The Henderson Smaller Companies Investment Trust plc – Annual Report 2025

The Henderson Smaller Companies Investment Trust plc

Investing in the growth potential of smaller UK companies

JHI9226/25

Annual Report 2025

MANAGED BY
Janus Henderson
INVESTORS

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www.hendersonsmallercompanies.com

Keeping in touch

Scan the QR code to receive the latest Company updates, market insights, event invitations and more.

Please send any general enquiries about the Company to itsecretariat@janushenderson.com.

Annual General Meeting (AGM)

The Board welcomes you to attend the AGM at 11.30 am on 7 October 2025 either in person or online. Scan the QR code for more details and to register your attendance.

Virtual investor presentation

In addition to the AGM, the Board is holding a virtual investor presentation at 12.00 noon on 17 September 2025. This will include a Q&A session with the Chair and Fund Manager. Scan the QR code to secure your place.

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

About the Company

Your Company is managed by Janus Henderson Investors. The Manager aims to capture the growth potential of the UK's smaller listed companies.

Smaller companies grow into larger companies, and those which grow tend to have a blend of a good business model and a strong management team. The Fund Managers use a combination of company meetings, economic analysis and detailed research to build a diverse portfolio of growing businesses in the UK.

The Fund Managers' goal is to use these unique insights to take advantage of the information gap for smaller companies – where there is relatively little professional analysis available – to produce investment growth for shareholders over the long term.

Purpose

The Company's purpose is to provide shareholders with long-term growth through investing in UK smaller companies and making this form of investment accessible to investors, both large and small.

See p.24 Business model

"The long-term drivers of UK small caps are still very much intact. Small caps exhibit faster organic growth than large caps, tend to have higher operating leverage, offer exposure to new technologies and services, and historically have benefitted from inbound mergers and acquisitions. Regardless of the direction of interest rates, we believe good smaller companies with resilient business models that demonstrate a combination of strong earnings momentum and attractive valuations can generate superior returns."

See p.12 Fund Managers' Report

Indriatti van Hien
Fund Manager

Neil Hermon
Fund Manager

At a glance

The Henderson Smaller Companies Investment Trust plc

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.

Portfolio holdings

96 (2024: 100)

See p.20 Portfolio holdings

Investment focus

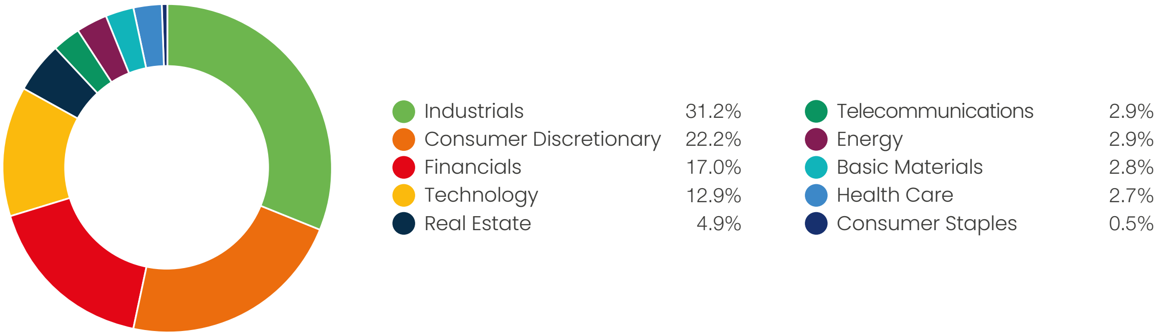
Total return

Regional focus

UK

The UK's most dynamic smaller companies

Seeking opportunities for capital and dividend growth at the right price across UK small and mid-caps.



See p.19 Analysis of portfolio by subsector

Ongoing charges[1] KPI

0.45%

As at 31 May 2025

2024: 0.45%

Net assets

£634m

As at 31 May 2025

2024: £747m

Dividend yield[2]

3.3%

As at 31 May 2025

2024: 3.0%

See p.6 Performance summary

MANAGED BY Janus Henderson INVESTORS

1 This is an 'alternative performance measure', calculated using the Association of Investment Companies methodology, and explained on page 95. It is also a 'KPI', which is a key performance indicator. KPIs are used to measure the success of your Company in meeting its objective, and by the directors to evaluate the performance of the Manager. See pages 29-30

2 Based on the dividends paid or recommended for the year and the share price at the year end, being the interim of 7.5p and final dividend of 20.5p. See also alternative performance measures on pages 95-96

Sources: Janus Henderson. A glossary of terms and alternative performance measures are included on pages 93-96

Why invest in UK smaller companies?

A whole new playing field

Many of the UK's smaller businesses operate in fields untouched by larger entities. Whether in whole sectors, subsectors or niches, investors can gain exposure to different areas of the economy through investing in smaller companies. This opportunity is reflected in the number of UK smaller companies taken over by larger businesses.

Runway for growth

Historically, smaller companies have outperformed their larger peers. Since 2001, smaller companies have generated an annualised total return of 7.8%, while the wider UK market has generated 5.3%. This reflects the potential pace of growth at this early stage. A third of today's largest UK companies began life as quoted smaller companies within the last 20 years. However, this opportunity can come with greater possible downside risk, meaning that smaller companies are generally considered a longer-term investment.

Supportive business environment

For our smaller businesses, operating in the world's fifth-largest economy provides a solid foundation, from a standout corporate governance regime to the world's central timezone. They also benefit from a stable political culture and autonomous monetary policy, established professional services and a robust legal framework.

Small but mighty

Smaller companies are often associated with risky start-ups, but many of the UK's smaller businesses are household names. From high street retailers to online review providers, these businesses are leaders in their niches. Their smaller size gives them the flexibility to respond to changing market conditions.

Innovation without the (ad)venture

While smaller listed companies offer a different proposition to venture capital, it is still possible to invest in innovation through their equity. Whether it's cloud-services for industry niches, animal genetics or precision accuracy tools used in semi-conductor manufacturing, UK-listed companies are at the cutting edge.

The data behind UK smaller companies

Since 2001, UK smaller companies have outperformed the wider market by:

+2.5% annualised[1]

Faster growing

Mid-cap companies have recorded faster organic growth than larger companies since 2001, based on earnings per share.[2]

Earnings grew:

3% in the FTSE 100

6% in the FTSE 250[1, 3]

Takeover targets

UK smaller companies are popular takeover targets for businesses around the world. The average proportion (by market capitalisation) of the UK small cap index acquired each year since 2001 shows this:

7.4% of the FTSE Small Cap

6.2% of the FTSE 250

1.6% of the FTSE 100[3]

1 Source: Bloomberg, Janus Henderson Investors as at 31 December 2024. Reflects average performance of Deutsche Numis Smaller Companies Index vs FTSE All-Share 2001-2024

2 Measured on the basis of the compound annual growth rate of earnings per share

3 Source: Refinitiv DataStream, Janus Henderson Investors 2001-2024

The Fund Managers' approach to UK smaller companies

Characterising a good investment

Our deep experience with smaller companies has informed our understanding of what makes a 'good' company. This has resulted in a simple formula: a good business model plus a strong management team can lead to earnings momentum. A good business model could include high recurring revenues (like subscriptions) or a hard-to-substitute product. Our in-house research capabilities enable us to also assess non-financial metrics including governance, a company's peers and its competitors. When this complete picture is coupled with a reasonable price, we may be willing to invest.

Narrowing the universe

From a universe of over a thousand companies, we exclude those that are too small (with a market capitalisation below £150 million), unprofitable, excessively leveraged, or poorly managed, as they do not meet our investment criteria. This process leaves us with around 200 potential stocks for the portfolio on which we undertake fundamental analysis using our 4Ms process. We don't look at companies through the lens of sector themes, as we don't think this works for smaller companies that often operate in unique niches.

Meeting companies and making visits

A core element of our process is getting to know the companies in which we invest. Compared to larger companies, there is very little investment analysis available for smaller companies. To plug this gap, we conduct over 300 company meetings per year, including repeated meetings with some. This enables us to build our own perspective on a company, the confidence of its management and the reality of, for example, its factory-floor operations.

Building a portfolio

Having followed these steps, we end up with a portfolio of around 80-100 companies. We seek diversity across the industries in which we invest and companies with revenues sourced from all over the world. Our aim is to focus on the companies where we have the highest conviction, while avoiding becoming too large a shareholder or being penned in by a stock that is hard to sell.

Keeping a close eye

While we typically aim to hold stocks for multi-year periods, we monitor our portfolio holdings closely. This includes conducting ongoing company meetings with management and tracking competitors. Smaller companies are often more sensitive to the macroeconomic backdrop – our in-house research and economic expertise help us keep on top of these changes.

Knowing when to sell

Should a company meeting or our own analysis reveal a deterioration in our investment case, we will sell our shares as efficiently as market conditions allow. Equally, when market conditions shift significantly, we will rebalance the portfolio as needed.

Janus Henderson Investors

The Manager

The Henderson Smaller Companies Investment Trust plc is managed by Janus Henderson Investors.

Janus Henderson is a global asset manager with over 350 investment professionals and 25 offices globally, employing over 2,000 people and managing £289bn of client assets.

A deep history in UK smaller companies

Janus Henderson Investors has extensive experience of investing in UK smaller companies. It has managed Henderson Smaller Companies Investment Trust since 1992, when Henderson acquired Touche Remnant. Before then, Touche Remnant, and firms into which it evolved, managed the trust since its creation in 1887.

The fund management team benefits from the insights of around 70 analysts across different sectors and regions, including European counterparts, health and technology sector specialists.

The team's long-held philosophy focuses on finding future growth potential at a reasonable price. This philosophy is embedded in the team's culture, with the managers averaging 22 years' investing experience. Across their funds, the fund management team invests around £1bn into UK smaller companies.

Investment trusts, understood

Janus Henderson has been involved in investment trusts since Henderson's foundation in 1934. It is one of the largest investment trust asset managers in the UK, and currently manages nine investment trusts. As a result, Henderson Smaller Companies Investment Trust benefits from the support of a dedicated investment trust team, including specialised legal, accounting, marketing and sales support.

