

Company number: 00025526

THE HENDERSON SMALLER COMPANIES  
INVESTMENT TRUST PLC

HALF-YEAR REPORT  
(unaudited)  
for the half-year ended 30 November 2018

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
**Unaudited Results for the Half-Year Ended 30 November 2018**

**INVESTMENT OBJECTIVE**

The Company aims to maximise shareholders' total returns (capital and income) by investing in smaller companies that are quoted in the United Kingdom.

**PERFORMANCE**

- Net asset value ('NAV') total return<sup>1</sup> of -15.0% compared to a total return from the benchmark<sup>2</sup> of -10.1%
- Share price<sup>3</sup> total return of -18.7%
- Interim dividend<sup>4</sup> increase of +8.3% to 6.5p (2018: 6.0p)

**TOTAL RETURN PERFORMANCE** (including dividends reinvested)

	<b>6 Months</b> %	<b>1 Year</b> %	<b>3 Years</b> %	<b>5 Years</b> %	<b>10 Years</b> %
NAV <sup>1</sup>	-15.0	-6.9	27.4	59.3	602.5
Benchmark <sup>2</sup>	-10.1	-7.5	19.2	32.6	344.3
Share price <sup>3</sup>	-18.7	-4.9	25.0	68.1	904.4
Average sector NAV <sup>5</sup>	-11.5	-7.8	26.3	51.4	428.5
Average sector share price <sup>6</sup>	-9.5	-3.7	26.3	56.8	588.5
FTSE All-Share Index	-7.7	-1.5	22.6	29.2	156.7

Sources: Morningstar Direct, Janus Henderson

1 NAV per ordinary share total return with income reinvested

2 Numis Smaller Companies Index (excluding investment companies) total return

3 Share price total return using mid-market closing price

4 Interim dividend of 6.5p (2018: 6.0p) to be paid to shareholders on 8 March 2019

5 Average NAV total return of the AIC UK Smaller Companies sector

6 Average share price total return of the AIC UK Smaller Companies sector

**FINANCIAL SUMMARY**

	<b>(Unaudited)</b> <b>30 November</b> <b>2018</b>	<b>(Unaudited)</b> <b>30 November</b> <b>2017</b>	<b>(Audited)</b> <b>31 May</b> <b>2018</b>
Net assets	£655.0m	£718.4m	£782.1m
NAV per ordinary share	876.8p	961.7p	1,046.9p
Share price per ordinary share	772.0p	831.5p	966.0p
Total return per ordinary share	(155.1)p	53.1p	144.3p
Revenue return per ordinary share	10.0p	9.1p	22.8p
Dividend per ordinary share	6.5p	6.0p	21.0p
Gearing	6.1%	8.7%	8.5%

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**CHAIRMAN'S STATEMENT**

In my last Statement to shareholders, at the time of our AGM in May, I said that rarely a day goes by without Brexit and Trump commanding the news. Well, roll on six months and Brexit is still all that occupies the British press and a large majority of the British population has fallen into a catatonic state of boredom. When travelling in Asia or North America, the business communities only mention Brexit out of a sense of politeness when they realise that a Brit is amongst them. They are far more concerned with an escalation of the US and China trade hostilities, rising interest rates or falling commodities prices. However, we should not feel too glum and side-lined; many of those Asian and American businesses I speak to say that the impact of Brexit will be short-term because whatever the outcome, Britain is a creative and adaptable country that has the best commercial law in the world and, most importantly, an incorruptible judiciary. In short, the global commercial world likes doing business in Britain.

Nevertheless, the continuing uncertain outlook on the prospects for global trade and the recent interest rate rises by the US Federal Reserve have caused global markets to weaken in the last few months and the UK has not been immune. As a result, our Company's net asset value has fallen on a total return basis by 15.0% for the period under review – 4.9% more than the Numis Smaller Companies Index (excluding investment companies), which fell by 10.1%. Our Company's share price fell by 18.7% on a total return basis for the period, when its peer group was on average down by 9.5%. The Company's discount has widened from 7.7% at 31 May 2018 to 12.0% at 30 November 2018. Despite the recent setback, I am glad to say that over the past five years, the Company's share price has risen by 68.1% on a total return basis, giving an annualised return to shareholders of 10.9%.

