cyber-attack safeguards its third party service provider have in place at the meeting held in December 2017.

## 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's management functions are delegated to third parties and the Board monitors the controls in place with support from the Manager's internal audit department. As such the Board has determined that there is currently no need for the Company to have its own internal audit function.



# Corporate Governance Statement (continued)

## Directors

### Terms of appointment

The Board has set, and each Director has agreed to adopt, generic terms and conditions of appointment of non-executive Directors of the Company, a copy of which is available for inspection at the Company's registered office during normal business hours and at the Company's AGM.

### Directors' 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.

Peter May will not stand for re-election at the AGM and will therefore cease to be a Director with effect from the conclusion of the AGM.

The AIC Code states that any Director who has served for more than nine years is subject to annual re-appointment. The Director who has served more than nine years and offers himself for re-appointment at this year's AGM is Max King.

The Company's Articles of Association and also the AIC Code require all Directors to retire at intervals of not more than three years. The Director offering himself for reappointment at this year's AGM is Peter Jones.

The contribution and performance of each of the Directors seeking re-appointment was reviewed by the Nominations Committee at its meeting in December 2017, which recommended to the Board the continuing appointment of each of those Directors.

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.

### Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in December 2017, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Manager. The Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company are positive factors and should not impact a Director's independence. It believes that longer serving Directors are less likely to take a short-term view, which is supported by the AIC Code. 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 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' 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. 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 judgment is given in their favour by the Court.

### 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 to be considered for authorisation by those Directors who have no interest in the matter being considered. 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.

### Responsibilities of the Board and its Committees

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 enable 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 formal meetings.

The Chairman, Peter Jones who is an independent non-executive Director, is responsible for leading the Board and for ensuring that it continues to deal effectively with all aspects of its role.

The Board has a formal schedule of matters specifically reserved for its decision, which include strategy, management and structure, financial reporting and other communications, Board membership and other appointments, internal control and corporate governance.

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. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 October 2017, 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.



# Corporate Governance Statement (continued)

At each meeting the Directors follow a formal agenda, which includes a review of the Company's net asset value ('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 control is maintained over the affairs of the Company. 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. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

## Committees of the Board

The Board has three principal Committees: the Audit Committee, the Management Engagement Committee and the Nominations Committee. The terms of reference for these Committees are available on the website [www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com) or via the Corporate Secretary. The Company also has an Insider Committee to deal with the obligations of the Market Abuse Regulation.

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the Remuneration Policy set out on page 28, which is subject to periodic shareholder approval.

### Audit Committee

The Audit Committee comprises all of the Directors and is chaired by Peter May, who is a Chartered Accountant. The other Audit 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 Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. All members of the Audit Committee are independent. The Report of the Audit Committee can be found on pages 34 and 35.

### Management Engagement Committee

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

The Management Engagement Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders and also for reviewing the performance and cost effectiveness of the Company's other service providers.

The Management Engagement Committee met in September 2017 to carry out its annual review of the Manager, the results of which are detailed on page 33.

### Nominations Committee

All Directors are members of the Nominations Committee, which is chaired by the Chairman of the Board (except when the Chairman's successor is being considered). 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 the recommendation to the Board on the appointment of new Directors through an established formal procedure.

When considering succession planning and tenure policy, the

knowledge, experience, gender and diversity existing on the Board, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. 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 it is considered that there is a range of backgrounds, and each Director brings different qualities to the Board and its discussions.

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to gender diversity; candidates will be 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 the requirement to recruit an additional Board member becomes necessary.

The Nominations Committee also reviews and recommends to the Board the Directors seeking re-appointment. 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. In accordance with the UK Code any Director serving for longer than six years is subject to particularly rigorous assessment of his or her contribution.

The Nominations Committee met in December 2017 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed overleaf.

### Insider Committee

All the Directors are members of the Insider Committee, which is chaired by the Chairman of the Board and meetings are held as and when necessary. The Committee is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules. No meetings were held during the year.

### 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. All Directors attended the AGM in March 2017.

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 and for investment updates. There was also a separate audit tender meeting that was attended by Peter May, Frances Daley and Max King.

	Board	AC	MEC	NC
<b>Number of meetings</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>1</b>
Peter Jones	5	3	1	1
Frances Daley	5	3	1	1
Chris Hills	5	3	1	1
Malcolm King	5	3	1	1
Peter May	5	3	1	1

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee



# Corporate Governance Statement (continued)

## Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. 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 by way of an evaluation questionnaire. The results of the questionnaire were collated and discussed by the Board.