AUM

£289bn

Employees

+2,300

Offices globally

25

Investment professionals

370

Source: Janus Henderson Investors at 31 March 2025

Timeline of The Henderson Smaller Companies Investment Trust plc

1887	1917	1974	1982	1992	1997	1999
Incorporated as The Trustees, Executors and Securities Insurance Corporation	Name changed to The Trustees Corporation	Appointed Touche, Remnant & Co. as managers	Began specialising in smaller companies. Renamed TR Trustees Corporation PLC	Touche, Remnant & Co. acquired by Henderson	Name changed to The Henderson Smaller Companies Investment Trust plc	Mandate refined to focus solely on UK smaller companies

Performance summary

Year to 31 May 2025

Performance

See p.12 Fund Managers' Report

NAV total return[1]	Share price total return[2]	NAV per share at year end	Share price at year end	Discount at year end[3] KPI
–5.1%	–2.3%	926.2p	841.0p	9.2%
(2024: 14.5%)	(2024: 17.3%)	(2024: 1,003.1p)	(2024: 888.0p)	(2024: 11.5%)

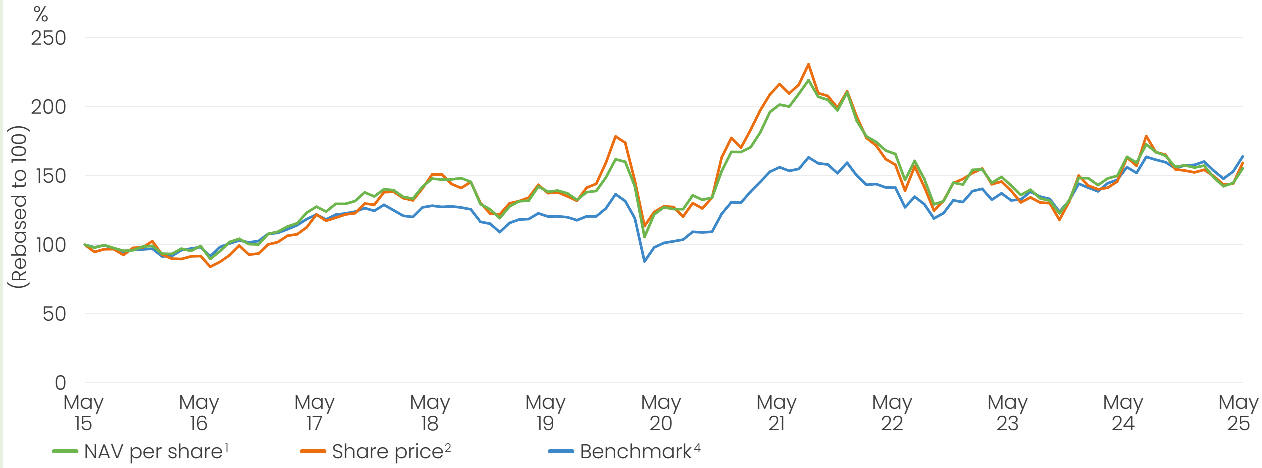
KPI This indicates a key performance indicator ("KPI"). KPIs are used to measure the success of your Company in meeting its objective and by the directors to evaluate the performance of the Manager. See pages 29-30.

Total return performance

Total return performance to 31 May 2025

	1 year %	3 years %	5 years %	10 years %
NAV[1]	-5.1	-6.3	22.2	54.9
Benchmark[4]	5.0	16.0	61.8	64.0
Average sector NAV[5]	1.1	10.8	53.1	72.8
Share price[2]	-2.3	0.9	24.6	59.4
AIC sector share price[6]	-1.0	11.9	59.6	65.8
FTSE All-Share Index	9.4	26.8	69.0	80.7

Total return performance for 10 years to 31 May 2025



1 NAV per ordinary share total return with income reinvested
2 Share price total return using mid-market closing price with income reinvested
3 Calculated using the NAV and mid-market share price at year end
4 Deutsche Numis Smaller Companies Index (excluding investment companies) total return
5 Average NAV total return of the Association of Investment Companies ("AIC") UK Smaller Companies sector
6 Average share price total return of the AIC UK Smaller Companies sector

A glossary of terms and explanations of alternative performance measures are included on pages 93-96
Sources: Morningstar Direct, Janus Henderson, LSEG Datastream

Performance summary continued

Dividend performance

Dividend total[1]
Per share for the year

28.0p

(2024: 27.0p)

Dividend yield[2]
At the end of the year

3.3%

(2024: 3.0%)

Revenue reserve[3]

£20.1m

(2024: £19.7m)

Dividend growth[4]
For the year

3.7%

(2024: 3.8%)

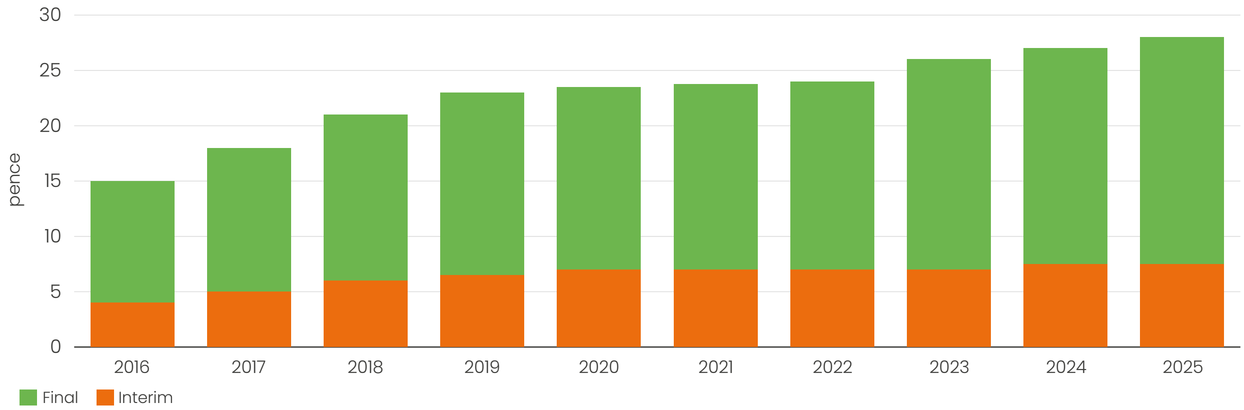
Over 10 years

87%

Years of consecutive growth

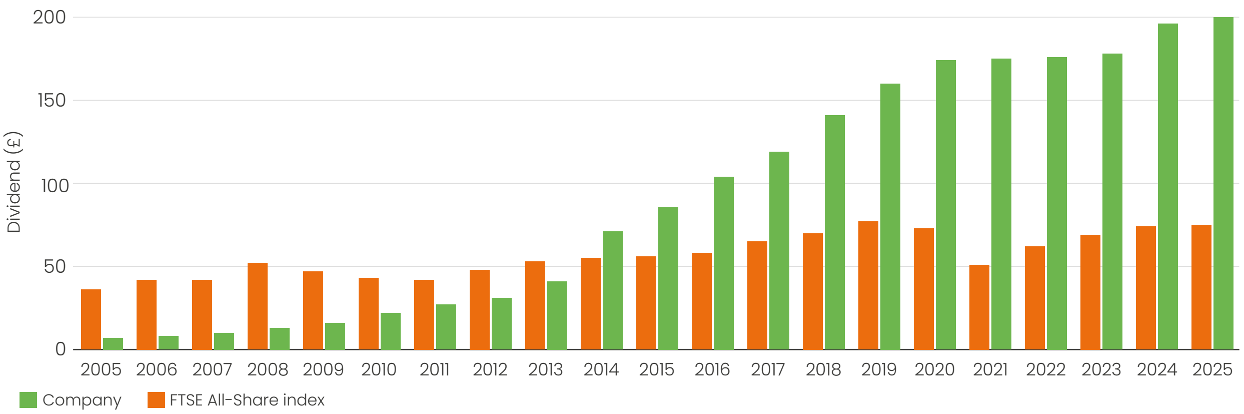
22

Dividends for the years ended 31 May[4]



Dividend growth compared to FTSE All-Share Index

Annual income (without reinvestment) an investor would have received on an initial £1,000 investment in the Company compared with the FTSE All-Share Index on a financial-year basis



Source: Janus Henderson

1 This represents an interim dividend of 7.5p and a proposed final dividend of 20.5p. See pages 8-9 for more details
2 Based on the ordinary dividends paid and payable for the year and the mid-market share price at year end
3 Revenue reserves at 31 May 2025 excluding payment of the recommended final dividend for 2025
4 This represents the interim and final ordinary dividends paid or recommended

Chair's Statement

Refreshing your company

Penny Freer,
Chair

Performance

The Company underperformed its peer group, due in part to the managers' cyclical style tilt. The managers have actively refined their process.

Fund Manager retirement

Neil Hermon will retire from the industry in September 2025, after more than two decades managing the Company.

Share buybacks

The Company bought back 8.1% of share capital over the course of the year, adding 0.7% to NAV.

Continuation vote

The Company is subject to a continuation vote at the AGM on 7 October 2025. The Board encourages all shareholders to vote in favour of continuation.

Dear Shareholder,

Performance

The year under review was marked by heightened volatility in global markets, with disruption in the UK as the newly elected Labour Government began implementing its political agenda.

The Company's net asset value ("NAV") fell by 5.1% and the share price declined by 2.3% in the year to 31 May 2025, on a total return basis, reflecting a narrowing of the discount at which the shares trade from 11.5% to 9.2%. Over the same period the AIC UK Smaller Companies sector's average NAV and share price total return rose by 1.1% and fell by 1.0%, respectively. The Company underperformed its benchmark, the Deutsche Numis Smaller Companies Index (excluding investment companies), by 10.1%.

The Fund Managers have a style tilt towards more cyclical stocks (those whose performance is closely tied to the economic cycle), which has proven to be successful over the long term but has been impacted disproportionately by market conditions in the last few years. The Board recognises that a protracted period of underperformance is frustrating for shareholders, and has been in detailed discussions with the Fund Managers about their investment process.