During the period your fund manager, Neil Hermon, reduced the Company's gearing from 8.5% to 6.1%; however, gearing was still a contributing factor to the short-term underperformance, a rare event for Neil. Your manager and Board firmly believe the Company's proven long-term approach to investment is sound and appropriate in these uncertain times. Successful equity investing is itself a long-term activity and overall your portfolio of companies is trading well, has healthy balance sheets and is attractively valued, and therefore is well placed to create value for the patient investor.

The Board has decided to increase the interim dividend by 8.3% to 6.5p per share. This reflects the continuing strong growth in dividend payments from our portfolio companies. In the absence of any unforeseen circumstances, it is expected that the Board will also increase the final dividend. The final dividend for the year ended 31 May 2018 was 15.0p.

**Jamie Cayzer-Colvin**  
**Chairman**  
**January 2019**

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
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**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties associated with the Company's business fall broadly under the following categories:

- investment activity and strategy;
- accounting, legal and regulatory;
- operational; and
- financial instruments and the management of risk.

Detailed information on these risks is given in the Strategic Report and in the Notes to the financial statements in the Company's Annual Report for the year ended 31 May 2018.

In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that, to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting;
- the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**  
**Jamie Cayzer-Colvin**  
**Chairman**  
**January 2019**

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
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**FUND MANAGER'S REPORT**

**Market Review – Six Months to 30 November 2018**

During the period under review, Brexit negotiations made limited progress, trade hostilities between the US and China escalated, the Federal Reserve raised interest rates, and oil and commodities prices fell. Reflecting these events, UK equity markets fell sharply.

Smaller companies underperformed larger companies over the period. This was driven principally by investors favouring the more internationally diverse constituents of the FTSE 100 and concerns that smaller companies are more vulnerable to an economic slowdown.

**Fund Performance**

The Company underperformed the benchmark in the period. The net asset value fell by 15.0% on a total return basis. This compares with a decrease of 10.1% (total return) in the Numis Smaller Companies Index (excluding investment companies). The underperformance came from a combination of underlying negative portfolio performance and a negative contribution from gearing in the Company.

**Gearing**

Gearing started the period at 8.5% and ended it at 6.1%. Debt facilities are a combination of £30 million 20-year unsecured loan notes at an interest rate of 3.33% and £60 million of short-term bank borrowings. Gearing was a negative contributor to performance in the period as markets fell but has been a significant positive over the near-16 years I have managed the investment portfolio.

**Attribution Analysis**

The tables below show the top five contributors to, and detractors from, the Company's relative performance. Some of the following stocks are included in the benchmark index but not held by the Company. These have an effect on relative performance.

<b>Top five contributors</b>	<b>6 month return %</b>	<b>Relative contribution %</b>
RWS Holdings	+40.4	+0.6
Cineworld	+10.8	+0.4
John Laing	+17.3	+0.3
Safestyle	+42.6	+0.3
Kier <sup>1</sup>	-49.7	+0.3

<b>Top five detractors</b>	<b>6 month return %</b>	<b>Relative contribution %</b>
Victoria	-43.4	-0.5
Footasylum	-81.3	-0.4
Melrose	-32.6	-0.4
Greggs <sup>1</sup>	+33.4	-0.3
Bellway	-19.7	-0.3

<sup>1</sup> In benchmark index but not held by the Company.

**Principal Contributors**

RWS is a translation and services group; Cineworld is an international cinema chain; John Laing is an international infrastructure originator and investor; Safestyle is a double glazing and conservatory manufacturer and installer; and Kier is a UK construction and support services group.

**Principal Detractors**

Victoria is an international floor coverings group; Footasylum is a sports footwear and clothing retailer; Melrose is a turnaround specialist whose principal activities are currently in US ventilation and security and automotive and aerospace component supply; Greggs is a retailer of bakery-based products; and Bellway is a national UK housebuilder.

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
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**Portfolio Activity**

Our approach is to consider our investments as long-term in nature and to avoid unnecessary turnover. The focus has been on adding stocks to the portfolio that have good growth prospects, sound financial characteristics and strong management, at a valuation level that does not reflect these strengths. Likewise we have been employing strong sell disciplines to dispose of stocks that fail to meet these criteria.

In the period we have added to a number of positions in our portfolio and increased exposure to those stocks we feel have further catalysts to drive strong performance.

New additions to the portfolio include Alliance Pharma, a consumer products and branded pharmaceutical products company; Microgen, a financial services software company; Tekmar, a subsea systems protection products company for the offshore wind and oil and gas industries; and Vitec, a broadcast and photographic equipment company.