As part of its evaluation, the Committee considered the outcomes of the Client Satisfaction Survey which had been commissioned by the Manager across all of its onshore, managed investment trust companies. The survey provided a useful benchmark for measuring the quality of services delivered by the Manager.

It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and the Chairman continues to display effective leadership and that Directors seeking re-election at the Company's AGM merit re-election by shareholders.

## Accountability and relationship with the Manager

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 27, the Independent Auditors' Report on pages 36 to 40 and the Viability Statement on page 21.

The Board has delegated contractually to external third parties, including the Manager, 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 22), 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 fully recorded through a process that allows any Director's concerns to be recorded in the minutes. 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 the two entities, 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.

Any correspondence is submitted to the next Board meeting.

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 page 6.

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

Following an annual review, it is the Directors' opinion that the continuing appointment of the Manager on the terms set out on page 6 is in the interests of the Company and its shareholders as a whole.

## Share Capital

Please see the Report of the Directors on page 25.

## Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website. Janus Henderson also provides information on the Company and Fund Manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 17.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Managers will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Chairman at the registered office address given on page 17 of this report.

General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

By order of the Board

Henderson Secretarial Services Limited  
Corporate Secretary  
26 January 2018



# Report of the Audit Committee

## Composition

The Audit Committee comprises all of the Directors and is chaired by Peter May, who is a Chartered Accountant. The other Audit 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 Committee's members has recent and relevant financial experience. The biographies of the Audit Committee members are shown on page 16. All members of the Audit Committee are independent.

## Meetings

The Audit Committee met three times during the year under review; in advance of the publication of both the annual and the half year results and one other occasion with an agenda that was focused on its broader responsibilities. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Manager and BNP Paribas Securities Services may also be invited.

## Role and Responsibilities

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

The Audit Committee formally reports to the Board, the responsibilities are set out in formal terms of reference which are regularly reviewed. In the year under review the main duties undertaken were:

- consideration of the valuation of the Company's unquoted 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, BNP Paribas Securities Services as administrator and HSBC Bank plc as Custodian and Depositary;
- consideration of Janus Henderson's policies in relation to cyber risk, meeting with representatives of Janus Henderson's Internal Audit 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;
- 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 Auditors and their performance and remuneration;
- consideration of the Auditors' independence, objectivity and effectiveness and the provision of any non-audit services (as explained further on page 35) and the reporting of the external auditor;
- consideration of the whistleblowing policy that Janus Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action.
- consideration of the management fee and performance fee calculations; and
- consideration of the annual confirmation from the Company's Depositary.
- consideration of the appropriateness of the Company's accounting policies;
- 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 and strategy 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 Auditors, the Manager and the Corporate Secretary;
- consideration of 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;



# Report of the Audit Committee (continued)

## Annual Report for the Year Ended 31 October 2017

In relation to the Annual Report for the year ended 31 October 2017 the following significant issues were considered by the Audit Committee:

Significant issue	How the issue was addressed
<b>Valuation and ownership of the Company's investments</b>	The Directors have appointed Janus Henderson, who outsource some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments are 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.
<b>Recognition of income</b>	Income received is accounted for in line with the Company's accounting policies, as set out on page 46, and is reviewed by the Committee.
<b>Compliance with Section 1158 of the Corporation Tax Act 2010</b>	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.
<b>Maintaining internal controls</b>	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.
<b>Performance fee</b>	The calculation of the performance fee payable to Janus Henderson is reviewed by the Audit Committee before being approved by the Board.
<b>Resource risk</b>	The Company has no employees and its day-to-day activities are delegated to third parties. The Board monitors the performance of third party suppliers on an ongoing basis.

## Policy on Non-Audit Services

In January 2017 the Audit Committee adopted a new policy on the provision of non-audit services, in accordance with the Financial Reporting Council's ('FRC') Guidance on Audit Committees and the FRC's Revised Ethical Standards 2016. The Audit Committee has determined that the statutory auditors will not be engaged to provide any non-audit services without the approval of the Audit Committee. The statutory auditors are not pre-approved to provide any non-audit services. The Audit 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 auditors than by a third party; and
- at low risk of impairing the independence, objectivity and effectiveness of the audit.

The Audit 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.

There were no non-audit services provided during the year.

## Auditors' Appointment

PricewaterhouseCoopers LLP ('PwC') (or their predecessor) have been the Company's auditors since inception. In light of the tenure of the current auditors and the new regulations on audit firm rotation, the Company put the audit out to tender during the course of the year. PwC, as the current incumbent, were not invited to participate in the process.