Following these discussions, the Fund Managers have implemented a series of refinements to the investment process. The core philosophy, however, of investing in growth at the right price remains. The Board believes that these small but important refinements will enhance the portfolio construction and stock-picking process whilst maintaining this style tilt, particularly at a time when the outlook for UK smaller companies continues to improve. More detail on this year's performance and the market outlook can be found in the Fund Managers' Report on pages 12-18.

> *"The Fund Managers have a style tilt towards more cyclical stocks (those whose performance is closely tied to the economic cycle), which has proven to be successful over the long term but has been impacted disproportionately by market conditions in the last few years."*

Dividend and earnings

Total revenue from the Company's portfolio fell from £24.8m to £23.1m and earnings per share ("EPS") reduced from 29.9p to 27.9p. Although the majority of portfolio companies took advantage of their healthy financial performance to increase dividend payments, there is a trend in the UK equity market to prioritise share buybacks over dividends which is having an impact on overall dividend growth. In addition, changes to the portfolio in the year reduced the Company's income.

The Board is pleased to recommend an increased final dividend of 20.5p per share. Subject to shareholder approval at the Annual General Meeting ("AGM"), the dividend will be paid on 13 October 2025 to shareholders on the register at 29 August 2025. The shares will be quoted ex dividend on 28 August 2025. When added to the interim dividend of 7.5p, this brings the total dividend for the year to 28.0p per share, a 3.7% increase on the 2024 total dividend of 27.0p per share.

The dividend will be fully funded from revenue generated in the current year. The EPS is calculated using the weighted average number of shares over the year, rather than the actual number of shares outstanding at the time the dividend is paid. Therefore, although EPS for 2025 is marginally lower than the total dividend, the recommended distribution is supported by current year earnings.

This will be the 22nd consecutive year of growth in the annual dividend for the Company, which is an 'AIC Dividend Hero'.

Share rating and buybacks

Reflecting the market's volatility, the Company's share price discount to NAV fluctuated in the year under review between 7.1% and 14.5%, averaging 11.6% and closing the year at 9.2%. The share price moved from 888.0p at the start of the year to 841.0p at 31 May 2025. The Company's discount has been consistently narrower than the weighted peer group average throughout the year.

The Board regularly reviews the discount to NAV at which the shares trade. Shares are only bought back in the market when the directors believe it is in the best interests of shareholders as a whole to do so and at a price below the prevailing NAV, thereby accreting the NAV per share for the remaining shareholders. Market conditions over the last two years have been particularly harsh and the market has witnessed discounts widening across the industry. During the period under review, the directors considered that the unusually wide discount to NAV presented an attractive opportunity to enhance shareholder value through share buybacks.

The Company bought back 6,017,157 shares in the year under review, representing 8.1% of share capital, based on share capital at the start of the year and excluding Treasury shares. Of these, 120,000 were cancelled and 5,897,157 are now held in Treasury. These buybacks enhanced NAV by 0.7%.

A total of 6,987,667 shares, forming 9.4% of issued share capital, was repurchased in the period since the 2024 AGM and up to 30 June 2025. Due to this high rate of buybacks in the face of challenging market conditions, the Board convened a general meeting on 1 July 2025 to renew the share buyback authority to repurchase up to 14.99% of issued share capital. This renewal was approved by shareholders. Since the general meeting on 1 July, and as at 28 July 2025, a further 2,136,422 shares have been repurchased, representing 2.9% of share capital.

"During the period under review, the directors considered that the unusually wide discount to NAV presented an attractive opportunity to enhance shareholder value through share buybacks."

Capital structure

The Company's capital structure includes a preference stock class of 4,257 non-voting £1 units, each entitled to an annual 0.001% dividend. In March 1999, the Board offered to buy back all preference stock for cancellation. The remaining preference stock is now held by stockholders who did not respond to the offer. As over 25 years have now passed, the Board is taking steps to cancel the remaining preference stock class and return the capital associated with the stock to those stockholders. In the 2025 AGM notice (pages 100-106), the Board asks shareholders for authority to buy back and cancel the preference stock.

Fund management changes

Neil Hermon, who has been Fund Manager of the Company since 2002, intends to retire in September 2025, leaving behind a strong team and demonstrable investment philosophy. The Board extends its heartfelt thanks to Neil for his tremendous stewardship of the Company and the orderly way in which he is handing over the leadership reins to his well-established colleagues, including Indriatti van Hien, his Co-Manager. We wish him all the very best.

JHI, working with the Board, is recruiting an additional portfolio manager to join the team.

Board succession

Having served nine years on the Board, Victoria Sant will retire at our AGM on 7 October 2025. I would like to thank Victoria for her commitment, diligence and deep insight into environmental, social and governance ("ESG") matters from both a portfolio and corporate perspective as an ESG professional. In accordance with the Board's long-term succession plan, Mei Lim was appointed as a director in 2023 to succeed Victoria, and we will now return to a board of five members post the AGM.

Continuation vote

The Board has undertaken that shareholders should have the opportunity every third year to vote on whether they wish to continue the life of the Company. Shareholders will, therefore, be asked to vote on this at the forthcoming AGM as an ordinary resolution, which requires a majority vote in favour to pass.

The Board is recommending that shareholders vote in favour of continuation. We believe the Company's strategy of investing in smaller companies benefits especially from the investment trust structure, which brings the advantages of a stable asset base facilitating long-term investment decisions, the ability to use long-term borrowings to enhance shareholder returns, and the ability to smooth dividend payments over time which the Board has used to create a track record of long-term growth.

"The Fund Managers have implemented refinements to the investment process, supported by the Board, which they believe will enhance the stock-picking process."

Since the Company adopted its current approach under Neil Hermon, long-term performance has been strong, delivering an annualised NAV total return of 12.1% since November 2002, when Neil started managing the Company, and outperforming the benchmark in 16 of the last 22 years with an excess NAV total return of 385% in aggregate, and an annualised excess return of 1.7%. As outlined above, in response to recent underperformance, the Fund Managers have implemented refinements to the investment process, supported by the Board, which they believe will enhance the stock-picking process in line with the core and unchanged investment philosophy going forward.

In the meantime, the Company continues to conduct an extensive buyback programme motivated by several factors including the wider market context and has maintained the Company's status as an AIC Dividend Hero demonstrating the Board's commitment to creating value for shareholders.

The Board has been consulting closely with shareholders who have confirmed their support for the Company and continuation of the strategy.

We believe the Company's strategy of investing in smaller companies continues to represent an attractive opportunity for both long-term capital and dividend income growth, and benefits especially from the investment trust structure.

Annual General Meeting ("AGM")

We are pleased to invite shareholders to attend the AGM in person at our registered office at 11.30 am on Tuesday, 7 October 2025. We encourage shareholders to attend for the opportunity to meet the Board, Fund Manager Indriatti van Hien and the other members of the UK Smaller Companies team, including Shiv Sedani. Indriatti will give a presentation on the year under review and the outlook for the year ahead. Shareholders unable to join in person can join the meeting by videoconference.

In addition to the AGM, the Board is holding an online investor presentation this year, at 12 noon on Wednesday, 17 September 2025. This will include a Q&A session with the Chair and Fund Manager. The directors encourage shareholders to join, so they are fully informed about the Company's recent developments and its future plans, before voting on the AGM resolutions.

Further details can be found on page 63 and in the AGM Notice on page 100 onwards.

Outlook

Macroeconomic news flow continues to be noisy. The path for monetary policy remains uncertain. Inflation remains above central bankers' target range. Trump's 'America First' policies have started to usher in a new world order and have already triggered significant policy responses from governments in Europe. These changes could induce both inflationary and reflationary impulses, while the spectre of a recession caused by the uncertainty brought by Trump's tariffs would be deflationary. To compound the issue, geopolitics are still messy and conflicts in both Europe and the Middle East are bringing volatility to commodity prices. However, markets are forward looking and given the attractive starting valuations in the UK small and mid-cap equity market, less noise may be all that is needed to drive markets forward.

There is potential for the UK economy to beat GDP growth expectations. UK consumers continue to see real wage increases, corporates are benefitting from falling (but still restrictive) interest rates and both groups are sitting on strong balance sheets. Confidence is the catalyst needed to drive investment; hiring and spending decisions and recent sentiment gauges suggest that despite the noise, animal spirits are recovering, so we look to the year ahead with cautious optimism.

"The attractive valuations in this part of the market are well-documented. These claims are validated by continued in-bound M&A and ongoing share buyback programmes being sanctioned by boards."

Chair's Statement continued

Amid these challenging conditions, in aggregate the Company's portfolio continues to have quality bias and holds companies with robust business models which are soundly financed and being run by management teams whose incentives are aligned with our own. The attractive valuations in this part of the market are well-documented. These claims are validated by continued in-bound M&A and ongoing share buyback programmes being sanctioned by boards.

Over the long term, this Company seeks to capture the well-established small-cap premium: that is, the long-term outperformance of small caps over large caps driven by factors such as higher growth prospects and higher alpha-generating opportunities in this under-researched part of the market. Whilst the small-cap factor has proved elusive in the UK over the last 10 years – a period punctuated by the EU referendum vote, the protracted period of political and economic instability that ensued and 'UK exceptionalism' – we see good reasons for course correction. Stable politics puts growth back on the agenda in the UK. We see positive early indications of this through commitment to planning reforms, deregulation in the financial sector and most significantly, a resetting of the trading relationship with the EU. Improving sentiment towards UK plc would alleviate the acute technical pressure this part of the market has suffered from in terms of asset outflows, and we have seen the positive impact on performance that the inflows from global investors in calendar years 2015, 2017 and 2021 can bring. Smaller companies may underperform larger companies in periods of economic dislocation as investors flock to larger and more liquid asset classes, but history will show that they rebound most strongly after such periods.

We believe UK smaller companies continue to offer exciting growth opportunities to long-term investors. We remain confident in the ability of our Fund Managers to draw on their consistent and disciplined investment approach to generate significant long-term value.