To balance the additions to our portfolio, we have disposed of positions in companies which we felt were set for poor price performance or where the valuation had become extended, including the holdings of Accesso, Alfa Financial Software, Brown (N), Footasylum, GVC, Ricardo and Playtech. Additionally we sold our holding in ZPG Group, after the company had received an agreed takeover bid, and our position in Melrose, after the company was elevated to the FTSE 100 Index.

**Market Outlook**

The UK economy is showing anaemic growth. Brexit deliberations stumble on, with intermittent progress. The date for the UK leaving the European Union is looming into view. There is clearly a range of outcomes, but what deal, if any, the UK will end up with is, at this point, unclear. Extra complication is added by the weak position of the minority Conservative Government led by Theresa May, who is struggling to deal with the conflicting demands of her MPs on Brexit.

This political uncertainty has made UK consumers cautious. Although unemployment is historically low, net disposable income growth has been constrained by the rising cost of living. Weakness in consumer spending and low consumer confidence is demonstrated by a moribund second-hand housing market and weak sales of high-ticket items such as cars, carpets and double glazing.

Outside the UK, economic conditions are robust, particularly in the US. However, there is mounting evidence of a slowdown, particularly in Europe. Escalating trade tensions are providing additional negative commentary. The rise in US interest rates has served as a reminder to investors that loose global monetary conditions are reversing.

In the corporate sector, conditions are intrinsically stronger than they were during the financial crisis of 2008-9. Balance sheets are more robust and dividends are growing. In addition, a large proportion of UK corporate earnings comes from overseas, even among smaller companies. This would provide some degree of diversification in the event of a 'hard' Brexit, especially if Sterling were to weaken further.

In terms of valuations, the equity market is now trading below long-term averages. M&A remains a supportive feature for smaller companies. Although M&A has been subdued in 2018, there is an expectation that once there is clarity over Brexit there will be increased interest in UK corporates from abroad, given the relatively low valuation of UK equities and a weak currency.

In conclusion, the period under review has been a negative one for the UK equity market. The Company's performance has been poor, with an absolute fall and underperformance compared to our benchmark. Equity market conditions remain difficult and the uncertainty over Brexit is leading to a reduced appetite for UK equities from international and domestic investors. However, in general, our portfolio companies are trading well, and are soundly financed and attractively valued. Additionally, the smaller companies universe continues to throw up exciting growth opportunities in which the Company can invest.

**Neil Hermon**  
**Fund Manager**  
**January 2019**

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
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**INVESTMENT PORTFOLIO**

at 30 November 2018

<b>Company</b>	<b>Valuation £'000</b>	<b>Portfolio %</b>	<b>Company</b>	<b>Valuation £'000</b>	<b>Portfolio %</b>
Bellway	20,336	2.93	Ascential	8,148	1.17
Intermediate Capital	19,640	2.83	Cairn Energy	8,055	1.16
Cineworld	19,030	2.74	Brewin Dolphin	7,800	1.12
Clinigen <sup>1</sup>	17,390	2.50	Learning Technologies Group <sup>1</sup>	7,776	1.12
John Laing	16,521	2.38	Countryside	7,664	1.10
Renishaw	16,478	2.37	GB Group <sup>1</sup>	7,581	1.09
Paragon	14,898	2.14	Midwich <sup>1</sup>	7,560	1.09
Victrex	14,333	2.06	IntegraFin	7,314	1.05
Burford Capital <sup>1</sup>	12,869	1.85	Alpha Financial Markets <sup>1</sup>	7,085	1.02
RWS <sup>1</sup>	12,575	1.81	Just	6,845	0.99
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<b>10 largest</b>	<b>164,070</b>	<b>23.61</b>	<b>40 largest</b>	<b>427,795</b>	<b>61.57</b>
Dechra Pharmaceuticals	11,340	1.63	CLS	6,655	0.96
Balfour Beatty	10,416	1.50	Consort Medical	6,542	0.94
Vesuvius	10,276	1.48	Equiniti	6,512	0.94
Aveva	10,256	1.48	Softcat	6,321	0.91
Coats	10,162	1.46	Faroe Petroleum <sup>1</sup>	6,151	0.89
Oxford Instruments	9,697	1.40	Avon Rubber	6,113	0.88
St Modwen Properties	9,651	1.39	Jupiter Fund Management	5,948	0.86
Ultra Electronics	9,607	1.38	Victoria <sup>1</sup>	5,937	0.85
OneSavings Bank	9,509	1.37	Rotork	5,900	0.85
Sanne	9,375	1.35	Team17 <sup>1</sup>	5,791	0.83
	-----	-----		-----	-----
<b>20 largest</b>	<b>264,359</b>	<b>38.05</b>	<b>50 largest</b>	<b>489,665</b>	<b>70.48</b>
Euromoney Institutional					
Investor	9,266	1.33	Impax Asset Management <sup>1</sup>	5,786	0.83
Hunting	9,064	1.30	Tarsus Group	5,735	0.83
Scapa <sup>1</sup>	9,042	1.30	Premier Oil	5,581	0.80
Northgate	8,910	1.28	Eurocell	5,500	0.79
Ibstock	8,749	1.26	Vitec	5,246	0.76
TI Fluid Systems	8,636	1.24	Grainger	5,191	0.75
NCC	8,592	1.24	Codemasters <sup>1</sup>	5,163	0.74
Synthomer	8,530	1.23	SDL	5,052	0.73
Gamma Communications <sup>1</sup>	8,442	1.22	Tribal Group <sup>1</sup>	5,028	0.72
SIG	8,377	1.21	DFS	5,022	0.72
	-----	-----		-----	-----
<b>30 largest</b>	<b>351,967</b>	<b>50.66</b>	<b>60 largest</b>	<b>542,969</b>	<b>78.15</b>
			<b>Remaining 45</b>	<b>151,850</b>	<b>21.85</b>
				-----	-----
			<b>Total</b>	<b>694,819</b>	<b>100.00</b>
				=====	=====