Three of the six firms invited to participate in the audit tender were requested to present their approach to conducting audits, the experience of the audit team, key tools and processes used in carrying out audits, proposed approach to audits including their plans for transitioning from the current auditors and level of fees.

In addition to the content of the presentations, the Audit Committee considered their approach to supporting a Board comprised solely of non-executive Directors, the process for verifying the valuation of unquoted investments, the approach to assessing the control environment, the stability of the proposed audit team and any existing relationships with the Company's third party service providers.

Following conclusion of the audit tender process, the Audit Committee recommended to the Board the appointment of BDO LLP as the auditors. The Board has agreed to the recommendation and will put the appointment of BDO LLP to the shareholders at the 2018 AGM. The new auditors will be in place to carry out the statutory audit for the financial year ending 31 October 2018.

The Company would like to extend their thanks to PwC for the many years of good service received from them.

Fees paid or payable to the Auditors are detailed in note 6 on page 48.

Peter May  
Audit Committee Chairman  
26 January 2018



# Independent auditors' report to the members of Henderson Opportunities Trust plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Henderson Opportunities Trust plc's financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 October 2017 and of its net return and cash flows for the year then ended;
- Have been properly prepared 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 Republic of Ireland", and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 October 2017; the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and that we have provided no non-audit services to the Company in the period from 1 November 2016 to 31 October 2017.

### Our audit approach

#### Overview



- Overall materiality: £1,015,000 (2016: £797,000), based on 1% of Net Assets.
- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the 'Administrator') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the internal controls in place at both the Manager and the Administrator, identified and tested those controls on which we wished to place reliance and then performed substantive testing using reports obtained from the Administrator.
- Valuation and existence of investments.
- Dividend Income.
- Performance fee.



# Independent auditors' report to the members of Henderson Opportunities Trust plc (continued)

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We gained an understanding of the legal and regulatory framework applicable to the Company 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. We designed audit procedures to respond to the risk, 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 or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to section 1158 of the Corporation Tax Act 2010. Our tests included inspecting correspondence from HM Revenue & Customs approving the Company's status as an investment trust and testing the Company's compliance with section 1158 in the current year. We also tested the tax disclosures in Note 8. We did not identify any key audit matters relating to irregularities, including fraud. 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.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were 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 these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of investments</b> Refer to page 35 (Report of the Audit Committee), page 45 (Accounting Policies) and page 51 (Notes).</p> <p>The investment portfolio at the year-end principally comprised listed equity investments valued at £115.8 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence by agreeing the listed equity investments to an independent custodian confirmation from HSBC Bank plc.</p> <p>No material differences were identified which required reporting to those charged with governance.</p>
<p><b>Dividend income</b> Refer to page 35 (Report of the Audit Committee), page 46 (Accounting Policies) and page 48 (Notes).</p> <p>We focused on the accuracy, completeness, and occurrence of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the Company's net asset value.</p>	<p>We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that dividend income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>We tested dividend receipts by agreeing the dividend rates from listed equity investments to independent third party sources.</p> <p>We also tested that, for listed equity investments, all dividends recorded had been declared in the market, and that all dividends declared in the market had been recorded.</p> <p>We tested occurrence by tracing a sample of dividends received to bank statements.</p> <p>We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP.</p> <p>We then tested the validity of special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.</p> <p>No material misstatements were identified by our testing which required reporting to those charged with governance.</p>



# Independent auditors' report to the members of Henderson Opportunities Trust plc (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Performance fee</b> Refer to page 35 (Report of the Audit Committee), page 46 (Accounting Policies) and page 48 (Notes to the financial statements).</p> <p>We focused on this area because the performance fee is calculated using a complex methodology as set out in the Management Agreement between the Company and the Manager. Based on the calculation performed by the Manager, a performance fee of £913,000 is payable for the year.</p>	<p>We tested the calculation of the performance fee to check that it complied with the methodology as set out in the Management Agreement, and agreed the inputs to the calculation, including the net asset value and benchmark data, to independent third party sources, where applicable.</p> <p>No material misstatements were identified by our testing which required reporting to those charged with governance.</p>

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as a 'Key audit matter' in the table above. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£1,015,000 (2016: £797,000).
<b>How we determined it</b>	1% of Net Assets.
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 (2016: £39,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of 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 as a going concern over a period of at least twelve months from the date of approval of the financial statements	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.



# Independent auditors' report to the members of Henderson Opportunities Trust plc (continued)

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## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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## Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 October 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

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## The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

As a result of the Directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The Directors' confirmation on pages 20 and 21 of the Annual Report states that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 21 of 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.