Penny Freer
Chair of the Board
30 July 2025

Fund Managers' Report

Summary

- For the year under review, company-specific issues impacted a number of our larger holdings. Some of these issues are temporary in nature and we have taken action where necessary.
- UK smaller companies continued to trade on depressed valuations, as fiscal policy in the UK and US pushed bond yields higher and weighed on the outlook for growth during the period under review.
- We see several positive developments undertaken by the UK government which could change sentiment towards the asset class.

Fund performance

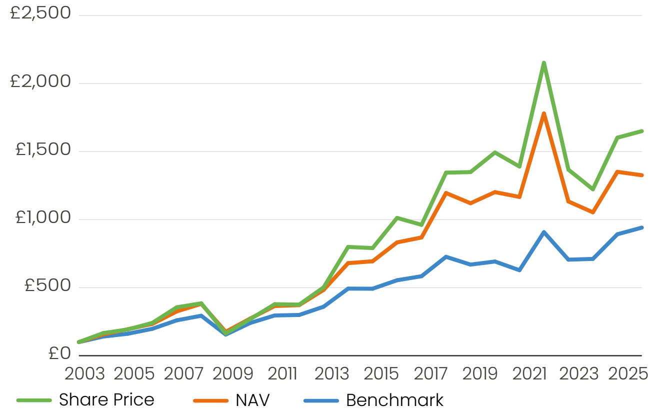
The Company had a disappointing year in performance terms, with its net asset value falling in absolute terms and underperforming the benchmark. The share price declined by 2.3% and the net asset value ("NAV") by 5.1% on a total return basis. This compared with an increase of 5.0% in the Company's benchmark total return, the Deutsche Numis Smaller Companies Index (excluding investment companies). The underperformance comprised negative contributions from stock selection, expenses and gearing whilst the ongoing share buyback has been a positive contributor to performance. At a macro-level our underperformance was a function of rising bond yields having a detrimental impact on the real economy and therefore earnings and valuations of our predominantly pro-cyclical and interest rate sensitive portfolio. The negative contribution from stock selection arose from company-specific issues impacting a number of our larger holdings. Many of these issues are temporary in nature and are already being fully reflected in underlying share prices. However, we continue to appraise all our positions through the lens of our rigorous investment process and have made changes where necessary. Despite it being a poor year for performance, the long-term record of the Company remains strong, materially outperforming its benchmark during the tenure of the UK smaller companies team, and in 16 of the last 22 years' discrete financial years.

Performance attribution

	Year ended 31 May	
	2025 %	2024 %
NAV total return	-5.1	14.5
Benchmark total return	5.0	18.2
Relative performance	-10.1	-3.7
Comprising:		
Stock selection without gearing	-9.3	-4.5
Gearing impact on stock selection	-1.0	-0.6
Gearing decision	-0.1	1.9
Expenses	-0.5	-0.5
Buyback	0.7	0.0

Source: Janus Henderson. See the glossary of terms on page 93 for an explanation of the 'gearing impact on stock selection' and 'gearing decision'

Value of £100 invested in 2003



Source: Morningstar Direct, 1 June 2003 - 31 May 2025

Fund Managers' Report continued

Market – year under review

Despite continued market volatility, UK equity markets posted positive returns in the year under review. The path for monetary policy continued to dominate investors' thoughts. The widely anticipated rate-cutting cycle started in earnest last summer (2024). Base rates fell by 1% in the UK to 4.25% and by a similar amount in the US to 4.25-4.5%, whilst in Europe they fell 1.75% to 2.25% by period end. However, expectations for further and faster cuts were ultimately undermined by shift changes in fiscal policy following elections in all three regions.

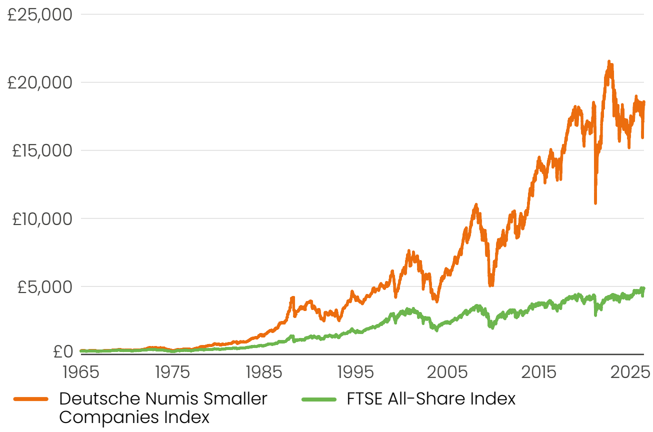
In the UK, the Labour Party's first Budget, which focused on taxing, spending and investing, saw an extra tax burden levied on corporates in the form of increased national insurance contributions and a requirement for additional significant gilt issuance due to a large increase in public spending. In the US, Trump secured a second term, having campaigned on an inflationary mix of policies such as tax cuts, immigration curbs and tariffs. Finally, a change in government in Germany came with debt brake reform and commitments to significant expenditure on infrastructure and defence. Consequently, yields on core 10-year government bonds have risen due to increased concerns around sticky inflation and how that country's fiscal policies may be on an unsustainable path.

Geopolitical uncertainty persisted and the period was most notably punctuated by a return to isolationism by the US. The level of reciprocal tariffs announced on 'Liberation Day' saw broader and more punitive tariffs than the market expected. Reprieve came soon after when the White House either paused or softened the implementation of these reciprocal tariffs to give time for trade deals to be negotiated, thus avoiding a full-scale trade war. Nevertheless, animal spirits were wounded and a formal trade agreement between the US and China is still outstanding. Oil prices fell and investor concerns around recession rose. Furthermore, ceasefire talks between Russia and Ukraine hit an impasse and during the pursuit of peace, the US made clear that European NATO members must take on more responsibility for their defence, which cast doubt over US commitment to Article 5 of the NATO treaty. The potential emergence of a new world order called US exceptionalism into question and the dollar depreciated against sterling as a result.

At home, the Labour Party won the general election with a resounding majority. After an unsteady start and marked fall in business and consumer confidence following the Budget, sentiment was boosted by the signing of trade deals with the US, India and most importantly Europe. All three deals should now play a role in reducing inflation, boosting growth in the long term and give cause to believe that the political risk premium that has pervaded UK equity market valuations may finally erode.

UK GDP growth was positive in the period and grew at 0.7% in the first quarter of 2025, the fastest rate of growth amongst the G7. In this environment, smaller companies underperformed their larger counterparts, with the Deutsche Numis Smaller Companies Index (excluding investment companies) up 5.0% against a rise in the FTSE All-Share Index of 9.4% as ongoing macro-uncertainty impacted the more cyclically sensitive part of the market. This year marks the sixth year of underperformance of UK small caps versus UK large caps in the last 10 years: an exceptional statistic, considering the well-documented long-term outperformance of smaller companies versus larger companies.

Value of £100 invested in 1965



Source: Deutsche Numis, 1 June 1965 - 31 May 2025

Gearing

Gearing started the year at 11.5% and ended at 10.2%. Debt facilities are a combination of £30 million 20-year unsecured loan notes at an interest rate of 3.33% issued in 2016, £20 million 30-year unsecured loan notes at 2.77% issued in February 2022, and £70 million short-term bank borrowings.

As the Company's NAV fell during the period under review, the use of gearing was a negative contributor to performance in the year. However, gearing has made a significant positive contribution to investment performance over the 22 years the fund management team has managed the investment portfolio.

Attribution analysis

The following tables show the top five contributors to, and the top five detractors from, the Company's relative performance.

Principal contributors

	12 month return %	Relative contribution %
Balfour Beatty	+38.2	+0.9
Wood Group[1]	-89.6	+0.8
SigmaRoc	+61.1	+0.7
Ascential[2]	+73.9	+0.7
Raspberry Pi	+86.6	+0.6

1 Not owned by the Company
2 Position sold during the year

Fund Managers' Report continued

Balfour Beatty is an international contractor and infrastructure investor. It operates three main verticals: construction services in the UK, US and Hong Kong, support services including the maintenance of infrastructure assets such as road, rail, energy and utilities in the UK and owning a portfolio of infrastructure investments including military housing in the US and schools, hospitals and student accommodation in the UK. The shares have performed strongly following robust order book growth and a continuation of strong cash generation which has enabled further cash returns to shareholders in the form of the growth in the regular dividend and share buybacks. Longstanding CEO Leo Quinn announced his retirement in the period under review and we await the views of incoming CEO Philip Hoare on existing margin targets and company structure, both areas where we see scope for further optimisation.

Wood Group is a multinational engineering, consulting and project delivery firm focused on the oil and gas industry. The Company's shares came under severe pressure following Sidara's abandoned takeover offer. Further share price pressure ensued when the company announced an independent review into its accounting practices following write-offs on large-scale projects. This review unearthed material governance and control failures. The Company did not own a position in this stock.

SigmaRoc is a building materials company operating in the UK and Europe. The business has expanded rapidly over the past year following its transformative acquisition of CRH's European lime and limestone operations which made the company a market leader in five European countries (Norway, Sweden, Finland, UK and Ireland) and put it in the number two position in another three countries (Germany, Poland and the Czech Republic). Lime and limestone are used in a broad range of industries including construction, steel, chemical, environmental and agricultural which provides good end-market diversification for the company. The shares have performed strongly on account of earnings upgrades driven by better-than-expected synergies from the CRH deal, increasing optimism around end-market revival following German debt brake reforms and an upbeat capital markets day which presented ambitious growth targets and shareholder friendly capital allocation policies.

Ascential is a global business-to-business events, market intelligence and advisory firm. Following the divestment of trend forecaster WGSN and its digital commerce business in the prior financial year, the rump of the business comprised two market-leading events: Cannes Lions and Money20/20. The business was acquired by global events operator Informa, at a substantial premium to the prevailing share price in October 2024.

Raspberry Pi is a developer of single board computers and microcontrollers for industrial and enthusiast customers. The company had a unique beginning, starting as a charitable foundation to build a low-cost compute module as a teaching aid. The products gained traction with developers at industrial companies where Raspberry Pis were used to displace internally made boards with a value-oriented solution. The company was listed in June 2024 and the shares performed strongly following good results and an optimistic long-term outlook driven by new product origination, customer wins and market growth in edge computing.