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

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
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**STATEMENT OF COMPREHENSIVE INCOME**

	(Unaudited) Half-year ended 30 November 2018			(Unaudited) Half-year ended 30 November 2017			(Audited) Year ended 31 May 2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	8,345	-	8,345	7,657	-	7,657	18,662	-	18,662
Other income	51	-	51	15	-	15	138	-	138
(Losses)/gains on investments held at fair value through profit or loss	-	(121,889)	(121,889)	-	38,158	38,158	-	97,561	97,561
<b>Total income/(expense)</b>	<b>8,396</b>	<b>(121,889)</b>	<b>(113,493)</b>	<b>7,672</b>	<b>38,158</b>	<b>45,830</b>	<b>18,800</b>	<b>97,561</b>	<b>116,361</b>
<b>Expenses</b>									
Management and performance fees (note 2)	(393)	(917)	(1,310)	(347)	(4,773)	(5,120)	(723)	(5,772)	(6,495)
Other expenses	(329)	-	(329)	(309)	-	(309)	(622)	-	(622)
<b>Profit/(loss) before finance costs and taxation</b>	<b>7,674</b>	<b>(122,806)</b>	<b>(115,132)</b>	<b>7,016</b>	<b>33,385</b>	<b>40,401</b>	<b>17,455</b>	<b>91,789</b>	<b>109,244</b>
Finance costs	(225)	(525)	(750)	(212)	(495)	(707)	(433)	(1,010)	(1,443)
<b>Profit/(loss) for the period and total comprehensive income/(expense)</b>	<b>7,449</b>	<b>(123,331)</b>	<b>(115,882)</b>	<b>6,804</b>	<b>32,890</b>	<b>39,694</b>	<b>17,022</b>	<b>90,779</b>	<b>107,801</b>
<b>Earnings per ordinary share</b> (note 3)	<b>9.97p</b>	<b>(165.10)p</b>	<b>(155.13)p</b>	<b>9.11p</b>	<b>44.03p</b>	<b>53.14p</b>	<b>22.79p</b>	<b>121.52p</b>	<b>144.31p</b>

The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The accompanying notes are an integral part of these financial statements.