We have nothing to report in respect of this responsibility.

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## Other Code Provisions

As a result of the Directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the Directors, on page 27, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 34 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

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## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

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# Independent auditors' report to the members of Henderson Opportunities Trust plc (continued)

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## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 27, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

### Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

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## Appointment

Following the recommendation of the Audit Committee we were appointed in 1985 to audit the financial statements for the period ended 31 October 1986 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ended 31 October 1986 to 31 October 2017.

Jeremy Jensen (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 January 2018



# Income Statement

Notes		Year ended 31 October 2017			Year ended 31 October 2016		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	Gains/(losses) on investments held at fair value through profit or loss	–	23,029	23,029	–	(941)	(941)
3	Income from investments held at fair value through profit or loss	2,246	–	2,246	2,099	–	2,099
4	Other interest receivable and other income	14	–	14	25	–	25
	<b>Gross revenue and capital gains/(losses)</b>	<b>2,260</b>	<b>23,029</b>	<b>25,289</b>	<b>2,124</b>	<b>(941)</b>	<b>1,183</b>
5	Management and performance fee	(148)	(1,257)	(1,405)	(124)	(291)	(415)
6	Other administrative expenses	(302)	–	(302)	(300)	–	(300)
	<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>1,810</b>	<b>21,772</b>	<b>23,582</b>	<b>1,700</b>	<b>(1,232)</b>	<b>468</b>
7	Finance costs	(60)	(140)	(200)	(64)	(149)	(213)
	<b>Net return/(loss) on ordinary activities before taxation</b>	<b>1,750</b>	<b>21,632</b>	<b>23,382</b>	<b>1,636</b>	<b>(1,381)</b>	<b>255</b>
8	Taxation	(5)	–	(5)	–	–	–
	<b>Net return/(loss) on ordinary activities after taxation</b>	<b>1,745</b>	<b>21,632</b>	<b>23,377</b>	<b>1,636</b>	<b>(1,381)</b>	<b>255</b>
9	Net return/(loss) per ordinary share – basic and diluted	21.81p	270.37p	292.18p	20.45p	(17.26p)	3.19p

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.

# Statement of Changes in Equity

Notes	Year ended 31 October 2017	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
10	At 1 November 2016	2,000	14,838	2,431	57,917	2,596	79,782
	Ordinary dividends paid	–	–	–	–	(1,560)	(1,560)
	Net return on ordinary activities after taxation	–	–	–	21,632	1,745	23,377
	<b>At 31 October 2017</b>	<b>2,000</b>	<b>14,838</b>	<b>2,431</b>	<b>79,549</b>	<b>2,781</b>	<b>101,599</b>

Notes	Year ended 31 October 2016	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
10	At 1 November 2015	2,000	14,838	2,431	59,298	2,440	81,007
	Ordinary dividends paid	–	–	–	–	(1,480)	(1,480)
	Net (loss)/return on ordinary activities after taxation	–	–	–	(1,381)	1,636	255
	<b>At 31 October 2016</b>	<b>2,000</b>	<b>14,838</b>	<b>2,431</b>	<b>57,917</b>	<b>2,596</b>	<b>79,782</b>



# Statement of Financial Position

Notes		31 October 2017 £'000	31 October 2016 £'000
11	<b>Investments held at fair value through profit or loss</b>		
	Listed at market value	54,693	45,570
	Listed on AIM at market value	61,119	45,174
	Unlisted at market value	400	333
		<b>116,212</b>	<b>91,077</b>
	<b>Current assets</b>		
12	Investment held at fair value through profit or loss	2	2
13	Debtors	1,089	201
	Cash at bank and in hand	1,123	605
		<b>2,214</b>	<b>808</b>
14	<b>Creditors: amounts falling due within one year</b>	(16,827)	(12,103)
	<b>Net current liabilities</b>	<b>(14,613)</b>	<b>(11,295)</b>
	<b>Total assets less current liabilities</b>	<b>101,599</b>	<b>79,782</b>
	<b>Net assets</b>	<b>101,599</b>	<b>79,782</b>
	<b>Capital and reserves</b>		
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	79,549	57,917
	Revenue reserve	2,781	2,596
	<b>Total shareholders' funds</b>	<b>101,599</b>	<b>79,782</b>
18	<b>Net asset value per ordinary share (basic and diluted)</b>	<b>1,269.9p</b>	<b>997.2p</b>

These financial statements on pages 41 to 57 were approved and authorised for issue by the Board of Directors on 26 January 2018 and were signed on their behalf by:

Peter Jones  
Chairman

# Statement of Cash Flows

	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	23,382	255
Add back: finance costs	200	213
(Less)/add: (gains)/losses on investments held at fair value through profit or loss	(23,029)	941
Withholding tax on dividends deducted at source	(11)	–
(Increase)/decrease in other debtors	(14)	76
Increase/(decrease) in creditors	885	(748)
<b>Net cash inflow from operating activities</b>	<b>1,413</b>	<b>737</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(15,650)	(18,772)
Sale of investments	13,702	23,386
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(1,948)</b>	<b>4,614</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(1,560)	(1,480)
Net loans drawn down/(repaid)	2,814	(3,551)
Interest paid	(201)	(223)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>1,053</b>	<b>(5,254)</b>
<b>Net increase in cash and cash equivalents</b>	<b>518</b>	<b>97</b>
Cash and cash equivalents at start of year	605	508
<b>Cash and cash equivalents at end of year</b>	<b>1,123</b>	<b>605</b>
Comprising:		
Cash at bank	1,123	605
	<b>1,123</b>	<b>605</b>



# Notes to the Financial Statements

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## 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 17.

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 (which is effective for periods commencing on or after 1 January 2015) and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in January 2017 with consequential amendments.

The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

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. Following the application of the revised reporting standards there have been no significant changes to the accounting policies compared to those set out in the Company's Annual Report for the year ended 31 October 2016.

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, and in 2017 were duly passed. The next triennial continuation resolution will be put to the Annual General Meeting in 2020. The assets of the Company consist almost entirely of securities that are listed (or listed 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 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

There have been no significant judgements or estimations applied to the Financial Statements.

### d) Investments held at fair value through profit or loss

Listed investments, including 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 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 incurred on the purchase and disposal of investments are included within the cost or deducted from the proceeds of investments. 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.



# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### e) Foreign currency (continued)

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.

### 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. Interest income is accrued on a time apportionment basis, by reference to the principal outstanding at the effective interest rate applicable.

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 £913,000 was accrued in the period (2016: £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 effective 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 substantially enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.



# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### 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.

### 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 of value 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. There were no issues or repurchases in the year.

### 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'.

# Notes to the Financial Statements (continued)

## 2 Gains/(losses) on investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Gains on the sale of investments based on historical cost	5,321	1,202
Revaluation gains recognised in previous years	(1,665)	(1,729)
<b>Gains/(losses) on investments sold in the year based on carrying value at previous Statement of Financial Position date</b>	<b>3,656</b>	<b>(527)</b>
Revaluation gains/(losses) on investments held at 31 October	19,373	(414)
	<b>23,029</b>	<b>(941)</b>

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

	2017 £'000	2016 £'000
UK:		
Dividends from listed investments	1,284	1,394
Dividends from AIM investments	713	523
	<b>1,997</b>	<b>1,917</b>
Non-UK:		
Dividends from listed investments	249	182
	<b>2,246</b>	<b>2,099</b>

## 4 Other interest receivable and other income

	2017 £'000	2016 £'000
Underwriting commission (allocated to revenue)	14	25

During the year the Company was not required to take up shares; no commission was taken to capital (2016: same).

## 5 Management and performance fee

	2017			2016		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	148	344	492	124	291	415
Performance fee	–	913	913	–	–	–
	<b>148</b>	<b>1,257</b>	<b>1,405</b>	<b>124</b>	<b>291</b>	<b>415</b>

The basis on which the management fee is calculated is set out on page 6 in the Strategic Report. The allocation between revenue return and capital return is explained in note 1(g) on page 46.

## 6 Other administrative expenses

	2017 £'000	2016 £'000
Auditors' remuneration for audit services	25	25
Directors' fees (see the Directors' Remuneration Report on pages 28 and 29)	108	112
Directors' and officers' liability insurance	6	6
Listing and regulatory fees	15	13
Custody fees	7	6
Depository fees	9	8
Printing and postage	13	15
Registrar's fees	8	9
Marketing expenses payable to Janus Henderson	52	46
Bank facilities: non-utilisation fees	14	17
Other expenses	22	21
Irrecoverable VAT	23	22
	<b>302</b>	<b>300</b>



# Notes to the Financial Statements (continued)

## 7 Finance costs

	2017			2016		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
On bank loans and overdrafts	60	140	200	64	149	213

The allocation between revenue return and capital return is explained in note 1(g) on page 46.

## 8 Taxation

Approved investment trusts are exempt from tax on realised capital gains.