Principal detractors

	12 month return %	Relative contribution %
Next15	-72.6	-1.0
Impax Asset Management	-52.2	-1.0
Zegona Communications[1]	+64.4	-0.8
Future	-36.3	-0.8
TBC Bank[1]	+89.8	-0.7

1 Not owned by the Company

Next 15 is a technology and data-driven consulting business. The company's historic growth has been driven by new customer wins, digital investment opportunities and acquisitions. More recently, earnings growth has been challenged on account of weakness in government spending around elections and demand from tech clients. This in conjunction with the unexpected termination of a material contract with one of the company's largest customers triggered a material profits warning in September 2024. With the balance sheet in good shape, valuation materially compressed and a renewed focus by the board on value creation through self-help and disposals, we believe the shares offer attractive value.

Impax Asset Management is an environmentally and socially responsible focused asset manager based in the UK. Whilst the company has shown periods of impressive earnings growth from a combination of asset inflows and positive market performance in the past, the last 12 months has been more challenging due to the loss of a large intermediary client reducing assets under management and company profitability. Whilst the business remains attractive from a valuation and recovery perspective, we have reduced the position size in the portfolio to reflect the current outlook.

Zegona Communications is an investment company specialising in acquiring, improving and selling European telecommunications companies. It purchased Vodafone's Spanish operations in a majority debt-funded transaction during the period. The shares performed strongly on account of better-than-expected cost cutting and good progress towards selling its network business which would address the high leverage at the company. The Company did not own a position in this stock.

Future is a tech-enabled global platform for specialised media content operating three main verticals: business-to-consumer where it monetises specialist content through the sale of digital advertising, magazine subscriptions and affiliate links, Go.Compare, a UK-based price comparison and lead-generation platform and business-to-business where it delivers specialist content and services to professional and enterprise customers. Shares came under pressure towards the end of this period under review on account of management turnover and tariff-driven uncertainty which has caused brands to restrain marketing budgets, thus undermining the improving trajectory seen in the digital advertising business in 2024. Despite the pressure on earnings in recent years, the business has maintained resilient margins and cash generation which is supporting a substantial and ongoing share buyback programme. During the period under review, the company signed a licensing deal with Open AI which positively signals that management is working hard to get ahead of any trends which may disrupt audience growth or traffic flows to their sites. We believe the business is undervalued on a sum-of-the-parts basis and are encouraged by the board's renewed focus on portfolio optimisation in this respect.

TBC Bank is the largest commercial bank in Georgia. The shares rallied off the back of strong loan growth, expansion into Uzbekistan, the announcement of a new share buyback and bullish sentiment towards the region on hopes of a ceasefire in Ukraine. The Company did not own a position in this stock.

Portfolio activity

Trading activity in the portfolio was consistent with an average holding period of over five years. 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 cut out stocks that fail to meet these criteria.

Acquisitions

During the year we have added a number of new positions to our portfolio. These include, but are not limited to, the following:

Currys is an omnichannel electricals retailer operating in the UK, Ireland and Nordics. Market shares in the UK and Nordics are 23% and 28% respectively. After a programme of extensive store rationalisation and balance sheet repair, the business is in a stronger financial position, as signalled by the resumption of its regular dividend after a five-year hiatus. Our investment thesis is premised on an improvement in trading in both the UK and Nordics driven by recovering consumer confidence and a replacement cycle in consumer electronics as five years have elapsed since the pandemic-induced spending spree in the category. The shares are lowly valued relative to their margin targets, and continued delivery of the strategy should see a material re-rating of the shares.

FRP Advisory Group is a provider of restructuring, corporate finance and consulting services to corporates in the UK. The company was formed in 2010 through a management buyout and has expanded from a total network of 29 partners at inception, to over 100 today. The company is currently seeing strong tailwinds from the business recovery division as corporates restructure and reshape following a period of higher interest rates. With a supportive backdrop and plans for further acquisitions, FRP is well set for growth over the medium term.

Genus is a leading global porcine and bovine genetics supplier. It breeds proprietary pig and cattle herds which are optimised for traits which boost farmers' margins and delivers its products to customers in the form of both semen and live animals. Its market shares in porcine and bovine genetics are 16% and 8% respectively. Our investment gives us exposure to healthcare intellectual property and a management team focused on improving earnings and returns in its bovine business and building out a market leading position in China, which represents 50% of global pork production, in its porcine business. In addition, we see valuation upside from the optionality around the approval and commercialisation of its gene-edited disease-resistant pig product (PRRSv).

Johnson Service Group is a provider of workwear and linen rental services for the hotel, restaurant and catering industries. The company has operations in the UK and Ireland and employs over 6,500 people. After a challenging period during Covid, the group is on a stronger footing, with a more agile operating model, an improved pricing dynamic and higher retention of existing customers. Furthermore, with lower volatility in energy costs, the company has the potential to improve its margins over time. The company's strong balance sheet should allow the business to grow both organically and through acquisition.

Pinewood Technologies is a provider of cloud-based enterprise software for the car dealership industry. The company was listed following a spin-out from Pendragon, a UK automotive retailer, which was acquired by Lithia Motors. Whilst the car dealership market is mature, Pinewood has a meaningful opportunity to grow in an industry where there has been notable under-investment in software by owners to improve service quality and reduce costs. Competitor providers have also not kept up with the pace of innovation, leaving Pinewood, with its leading cloud-based platform, to target customers who are stuck with legacy solutions. Recent contract wins with large dealerships demonstrate the group's right to win and underpins confidence for the group's future growth profile.

Spire Healthcare is a leading independent healthcare group operating in the UK. It operates 38 private hospitals and over 50 clinics, serving self-pay, insured and NHS patients. Our investment thesis is centred around management's plans to drive volumes and improve returns. We took advantage of a material pull-back in the shares caused by increased labour cost headwinds which pushed margin targets back to initiate a position in the stock. We believe the valuation is underpinned by the freehold assets of the 19 hospitals the company owns, and we see upside to medium-term revenue forecasts and returns from increasing demand for elective procedures driven by long waiting lists and the capital-light expansion of its primary care services.

Disposals

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 we saw better opportunities in which to recycle capital.

These disposals included: our position in **CLS**, an office and commercial real estate operator with properties in the UK, Germany and France following concerns around how the company would manage leverage, the need to reinvest in its estate and sustain the dividend; and our position in **Morgan Advanced Materials**, a manufacturer of specialist carbon and ceramic components. Operational performance at the business has been disappointing, and the investment into Silicon Carbide has not lived up to expectations. With a delayed industrial market recovery, we expect trading conditions to remain difficult.

We also disposed of our positions in: **Midwich**, a global audio and visual distributor; **Severfield**, a UK structural steel contractor; **Spectris**, a specialist provider of high-tech instruments, test equipment and software; **Synthomer**, a specialist chemicals company; and **Videndum**, a manufacturer and supplier of camera equipment accessories, on concerns around leverage in the context of delayed end-market recovery in their respective industries. In many cases there is a requirement for these businesses to dispose of assets to address elevated balance sheet leverage. Given the uncertain macroeconomic backdrop, we assessed the risk of not being able to consummate deals or having to accept lower valuations as high.

We disposed of our position in **Liontrust**, a UK asset manager, following a disappointing flow environment and challenges in relation to future profitability of the business.

Finally, we disposed of our long-standing holding in **RWS**, a tech-enabled language services provider around both cyclical and structural concerns, in particular the deteriorating returns profile of the business as it seeks to pivot its service model and invest more in AI.

Takeover activity

Takeover activity in the portfolio persisted during the year as trade buyers and private equity alike continued to exploit the attractive valuations in the UK small and mid-cap space. Takeover bids were received for: **Alliance Pharma**, a consumer healthcare company, from DBay Advisors; **Alpha Financial Markets**, a provider of management consulting and technology services to the financial service services industry, from Bridgepoint; **Ascential**, a B2B events operator for the marketing and fintech industries, from Informa; and **Learning Technologies**, a provider of educational technology and talent management software, from General Atlantic.

Top ten positions

The following table shows the Company's top ten stock positions and their active weight versus the Deutsche Numis Smaller Companies Index (excluding investment companies):

Top ten positions at 31 May 2025	Portfolio %	Index weight %	Active weight %
Paragon Banking	3.7	1.2	2.5
Balfour Beatty	3.3	–	3.3
Bellway	3.3	–	3.3
Mitchells & Butlers	2.9	1.1	1.8
Just Group	2.4	1.0	1.4
Volution	2.4	0.8	1.6
OSB Group	2.4	1.2	1.2
Vesuvius	2.0	0.6	1.4
SigmaRoc	2.0	–	2.0
Serco	2.0	1.2	0.8

A brief description of the largest positions (excluding Balfour Beatty and SigmaRoc which were covered earlier) follows:

Paragon Banking is a speciality lender with a primary focus on providing buy-to-let mortgages to professional landlords. The company enjoys a strong capital position, enabling it to grow dividends whilst simultaneously buying back its own stock. Regulations on complex underwriting and the sophistication of its underwriting capability have allowed Paragon to grow market share from non-bank lenders which have suffered in the rising rate environment. As base rates fall and business and consumer confidence improves, commercial loans and mortgages should become more affordable which should increase lending volumes. Paragon should also benefit from government-driven deregulation of the financial services sector which could potentially lower capital requirements, increase the scope for capital returns to shareholders and boost lending volumes.

Bellway is a national UK housebuilder. The company has a robust long-term track record of controlled expansion, and solid operational and financial performance whilst maintaining a strong balance sheet. Recent weakness in the housing market, caused by the economic downturn and rising interest rates, has put short-term profitability under pressure across the industry as house prices soften and volumes contract. However, the business remains well placed to benefit from any recovery on account of its well-invested land bank. The Government's ambitious housebuilding targets which seek to address the structural undersupply of homes in the UK should provide tailwinds for the sector as planning reforms are enacted. Valuation support is provided by the discount to NAV at which the shares currently trade.