**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
**Unaudited Results for the Half-Year Ended 30 November 2018**

**STATEMENT OF CHANGES IN EQUITY**

(Unaudited)  
Half-year ended 30 November 2018

	Share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Total equity at 1 June 2018	18,676	26,745	713,788	22,859	782,068
Total comprehensive income: (Loss)/profit for the period	-	-	(123,331)	7,449	(115,882)
Transactions with owners, recorded directly to equity:					
Ordinary dividend paid	-	-	-	(11,205)	(11,205)
	-----	-----	-----	-----	-----
Total equity at 30 November 2018	18,676	26,745	590,457	19,103	654,981
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(Unaudited)  
Half-year ended 30 November 2017

	Share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Total equity at 1 June 2017	18,676	26,745	623,009	20,030	688,460
Total comprehensive income: Profit for the period	-	-	32,890	6,804	39,694
Transactions with owners, recorded directly to equity:					
Ordinary dividend paid	-	-	-	(9,711)	(9,711)
	-----	-----	-----	-----	-----
Total equity at 30 November 2017	18,676	26,745	655,899	17,123	718,443
	=====	=====	=====	=====	=====

(Audited)  
Year ended 31 May 2018

	Share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Total equity at 1 June 2017	18,676	26,745	623,009	20,030	688,460
Total comprehensive income: Profit for the period	-	-	90,779	17,022	107,801
Transactions with owners, recorded directly to equity:					
Ordinary dividend paid	-	-	-	(14,193)	(14,193)
	-----	-----	-----	-----	-----
Total equity at 31 May 2018	18,676	26,745	713,788	22,859	782,068
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
**Unaudited Results for the Half-Year Ended 30 November 2018**

**BALANCE SHEET**

	(Unaudited) Half-year ended 30 November 2018 £'000	(Unaudited) Half-year ended 30 November 2017 £'000	(Audited) Year ended 31 May 2018 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	694,819	781,139	848,330
<b>Current assets</b>			
Securities sold for future settlement	261	505	195
Taxation recoverable	19	19	19
Prepayments and accrued income	1,760	2,163	3,139
Cash and cash equivalents	1,100	201	4,889
	<b>3,140</b>	<b>2,888</b>	<b>8,242</b>
<b>Total assets</b>	<b>697,959</b>	<b>784,027</b>	<b>856,572</b>
<b>Current liabilities</b>			
Securities purchased for future settlement	(1,474)	(691)	(4,350)
Accruals and deferred income	(602)	(549)	(176)
Performance fee	-	(3,965)	(4,086)
Bank loans	(11,084)	(30,571)	(36,079)
	<b>(13,160)</b>	<b>(35,776)</b>	<b>(44,691)</b>
<b>Total assets less current liabilities</b>	<b>684,799</b>	<b>748,251</b>	<b>811,881</b>
<b>Non current liabilities</b>	<b>(29,818)</b>	<b>(29,808)</b>	<b>(29,813)</b>
<b>Net assets</b>	<b>654,981</b>	<b>718,443</b>	<b>782,068</b>
<b>Equity attributable to equity shareholders</b>			
Called up share capital (note 5)	18,676	18,676	18,676
Capital redemption reserve	26,745	26,745	26,745
Retained earnings:			
Capital reserves	590,457	655,899	713,788
Revenue reserve	19,103	17,123	22,859
<b>Total equity</b>	<b>654,981</b>	<b>718,443</b>	<b>782,068</b>
<b>Net asset value per ordinary share (note 6)</b>	<b>876.8p</b>	<b>961.7p</b>	<b>1,046.9p</b>

The accompanying notes are an integral part of these financial statements.

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
**Unaudited Results for the Half-Year Ended 30 November 2018**

**STATEMENT OF CASH FLOWS**

	(Unaudited) Half-year ended 30 November 2018 £'000	(Unaudited) Half-year ended 30 November 2017 £'000	(Audited) Year ended 31 May 2018 £'000
(Loss)/profit before taxation	(115,882)	39,694	107,801
Interest payable	750	707	1,443
Losses/(gains) on investments held at fair value through profit or loss	121,889	(38,158)	(97,561)
Purchases of investments	(70,689)	(99,941)	(196,351)
Sales of investments	101,978	107,799	197,318
Increase in receivables	(17)	(6)	(21)
(Increase)/decrease in amounts due from brokers	(66)	556	866
Decrease/(increase) in accrued income	1,526	1,262	(418)
(Decrease)/increase in payables	(3,453)	1,200	774
Decrease in amounts due to brokers	(2,876)	(5,139)	(1,480)
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<b>Net cash inflow from operating activities before interest and taxation</b>	<b>33,160</b>	<b>7,974</b>	<b>12,371</b>
	-----	-----	-----
Interest paid	(750)	(693)	(1,428)
	-----	-----	-----
<b>Net cash inflow from operating activities</b>	<b>32,410</b>	<b>7,281</b>	<b>10,943</b>
	=====	=====	=====
<b>Financing activities</b>			
Equity dividends paid	(11,205)	(9,711)	(14,193)
(Repayment)/drawdown of bank loans	(24,994)	(1,198)	4,310
	-----	-----	-----
<b>Net cash outflow from financing activities</b>	<b>(36,199)</b>	<b>(10,909)</b>	<b>(9,883)</b>
	-----	-----	-----
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(3,789)</b>	<b>(3,628)</b>	<b>1,060</b>
Cash and cash equivalents at the start of the period	4,889	3,829	3,829
	-----	-----	-----
<b>Cash and cash equivalents at the period end</b>	<b>1,100</b>	<b>201</b>	<b>4,889</b>
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

**THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC**  
**Unaudited Results for the Half-Year Ended 30 November 2018**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**1. Accounting policies – basis of preparation**

The Henderson Smaller Companies Investment Trust plc (the 'Company') is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

These condensed financial statements comprise the unaudited results of the Company for the half-year ended 30 November 2018. They have been prepared on a going concern basis and in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union and with the Statement of Recommended Practice for Investment Trusts ('SORP') dated November 2014 and updated in February 2018 with consequential amendments, where the SORP is consistent with the requirements of IFRS.

The Company has adopted IFRS 9 Financial Instruments, which is effective for periods beginning on or after 1 January 2018. This has had no impact on the accounting policies or disclosures in these unaudited half-year results.

For the period under review the Company's accounting policies have not varied from those described in the Annual Report for the year ended 31 May 2018.

These financial statements have not been either audited or reviewed by the Company's auditor.

**2. Expenses**

Expenses, finance costs and taxation include provision for a performance fee when the relevant criteria have been met. For the six months to 30 November 2018 the performance fee provision is £Nil (30 November 2017: £3,965,000; 31 May 2018: £4,086,000). Any provision for a performance fee is charged 100% to capital. The actual performance fee, if any, payable to Janus Henderson for the year to 31 May 2019 will depend on outperformance over the full financial year, subject to a cap on the total fees paid to Janus Henderson of 0.9% of the average value of the net assets of the Company during the year. No performance fee is payable if on the last day of the accounting year the Company's share price or net asset value ('NAV') is lower than the share price and NAV at the preceding year end. Details of the performance fee arrangements are set out in the Annual Report for the year ended 31 May 2018.

**3. Earnings per ordinary share**

The earnings per ordinary share figure is based on the net loss for the half-year of £115,882,000 (half-year ended 30 November 2017: net profit of £39,694,000; year ended 31 May 2018: net profit of £107,801,000) and on 74,701,796 (half-year ended 30 November 2017: 74,701,796; year ended 31 May 2018: 74,701,796) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The earnings per ordinary share figure detailed above can be further analysed between revenue and capital, as below.

	(Unaudited) 30 November 2018 £'000	(Unaudited) 30 November 2017 £'000	(Audited) 31 May 2018 £'000
Net revenue profit	7,449	6,804	17,022
Net capital (loss)/gain	(123,331)	32,890	90,779
Net total (loss)/profit	(115,882)	39,694	107,801
Weighted average number of ordinary shares in issue during the period	74,701,796	74,701,796	74,701,796
	Pence	Pence	Pence
Revenue earnings per ordinary share	9.97	9.11	22.79
Capital (loss)/earnings per ordinary share	(165.10)	44.03	121.52
Total (loss)/earnings per ordinary share	(155.13)	53.14	144.31

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4. **Dividends**

The Board has declared an interim dividend of 6.5p (2018: 6.0p) to be paid on 8 March 2019 to shareholders on the register at the close of business on 15 February 2019. The ex-dividend date will be 14 February 2019. No provision has been made for the interim dividend in these condensed financial statements.

The final dividend of 15.0p per ordinary share, paid on 28 September 2018, in respect of the year ended 31 May 2018, has been recognised as a distribution in the period.

5. **Share Capital**

At 30 November 2018 there were 74,701,796 ordinary shares in issue (30 November 2017: 74,701,796; 31 May 2018: 74,701,796). During the half-year ended 30 November 2018 the Company bought back no ordinary shares in the market for cancellation (half-year ended 30 November 2017: nil; year ended 31 May 2018: nil). No shares have been bought back since the period end.