The tax assessed for the year is lower than (2016: same) the effective rate of corporation tax in the UK for the year ended 31 October 2017 of 19.42% (2016: 20%).

The tax charge for the year ended 31 October 2017 is £5,000 (2016: £nil).

The differences are explained below:

	2017			2016		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
<b>Net profit on ordinary activities before taxation</b>	<b>1,750</b>	<b>21,632</b>	<b>23,382</b>	<b>1,636</b>	<b>(1,381)</b>	<b>255</b>
Corporation tax at 19.42% (2016: 20%) <sup>1</sup>	340	4,201	4,541	327	(276)	51
Non-taxable UK dividends	(387)	–	(387)	(383)	–	(383)
Non-taxable overseas dividends	(40)	–	(40)	(36)	–	(36)
Excess management expenses	87	271	358	180	–	180
Capital expenses available to be utilised	–	–	–	(88)	88	–
Irrecoverable overseas withholding tax	5	–	5	–	–	–
Capital gains not subject to tax	–	(4,472)	(4,472)	–	188	188
<b>Total tax charge</b>	<b>5</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for the accounting period are taxed at a rate of 19.42%

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 £3,337,000 (2016: £3,557,000) based on a prospective corporation tax rate of 17% (2016: 20%).

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.

# Notes to the Financial Statements (continued)

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

The total return per ordinary share is based on the total return attributable to the ordinary shares of £23,377,000 (2016: £255,000) and on 8,000,858 ordinary shares (2016: 8,000,858) being the weighted average number of shares in issue during the year.

The return per ordinary share can be further analysed as follows:

	2017 £'000	2016 £'000
Revenue return	1,745	1,636
Capital return/(loss)	21,632	(1,381)
<b>Total return</b>	<b>23,377</b>	<b>255</b>
<b>Weighted average number of ordinary shares</b>	<b>8,000,858</b>	<b>8,000,858</b>
	2017	2016
Revenue return per ordinary share	21.81p	20.45p
Capital return/(loss) per ordinary share	270.37p	(17.26p)
<b>Total return per ordinary share (basic and diluted)</b>	<b>292.18p</b>	<b>3.19p</b>

## 10 Ordinary dividends paid

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 October 2016 of 13.5p (2015: 13.0p)	1,080	1,040
Interim dividend for the year ended 31 October 2017 of 6.0p (2016: 5.5p)	480	440
	<b>1,560</b>	<b>1,480</b>

The final dividend of 13.5p per ordinary share in respect of the year ended 31 October 2016 was paid on 24 March 2017 to shareholders on the register of members at the close of business on 17 February 2017.

The interim dividend of 6.0p per ordinary share in respect of the year ended 31 October 2017 was paid on 22 September 2017 to shareholders on the register of members at the close of business on 18 August 2017.

Subject to approval at the Annual General Meeting, the proposed final dividend of 14.0p per ordinary share will be paid on 23 March 2018 to shareholders on the register of members at the close of business on 16 February 2018.

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 2017 £'000	Year ended 31 October 2016 £'000
Revenue available for distribution by way of dividends for the year	1,745	1,636
Interim dividend for the year ended 31 October 2017: 6.0p (2016: 5.5p)	(480)	(440)
Proposed final dividend for the year ended 31 October 2017: 14.0p (based on the 8,000,858 ordinary shares in issue at 25 January 2018) (2016: 13.5p on 8,000,858 ordinary shares)	(1,120)	(1,080)
<b>Undistributed revenue for section 1158 purposes<sup>1</sup></b>	<b>145</b>	<b>116</b>

<sup>1</sup> Undistributed revenue comprises 6.5% of income from investments (2016: 5.5%).

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



## Notes to the Financial Statements (continued)

### 11 Investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Valuation at 1 November	91,077	96,644
Investment holding gains at 1 November	(19,231)	(21,374)
<b>Cost at 1 November</b>	<b>71,846</b>	<b>75,270</b>
Purchases at cost	16,681	18,772
Sales at cost	(9,248)	(22,196)
<b>Cost at 31 October</b>	<b>79,279</b>	<b>71,846</b>
Investment holding gains at 31 October	36,933	19,231
<b>Valuation of investments at 31 October</b>	<b>116,212</b>	<b>91,077</b>

All the investments were equity investments, with the exception of Kenmare Resources warrants with a value of £nil (2016: Kenmare Resources warrants £nil).

Total transaction costs amounted to £30,000 (2016: £55,000) of which purchase transaction costs for the year ended 31 October 2017 were £21,000 (2016: £35,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the year ended 31 October 2017 were £9,000 (2016: £20,000). These comprise mainly commissions.