Fund Managers' Report continued

Mitchells & Butlers is a national owner and operator of pubs in the UK. Its major brands include All Bar One, Browns, Harvester, Toby Carvery, O'Neill's, Miller & Carter, Nicholson and Ember Inns. The vast majority of its pubs are owned freehold, meaning it has substantial asset-value backing. The company has consistently outperformed peers in terms of like-for-like revenue growth on account of its well-invested estate, diversified brand portfolio and consistency of customer service. Whilst cost inflation remains acute, management has reliably managed to mitigate these headwinds through its 'ignite' efficiency programmes. The company is steadily repaying its securitised debt, enabling a transfer of value from debt to equity, a trend which will now be accelerated as its pension deficit is cleared. The shares trade at a substantial discount to recent industry transaction multiples and its NAV.

Just Group is an annuities provider in the UK. The business provides both bulk annuities, where it assumes the liability for paying for defined benefit pensions for a corporate's pension scheme in exchange for an upfront premium; and personal annuities, where it sells policies to individuals which pay a fixed stream of income to a policyholder for the remainder of their life, in exchange for an upfront lump-sum premium. After a difficult period for the annuities market as low base rates dampened demand, and increasingly stringent solvency rules made it more capital-intensive to grow, the business is benefitting from higher interest rates and increased pension de-risking activity. Our investment thesis is premised on enduring growth, supported by capital resilience in conjunction with a valuation which does not reflect the economic value-add currently being generated by the business.

Volution is a leading specialist in indoor air quality and ventilation systems operating primarily in the UK, Australia, Nordics and Continental Europe. It has exposure to both the new-build (private and public) and residential repairs, maintenance and improvement (RMI) market. Volution generates industry-leading margins driven by efficient supply chain management and better execution of its in-house manufacturing process. The investment case is premised on regulation and green-housing trends continuing to drive growth in demand for ventilation products in conjunction with a recovery in RMI spend in the UK. Finally, we expect organic growth to continue to be augmented by acquisitive growth under the ambitious and long-standing management team.

OSB Group is a speciality lender with a primary focus on providing buy-to-let mortgages to professional landlords. Regulations on complex underwriting and the sophistication of its underwriting capability have allowed OSB to grow market share. After a difficult period for the company as base rates increased, stoking fiercer competition for flow, which drove both asset and deposit spreads down, net interest margin expectations have now been set at a more realistic level. The shares trade at an attractive discount to tangible book value and in our view, do not reflect the mid-teens return on tangible equity guidance set by management. The company retains a strong capital position allowing it to return significant cash to shareholders through share buybacks and growing dividends. Like Paragon Banking, OSB should similarly benefit from deregulation in the financial services sector.

Vesuvius is a materials technology company. The company provides steel flow control, foundry technologies, advanced refractories and metal processing products and services to customers around the world. The business has gone through significant rationalisation over recent years removing excess capacity and improving returns on capital and margins. The company has demonstrated robust pricing power during the recent inflationary period, validating its leading market position and high value add of its products. Although the steel industry is seeing the impact of global economic weakness, not helped by recent tariff uncertainty, the business is well positioned to enjoy strong growth once markets recover, especially as margins have clear scope to strengthen. We are being paid to wait as strong cash generation has allowed the company to continue to pay a healthy dividend to shareholders.

Serco is a leading global government outsourcer, providing a range of services across defence, justice and immigration, citizen services, health and facilities management and transport sectors. It operates globally but its key markets comprise the UK and US. The business employs 50,000 people in over 20 countries. The business has over 500 contracts with governments, and the top 20 contracts account for nearly half of group revenues. Our investment case is premised on continued strong demand for the outsourcing of public services from governments running increasingly stretched budget deficits. An under-leveraged balance sheet should provide optionality around M&A or further cash returns and a valuation multiple which we believe underappreciates the strong margins in its growing defence business.

Portfolio weightings

As at 31 May 2025, the portfolio was weighted by company size as follows:

	Weighting %	
	31 May 2025	31 May 2024
FTSE 100	0.0	0.0
FTSE 250	84.5	77.7
FTSE Small Cap	9.8	12.6
FTSE AIM	15.9	21.2
Gearing	(10.2)	(11.5)

Market outlook

After a year of elections across major economies, it should come as no surprise that global markets are set to remain volatile. New governments are in the process of implementing the bold policy promises they campaigned on. In the US, the start of Trump's second term has already brought trade policy shocks, foreign policy reversals, multiple U-turns and cast doubt over Federal Reserve independence with much of this being communicated via social media. Unpredictable policymaking from the world's largest economy has raised concerns around a global economic slowdown. As base rates are still restrictive across major economies there is an obvious lever central bankers can pull to stimulate demand. However, inflation is still sticky and central bankers are taking a cautious approach to rate cuts while they wait to see how policy changes, tariffs and tax cuts in the US and labour cost increases in the UK manifest themselves in price growth. Lower oil and energy prices, despite continued military conflict, are helping keep headline inflation at bay.

Corporates and consumers are dealing with unprecedented uncertainty, which has precipitated volatile readings in sentiment indicators, albeit from a position of strength. Amongst UK consumers, savings ratios remain high and unemployment relatively low. Moreover, corporate management teams remark that since the pandemic they have become so accustomed to market upheaval that operating frameworks are already in place for new challenges they may face. We take comfort in this and the strong balance sheets of both corporates and consumers, noting that they are intrinsically healthier than they were ahead of the Global Financial Crisis in 2008-2009.

Geopolitics are set to remain challenging. Conflicts in Ukraine and the Middle East are struggling to reach stable resolutions and heightened tensions between China and the US persist. These themes are not new. What distinguishes this year is the emerging challenge to US exceptionalism. The country's moral leadership and economic dominance being called into question has manifested itself in a weaker dollar and the potential for lower foreign investment in the region. It is too early to say whether or not this will be an enduring theme. In stark contrast, however, we believe UK exceptionalism is abating.

There is no denying that the Labour Government's 'honeymoon period' following its landslide election victory was short-lived and that the Government is faced with the challenge of reviving economic growth while walking a fiscal tightrope. However, its recent focus on deregulation within the financial services sector suggests that there are signs the Government understands the need to get the private sector back onside. Stable politics, a resetting of the UK's relationship with the European Union, its largest trading partner, investment in capital projects and a real focus on supply side reform should attract business investment and foreign capital into the country. All else being equal, a 1% shift in global equity allocations away from the US and into the UK would drive a 25% uplift to assets in the market. The current dismal allocations to UK small-cap equities mean small changes can make a material difference in underlying valuations in this flows-driven part of the market.

After a lost decade in UK smaller companies, starting with uncertainty about the EU referendum vote, we see good reasons why fortunes could change and history will show that small caps perform best after periods of economic dislocation. UK small-cap valuations remain attractive and sit well below long-term averages. They also remain markedly depressed versus other developed markets, even on a sector-adjusted basis. The persistent in-bound M&A activity the market is experiencing tells you that many market players are already taking notice and boards have never been keener to signal value through share buybacks. The IPO market has remained quiet; a re-rating of the broader market can quickly change this. Once the flywheel starts, it will be hard to stop.

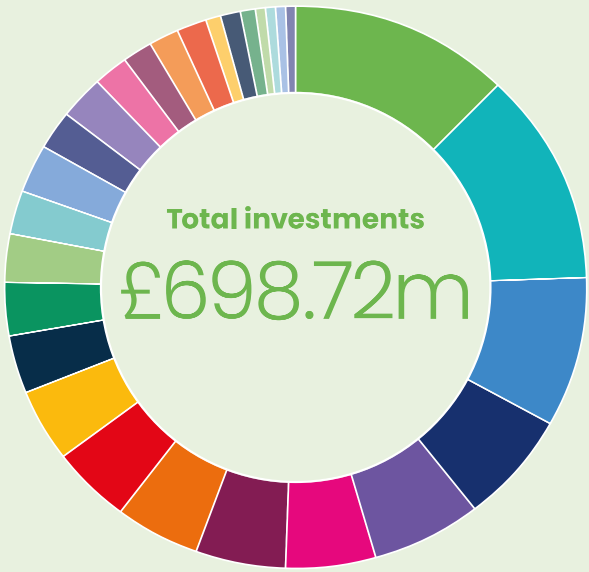
We acknowledge the uncertainty around economic conditions but feel confident that our long-standing investment process will yield a well-diversified portfolio of companies on attractive multiples that can deliver cash-generative growth. There is no shortage of investment opportunities in this market and notwithstanding a difficult few years for performance, we remain confident in our ability to generate significant value from a consistent and disciplined investment approach which has delivered so powerfully over the longer term.

Indriatti van Hien and Neil Hermon
Fund Managers
30 July 2025

Portfolio snapshot

Subsector breakdown

Analysis of total equity investments by subsector at 31 May



Equities	Portfolio 2025 %	Portfolio 2024 %
Software and Computer Services	12.4	13.8
Construction and Materials	12.3	10.5
Investment Banking and Brokerage Services	8.5	8.9
Travel and Leisure	6.4	6.2
Finance and Credit Services	6.1	5.7
Retailers	5.0	2.0
Industrial Support Services	4.9	6.8
Aerospace and Defence	4.9	3.7
Electronic and Electrical Equipment	4.3	8.4
Household Goods and Home Construction	4.3	4.2
Media	3.2	3.7
Telecommunications Service Providers	3.0	2.4
Oil, Gas and Coal	2.9	3.2
Real Estate Investment and Services	2.6	2.8

Equities	Portfolio 2025 %	Portfolio 2024 %
Industrial Engineering	2.6	3.5
Life Insurance	2.4	1.6
Real Estate Investment Trusts	2.3	2.2
Industrial Transportation	2.1	2.0
Industrial Metals and Mining	1.7	1.6
Leisure Goods	1.7	1.7
Pharmaceuticals and Biotechnology	1.4	0.7
Personal Goods	1.1	1.2
Chemicals	1.0	2.1
Medical Equipment and Services	0.9	0.3
Consumer Services	0.6	0.5
Technology Hardware and Equipment	0.5	–
Personal Care, Drug and Grocery Stores	0.5	–
Health Care Providers	0.4	0.1
Telecommunications Equipment	–	0.2

See page 74 which shows total investments held at fair value in the Balance Sheet. As at 31 May 2025, the Company had no holdings in the following sectors: Closed-end investments and General Industrials. Sources: Factset, Janus Henderson