6. **NAV per ordinary Share**

The NAV per ordinary share is based on the net assets attributable to the equity shareholders of £654,981,000 (30 November 2017: £718,443,000; 31 May 2018: £782,068,000) and on 74,701,796 (30 November 2017: 74,701,796; 31 May 2018: 74,701,796) ordinary shares, being the number of ordinary shares in issue at the period end.

7. **Transaction Costs**

Purchase transaction costs for the half-year ended 30 November 2018 were £239,000 (half-year ended 30 November 2017: £313,000; year ended 31 May 2018: £609,000). These comprise mainly stamp duty and commission. Sale transaction costs for the half-year ended 30 November 2018 were £48,000 (half-year ended 30 November 2017: £63,000; year ended 31 May 2018: £106,000).

8. **Financial Instruments**

The investments are held at fair value through profit or loss. All the net current liabilities are held in the Balance Sheet at a reasonable approximation of fair value. At 30 November 2018 the fair value of the Preference Stock was £4,000 (30 November 2017: £4,000; 31 May 2018: £4,000) and is categorised as Level 1 in the fair value hierarchy. The fair value of the Preference Stock is estimated using the prices quoted on the exchange on which the investment trades. The Preference Stock is carried in the Balance Sheet at par.

The unsecured loan notes are carried in the Balance Sheet at par less the issue costs which are amortised over the life of the notes. In order to comply with fair value accounting disclosures only, the fair value of the unsecured loan notes has been estimated to be £31,207,000 (30 November 2017: £31,291,000; 31 May 2018: £32,203,000) and is categorised as Level 3 in the fair value hierarchy as described below. However, for the purpose of the daily NAV announcements, the unsecured loan notes are valued at par in the fair value NAV because they are not traded and the Directors have assessed that par value is the most appropriate value to be applied for this purpose.

**Fair Value Hierarchy**

The table below sets out the fair value measurements using the IFRS 13 fair value hierarchy.

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: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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As at 30 November 2018	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	a)	694,819	-	-	694,819
		-----	-----	-----	-----
		694,819	-	-	694,819
		=====	=====	=====	=====
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As at 30 November 2017	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	a)	781,139	-	-	781,139
		-----	-----	-----	-----
		781,139	-	-	781,139
		=====	=====	=====	=====
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As at 31 May 2018	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	a)	848,330	-	-	848,330
		-----	-----	-----	-----
		848,330	-	-	848,330
		=====	=====	=====	=====

a) Equity investments:

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in fair value level 1 are actively traded on recognised stock exchanges.

The valuation techniques used by the Company are explained in the accounting policies note 1(c) of the Annual Report for the year ended 31 May 2018.

9. **Going Concern**  
 Having reassessed the principal risks and uncertainties, the Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The assets of the Company consist almost entirely of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in existence for the foreseeable future.
10. **Related Party Transactions**  
 During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position of the Company during the period. Details of related party transactions are contained in the Annual Report for the year ended 31 May 2018.
11. **Comparative Information**  
 The financial information contained in this half-year financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 30 November 2018 and 30 November 2017 has not been audited.

The information for the year ended 31 May 2018 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The report of the auditor on those accounts was unqualified and contained no statement under either section 498(2) or section 498(3) of the Companies Act 2006.

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12. **General Information**

The Henderson Smaller Companies Investment Trust plc is registered in England and Wales, company number 00025526.

Registered office at 201 Bishopsgate, London EC2M 3AE

London Stock Exchange (TIDM) Code: HSL

SEDOL Number: 090650

Global Intermediary Identification Number (GIIN): WZD8S7.99999.SL.826

Legal Entity Identifier (LEI): 213800NE2NCQ67M2M998

*Directors and Corporate Secretary*

The Directors of the Company are Jamie Cayzer-Colvin (Chairman of the Board), Beatrice Hollond (Chairman of the Audit Committee), David Lamb (Senior Independent Director), Victoria Sant, Penelope Freer and Alexandra Mackesy.

The Corporate Secretary is Henderson Secretarial Services Limited, represented by Johana Woodruff, ACIS.

*Website*

Details of the Company's share price and NAV, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.hendersonsmallercompanies.com](http://www.hendersonsmallercompanies.com)

13. **Update for the Half-Year Ended 30 November 2018**

An abbreviated version of the half-year report, the 'Update', will be posted to shareholders in January 2019. The Update will also be available at the Company's registered office and on the Company's website, [www.hendersonsmallercompanies.com](http://www.hendersonsmallercompanies.com).