#### Substantial interests in investments

As at 31 October 2017 the Company held an interest in 3% or more of any class of share capital in Be Heard and Ubisense (2016: Be Heard, Electric Word and Ubisense). 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 2017 this holding had a value of £2,000 (2016: £2,000).

### 13 Debtors

	2017 £'000	2016 £'000
Sales for future settlement	879	12
Prepayments and accrued income	203	189
Tax recoverable	7	–
	<b>1,089</b>	<b>201</b>

### 14 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Unsecured sterling loans (see note 15.6)	14,625	11,811
Purchases for future settlement	1,031	–
Taxation	–	5
Loan interest payable	15	16
Other creditors	1,156	271
	<b>16,827</b>	<b>12,103</b>

# Notes to the Financial Statements (continued)

## 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 6. 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 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;
  - OneSumX operational risk database;
  - Riskmetrics, UBS Delta, Style Research, FinAnalytics and Barra Aegis 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.

The Company's exposure to market price risk at 31 October 2017 and at 31 October 2016, is represented by the investments it holds, as shown on the Statement of Financial Position on page 43 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 13 and 14. 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 following table illustrates the sensitivity of the total return after taxation for the year and the net assets to an increase or decrease of 40% in the fair values of the Company's investments. This level of change is considered to be reasonable based on historic market conditions.



# Notes to the Financial Statements (continued)

## 15 Financial risk management policies and procedures (continued)

### 15.1.1 Market price risk (continued)

#### Sensitivity analysis – market prices if prices change 40%

	2017		2016	
	If prices go up £'000	If prices go down £'000	If prices go up £'000	If prices go down £'000
Investments (excluding investments in money market funds)	116,212	116,212	91,077	91,077
Impact on the income statement:				
Revenue return	(77)	77	(60)	60
Capital return	46,306	(46,306)	36,291	(36,291)
<b>Impact on net assets and total return</b>	<b>46,229</b>	<b>(46,229)</b>	<b>36,231</b>	<b>(36,231)</b>

### 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 2017 (2016: £nil) denominated in foreign currency. This is not material to the Company.

#### 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 predominantly 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.

#### 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 2017 and at 31 October 2016 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.

	2017 Within one year £'000	2016 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	1,123	605
Money market funds	2	2
Creditors – within one year:		
Borrowings under loan facility	(14,625)	(11,811)
<b>Total exposure to interest rates</b>	<b>(13,500)</b>	<b>(11,204)</b>

# Notes to the Financial Statements (continued)

## 15 Financial risk management policies and procedures (continued)

### 15.1.3 Interest rate risk (continued)

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 (2016: 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 1.4% as at 31 October 2017 (2016: 1.4%).

#### Interest rate risk sensitivity

The Company is exposed to interest rate risk primarily through its loan facility with National Australia Bank 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 £13,500,000 (2016: £11,204,000) 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 on ordinary activities after taxation and shareholders' funds by £270,000 (2016: £224,000).

### 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 £20,000,000 (2016: £20,000,000) 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.

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

	2017		2016	
	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	7,625	7,015	3,055	8,772
Other creditors	2,187	–	276	–
	<b>9,812</b>	<b>7,015</b>	<b>3,331</b>	<b>8,772</b>

### 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.

In summary, the exposure to credit risk at 31 October 2017 was to cash at bank and money market funds of £1,125,000 (2016: £607,000) and to debtors of £1,089,000 (2016: £201,000) (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).



# Notes to the Financial Statements (continued)

## 15 Financial risk management policies and procedures (continued)

### 15.5 Fair value hierarchy disclosures

The table below 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 under FRS 102:

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.

Fair value hierarchy at 31 October 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	115,812	–	400	116,212
Current asset investments	2	–	–	2
	<b>115,814</b>	<b>–</b>	<b>400</b>	<b>116,214</b>

Fair value hierarchy at 31 October 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	90,744	–	333	91,077
Current asset investments	2	–	–	2
	<b>90,746</b>	<b>–</b>	<b>333</b>	<b>91,079</b>

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:

	2017 £'000	2016 £'000
Opening balance at 1 November 2016	333	333
Revaluation	67	–
<b>Closing balance at 31 October 2017</b>	<b>400</b>	<b>333</b>

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 2017 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 £116,224,000 (2016: £91,593,000).

The Board, with the assistance of Janus Henderson, monitors and reviews the board 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.