Portfolio holdings

As at 31 May 2025

Ranking				Valuation		
2025	2024	Company	Principal activities	2025 £'000	2024 £'000	Portfolio %
1	1	Paragon Banking	Buy-to-let mortgage provider	26,077	27,198	3.7
2	5	Balfour Beatty	International contractor	23,311	21,541	3.3
3	3	Bellway	Housebuilder	22,919	25,039	3.3
4	2	Mitchells & Butlers	Hospitality operator	20,264	25,487	2.9
5	14	Just Group	Enhanced annuity provider	16,987	13,623	2.4
6	16	Volution	Producer of ventilation products	16,568	12,651	2.4
7	7	OSB Group	Buy-to-let mortgage provider	16,531	20,416	2.4
8	8	Vesuvius	Ceramic engineering	14,230	19,520	2.0
9	41	SigmaRoc[1]	Aggregates supplier	13,878	9,141	2.0
10	17	Serco	Outsourcing services	13,850	12,446	2.0
11	13	Chemring	Defence products & services	13,649	13,896	1.9
12	4	Oxford Instruments	Advanced instrumentation equipment	12,598	22,330	1.8
13	6	Future	Specialist print & digital media company	12,312	21,200	1.8
14	10	IntegraFin	Investment platform	12,036	14,918	1.7
15	9	Gamma Communications	Telecommunications	11,997	15,972	1.7
16	23	Softcat	Software reseller	11,039	11,620	1.6
17	63	Morgan Sindall	Diversified building contractor	10,749	5,222	1.5
18	29	QinetiQ	Defence services	9,955	10,840	1.4
19	32	Bytes Technology	Software reseller	9,834	10,626	1.4
20	43	Rathbones	Private client wealth manager	9,559	8,726	1.4
21	55	Wickes	DIY retailer	9,086	6,622	1.3
22	15	GB Group[1]	Data intelligence services	8,871	13,087	1.3
23	40	MONY Group	Price comparison website	8,827	9,442	1.3
24	11	Computacenter	IT reseller	8,806	14,482	1.3
25	70	Telecom Plus	Provider of consumer services	8,679	4,287	1.2
26	27	Everplay[1]	Games software developer	8,648	11,284	1.2
27	64	Moonpig	Online card & gift retailer	8,370	5,049	1.2
28	30	Workspace	Real estate investment & services	8,340	10,700	1.2
29	36	ZIGUP	Commercial vehicle hire	8,131	9,838	1.2
30	21	Genuit	Building products	8,129	11,713	1.2
31	25	Savills	Property transactional consulting services	7,976	11,400	1.1
32	58	Avon Technologies	Defence products	7,858	5,799	1.1
33	39	Hollywood Bowl	Ten-pin bowling operator	7,736	9,570	1.1
34	20	Bodycote	Engineering group	7,723	12,064	1.1
35	56	Harworth	Urban regeneration & property investment	7,702	6,364	1.1
36	53	Keller	Ground engineering services	7,676	6,826	1.1
37	–	Baltic Classifieds	Online classifieds platform	7,653	–	1.1
38	37	Watches of Switzerland	Luxury watch retailer	7,606	9,830	1.1
39	61	JTC	Fund administrator	7,366	5,400	1.0
40	33	Victrex	Speciality chemicals	7,204	10,609	1.0
41	–	Currys	Electronics retailer	7,175	–	1.0
42	48	Serica Energy[1]	Oil & gas exploration & production	7,124	7,923	1.0
43	–	AJ Bell	Investment platform	6,995	–	1.0
44	46	Luceco	Electrical products	6,873	8,307	1.0
45	35	Crest Nicholson	Housebuilder	6,824	9,988	1.0
46	18	Renishaw	Precision measuring & calibration equipment	6,501	12,385	0.9
47	24	Pagegroup	Recruitment company	6,468	11,440	0.9
48	51	Clarkson	Shipping services	6,410	7,193	0.9
49	94	Alfa Financial Software	Leasing software	6,336	1,978	0.9
50	68	DFS	Furniture retailer	6,198	4,600	0.9

1 Quoted on the Alternative Investment Market

Portfolio holdings continued

Ranking 2025	Ranking 2024	Company	Principal activities	Valuation 2025 £'000	Valuation 2024 £'000	Portfolio %
51	88	Domino's Pizza	Franchise operator of pizza outlets	6,194	2,493	0.9
52	60	Wilmington	B2B information provider	6,135	5,738	0.9
53	62	Auction Technology	Online auction software provider	5,929	5,272	0.8
54	50	Burford Capital[1]	Litigation finance	5,859	7,267	0.8
55	38	Hunting	Oil equipment & services	5,761	9,695	0.8
56	72	Bridgepoint	Private equity fund manager	5,579	4,111	0.8
57	26	Foresight	Specialist fund manager	5,330	11,376	0.8
58	76	XPS Pensions	Pensions consultancy	5,254	3,795	0.7
59	–	Genus	Animal genetics products & services	5,196	–	0.7
60	44	Trainline	Online ticket retailer	4,708	8,597	0.7
61	–	Johnson Service Group[1]	Hotel & workwear linen services	4,561	–	0.7
62	96	Hill & Smith	Fabricated metal products	4,477	1,578	0.6
63	73	Stelrad	Radiator manufacturer	4,404	4,060	0.6
64	71	Bloomsbury Publishing	Consumer & academic publisher	4,316	4,227	0.6
65	47	XP Power	Electrical power products	4,244	7,980	0.6
66	–	Trustpilot	Consumer review platform	4,203	–	0.6
67	74	Empiric	Student accommodation	4,113	3,847	0.6
68	66	GlobalData[1]	B2B information provider	4,061	5,005	0.6
69	75	RM	Education software & services	4,001	3,816	0.6
70	–	Pinewood Technologies	Automotive software & services	3,942	–	0.6
71	67	AB Dynamics[1]	Automotive testing & measurement products	3,904	4,927	0.6
72	–	FRP Advisory[1]	Investment advisory services	3,838	–	0.6
73	92	Capricorn Energy	Oil & gas exploration & production	3,833	2,021	0.6
74	52	Harbour Energy	Oil & gas exploration & production	3,738	6,930	0.5
75	–	Raspberry Pi	Computer board manufacturer	3,521	–	0.5
76	81	Advanced Medical Solutions[1]	Medical supplies manufacturer	3,491	2,875	0.5
77	–	Kitwave[1]	Distributor of food & drink products to the retail sector	3,486	–	0.5
78	77	Helical	Office property investor & developer	3,471	3,472	0.5
79	80	ME Group	Vending equipment	3,432	2,925	0.5
80	–	4imprint	Promotional products & services	3,224	–	0.5
81	59	SThree	Recruitment company	3,128	5,784	0.5
82	–	Spire Healthcare	Private healthcare services	3,122	–	0.5
83	28	Next 15[1]	PR & media services	3,072	10,957	0.4
84	84	Young & Co's share class A[1]	Pub operator	2,916	2,778	0.4
85	100	Oxford Biomedica	Gene & cell therapy	2,765	725	0.4
86	78	Essentra	Industrial distributor	2,699	3,337	0.4
87	83	Grainger	Residential property investor	2,609	2,869	0.4
88	–	Niox[1]	Medical supplies manufacturer	2,564	–	0.4
89	89	Young & Co's share class NV[1]	Pub operator	2,548	2,464	0.4
90	–	Cohort[1]	Defence services	2,528	–	0.4
91	86	Pebble[1]	Promotional products & services	1,659	2,666	0.2
92	12	Impax Asset Management[1]	ESG-focused investment manager	1,569	14,322	0.2
93	82	Benchmark Holdings[1]	Aquaculture services	1,565	2,873	0.2
94	90	Eurocell	Building products	1,553	2,318	0.2
95	95	Tribal[1]	Educational support services & software	1,408	1,964	0.2
96	91	Pulsar[1]	Marketing services software provider	1,178	2,238	0.2
		Total equity investments		**698,722**		**100.0**

There were no convertible or fixed interest securities at 31 May 2025 (2024: None).

1 Quoted on the Alternative Investment Market

Case studies

Softcat

Initial investment

2015

Percentage of portfolio

1.6%

(as at 31 May 2025)

What does it do?