## Notes to the Financial Statements (continued)

### 15 Financial risk management policies and procedures (continued)

#### 15.6 Capital management policies and procedures (continued)

The Company is subject to several externally imposed capital requirements:

- borrowings under the loan facility must not exceed 35% of the adjusted net asset value (as defined by the bank providing the loan facility) and the adjusted net asset value must not be less than £30 million 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.

In September 2014 the Company negotiated a three year revolving credit facility of £17 million ('the Facility') with National Australia Bank. In November 2015 the facility was increased to £20 million and extended in September 2017.

### 16 Called up share capital

	2017 £'000	2016 £'000
Allotted and issued ordinary share of 25p each 8,000,858 (2016: 8,000,858)	2,000	2,000

### 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 2016	2,431	38,686	19,231	57,917
Transfer on disposal of investments	–	1,665	(1,665)	–
Net gains on investments	–	3,656	19,373	23,029
Expenses and finance costs allocated to capital	–	(1,397)	–	(1,397)
<b>At 31 October 2017</b>	<b>2,431</b>	<b>42,610</b>	<b>36,939</b>	<b>79,549</b>

	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 2015	2,431	37,924	21,374	59,298
Transfer on disposal of investments	–	1,729	(1,729)	–
Net losses on investments	–	(527)	(414)	(941)
Expenses and finance costs allocated to capital	–	(440)	–	(440)
<b>At 31 October 2016</b>	<b>2,431</b>	<b>38,686</b>	<b>19,231</b>	<b>57,917</b>



# Notes to the Financial Statements (continued)

## 18 Net asset value per ordinary share (basic and diluted)

The net asset value per ordinary share at the year end was 1,269.9p (2016: 997.2p). The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £101,599,000 (2016: £79,782,000) and on the 8,000,858 ordinary shares in issue at 31 October 2017 (2016: 8,000,858). 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:

	2017 £'000	2016 £'000
Total net assets at 1 November	79,782	81,007
Total net return	23,377	255
Dividends paid in the year	(1,560)	(1,480)
<b>Total net assets at 31 October</b>	<b>101,599</b>	<b>79,782</b>

## 19 Capital commitments and contingent commitments

### Capital commitments

There were no capital commitments at 31 October 2017 (2016: nil).

### Contingent commitments

As at 31 October 2017 there were no commitments in respect of sub-underwriting (2016: nil).

## 20 Transactions with Janus Henderson

Under the terms of the management agreement, the Company has appointed Janus Henderson to provide investment management, accounting, administrative and company secretarial services. Janus Henderson has contracted with BNP Paribas Securities Services to provide accounting, cash management and administrative services.

Details of the fee arrangements with Janus Henderson for these services are given on page 6 in the Business Model section in the Strategic Report. The fees payable under these arrangements are shown in note 5 on page 48. The other fees payable to Janus Henderson are shown in note 6 on page 48.

The management fees payable to Janus Henderson under this agreement in respect of the year ended 31 October 2017 were £492,000 (2016: £415,000) of which £176,000 was outstanding at 31 October 2017 (2016: £146,000). A performance fee of £913,000 is payable to Janus Henderson in respect of the year ended 31 October 2017 (2016: £nil).

In addition to the above services, Janus Henderson has provided the Company with sales and marketing services. The total fees payable for these services for the year ended 31 October 2017 were £52,000 excluding VAT (2016: £46,000), of which £10,000 was outstanding at 31 October 2017 (2016: £29,000).

### 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 17.



# General Shareholder Information

## AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive ('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') are 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 Disclosures' which can be found on the Company's website.

## 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 17) 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

With effect from 1 January 2016 new tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be 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 U.S.) to file yearly reports on their non-U.S. financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities "regularly traded on an established securities market", investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company will therefore need to make an annual assessment before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

## ISA

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

## Key Information Document ('KID')

Information in relation to the Company's disclosures in accordance with the Packaged Retail and Insurance-based Investment Products ('PRIIPs') Regulation are contained in a KID which can be found on the Company's website.

## 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 Financial Conduct Authority's ('FCA') 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.

## Performance details/share price information

Details of the Company's share price and NAV can be found on the website. The address is [www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com). The Company's NAV is published daily.

## Packaged Retail and Insurance-based Investment Products ('PRIIPs') Regulation

Investors should be aware that the PRIIPs Regulation requires the Investment Manager, as PRIIP manufacturer, to prepare a key information document ('KID') in respect of the Company. This KID must be made available by the Investment Manager to retail investors prior to them making any investment decision and will be 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 the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

## Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar via [www.computershare.com](http://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.

## Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times. The Financial Times also shows figures for the estimated NAV and the discount.

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





Henderson Opportunities Trust plc  
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