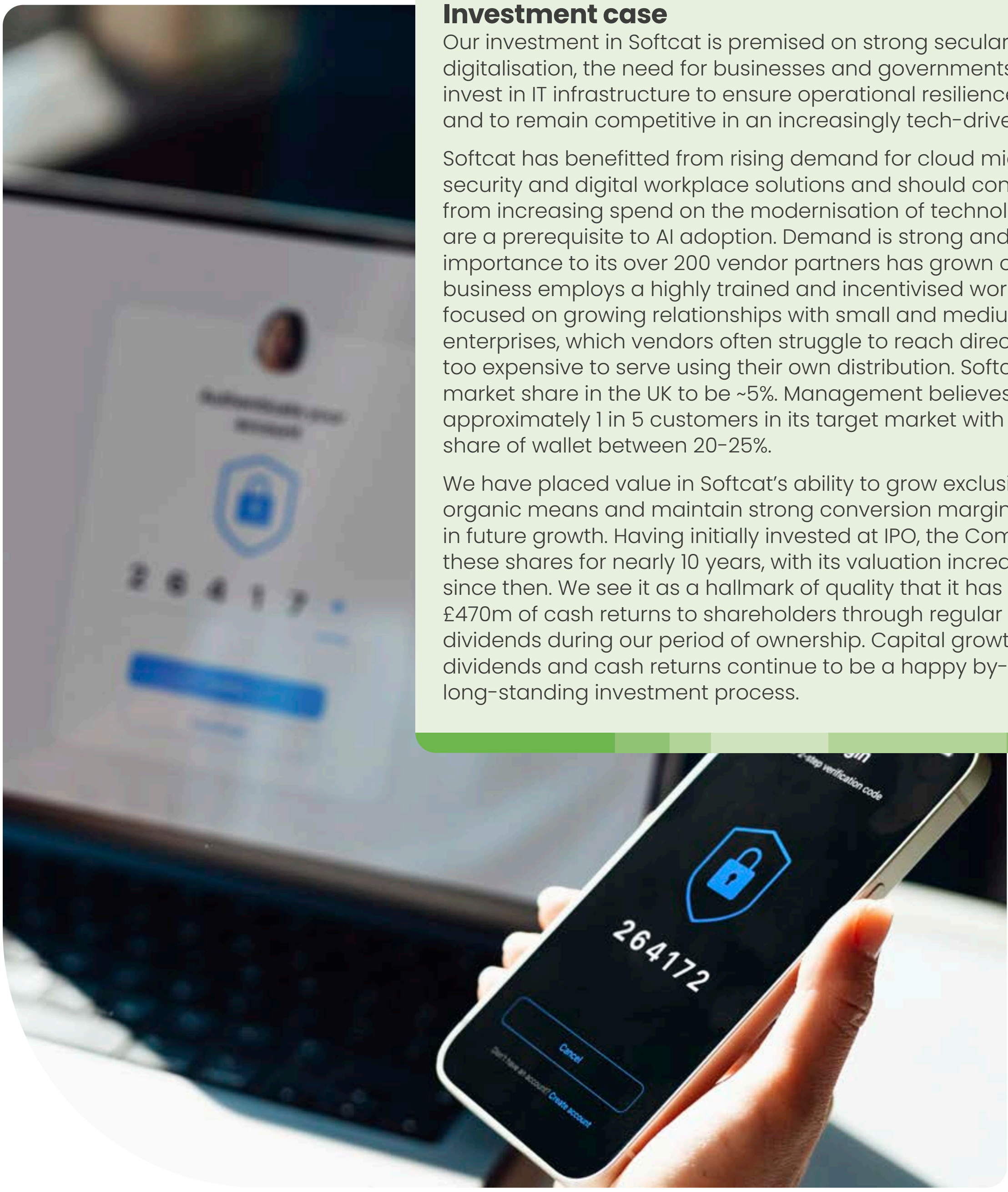
Softcat is an IT infrastructure provider which delivers comprehensive technology solutions to UK and international corporate and public sector customers. It is a value-added reseller of both hardware and software. The business was founded in 1993 and listed on the main market of the London Stock Exchange in 2015.

Investment case

Our investment in Softcat is premised on strong secular growth trends in digitalisation, the need for businesses and governments of all sizes to invest in IT infrastructure to ensure operational resilience and efficiency and to remain competitive in an increasingly tech-driven economy.

Softcat has benefitted from rising demand for cloud migration, cyber security and digital workplace solutions and should continue to benefit from increasing spend on the modernisation of technology stacks that are a prerequisite to AI adoption. Demand is strong and Softcat's importance to its over 200 vendor partners has grown over time. The business employs a highly trained and incentivised workforce and is focused on growing relationships with small and medium-sized enterprises, which vendors often struggle to reach directly or are simply too expensive to serve using their own distribution. Softcat estimates its market share in the UK to be ~5%. Management believes it serves approximately 1 in 5 customers in its target market with an average share of wallet between 20-25%.

We have placed value in Softcat's ability to grow exclusively through organic means and maintain strong conversion margins whilst investing in future growth. Having initially invested at IPO, the Company has owned these shares for nearly 10 years, with its valuation increasing by multiples since then. We see it as a hallmark of quality that it has distributed over £470m of cash returns to shareholders through regular and special dividends during our period of ownership. Capital growth is our aim, but dividends and cash returns continue to be a happy by-product of our long-standing investment process.



Case studies continued

Chemring

Initial investment

2019

Percentage of portfolio

1.9%

(as at 31 May 2025)

What does it do?

Chemring is a leading defence company based in the UK. The group supplies products and solutions to protect people, platforms, missions and information in a constantly evolving threat environment. The company is organised under two strategic product segments: Sensors & Information and Countermeasures & Energetics.

Investment case

The war in Ukraine and heightened geopolitical tensions have refocused government efforts to increase defence spending and meet NATO targets. Chemring is a beneficiary of this market backdrop, providing a wide array of products and services to defence customers. An important factor for growth going forward will be the group's investment into Energetics; this part of the business supplies energetic materials that are used in various military devices. With a lack of supply availability across Europe, there has been a renewed government focus on increasing domestic capacity to develop a European military industrial base.

As an example of this in practice, the Norwegian government has provided Chemring with funding to double production at its existing energetics facility and is supporting the development for a second site with a feasibility study underway. Other European countries are taking note and have commenced separate surveys with Chemring to find suitable manufacturing locations.

Altogether, the growth in the energetics business and the increased European defence spend should help the company deliver on its ambitious targets to reach £1bn in revenue by 2030, from the £510m achieved in 2024. This implies a long runway of growth for the company, which should be delivered at attractive rates of return.

Business model

Investment objective

Growth & Income

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

Purpose

The Company's purpose is to provide shareholders with long-term growth through investing in UK smaller companies in a form of investment accessible to investors, both large and small. It appoints Fund Managers to do this by following a disciplined process of investment in a diversified portfolio of quoted companies which benefit from sustainable growth trends, and it controls costs and uses borrowings to enhance returns.

Investment policy

Smaller companies are defined as any company outside the FTSE 100 Index. Once a portfolio company enters the FTSE 100 Index, the Fund Managers have, in normal circumstances, six months to sell the position.

Investments may include shares, securities and related financial instruments, including derivatives. The following investment ranges apply:

- Equities: 80% – 100% of total gross assets
- Fixed income and cash: 0% – 20%

The Company maintains a diversified portfolio and cannot:

- Invest more than 5% of its total gross assets in any one holding; or
- Hold more than 10% of an investee company's equity,

in each case measured at the time of investment (or additional investment).

The Board may give approval to the Manager to exceed these limits to as far as 10% and 20% respectively but only in exceptional circumstances.

It is the stated investment policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

Derivatives

The Company may use financial instruments known as derivatives for the purpose of efficient portfolio management.

Gearing

Net gearing (defined as all borrowings less cash balances and investments in cash funds) is limited by the Board to a maximum of 30% of shareholders' funds.

Investment selection

The Fund Managers use rigorous research to identify high quality smaller companies with strong growth potential. The benchmark is the Deutsche Numis Smaller Companies Index (excluding investment companies). Generally, new investments are made in constituents of the benchmark index, but they may continue to be held when the underlying companies grow out of the smaller companies sector. The Fund Managers' investment approach is selective, aiming to deliver higher returns than our equity benchmark. The Manager is not a passive or indexed investor. Reflecting this, the portfolio's active share at 31 May 2025 was 63.3% (67.7% at 31 May 2024).

Borrowings

The Company has access to borrowings up to £120 million (2024: £120 million), comprising £50 million unsecured loan notes and a £70 million committed bank facility with BNP Paribas, London Branch. In addition, the Company has a small amount of preference stock in issue (see the Chair's Statement on page 9 for more details).

Structure

Founded in 1887, the Company operates as an investment trust under s1158 Corporation Tax Act 2010 and so enjoys exemption from corporation tax on capital gains. Governed by its articles of association and accountable to its shareholders, the Company is a public company limited by shares. It trades on the main market of the London Stock Exchange, with a FTSE 250 listing in the closed-ended investment funds category, and as such complies with FCA requirements, including the UK Listing Rules and Disclosure Guidance and Transparency Rules. The Company is also a member of the Association of Investment Companies.

Business model continued

Strategy

Our strategy is to offer investors a cost-effective investment proposition, which provides access to an active, professionally managed portfolio of investments while benefitting from the capital gains treatment afforded to investment trusts under the Corporation Tax Act 2010. As an investment trust, the Company is a pooled investment vehicle, allowing exposure to a diversified range of assets through a single investment, thus spreading the investment risk.

Operating as an investment company, the Company delegates operational matters to reputable, specialised third-party service providers. The board of independent non-executive directors (the "Board") retains oversight of the Company's operations and monitors and challenges its service providers. The non-executive directors are all independent of the investment manager and other service providers. The Board is accountable to shareholders, who can remove a director from office where they deem it to be in the interests of the Company.

The significant advantages of this business model are due to the closed-end nature of investment trusts, which enables the Fund Managers to hold a long-term view on investments and remain fully invested in both normal and volatile conditions, as well as to use leverage to increase returns for shareholders.

Culture and values

Throughout its long history, the Company has remained true to its investment objective supported by investment capability and values characterised by openness, challenge, diversity, adaptation and integrity. This openness and constructive challenge extends to the Board's culture and interaction with its service providers. The directors expect all the Company's service providers to uphold the same values as the Board. This applies particularly to the Manager, who is responsible for the management of the Company's portfolio. Given the long-term nature of the investment proposition, these factors remain core elements of company culture and continue to influence the Board's long-term strategy.

The Board seeks to make the most effective use possible of the diversity of skills, characteristics and experience of its members. At the date of this report, the Board comprises six directors, four of whom are female and two are male. Their biographies are set out on pages 43-44 and details of gender and ethnic representation are on page 58. The Board's diversity policy is set out on pages 57-58. The Board recognises that the Manager fosters and maintains an environment that values the talents and contributions of individuals, and strives to cultivate and practise inclusiveness for the long-term success of the business and for the benefit of its employees, investors and stakeholders more generally.

Management

The Company qualifies as an 'alternative investment fund' in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). The Board appointed Janus Henderson Fund Management UK Limited ("JHFM") as its 'alternative investment fund manager' ("AIFM"). JHFM delegates investment management services to Janus Henderson Investors UK Limited ("JHIUK"). The management arrangements are set out in an agreement effective from July 2014 and most recently revised in July 2024 to reflect current regulation and industry standards, with no changes to terms affecting the relationship with JHFM.

The Management Engagement Committee (see page 56) annually reviews the management agreement, which can be terminated with six months' notice. Both JHFM and JHIUK are authorised and regulated by the FCA and are part of the Janus Henderson Investors group of companies. References to 'Janus Henderson', 'JHI', or the 'Manager' refer to the services provided to the Company by the Janus Henderson Investors group of companies.

Neil Hermon has been Fund Manager since November 2002 and is retiring in September 2025. The fund management team will then be led by Indriatti van Hien, who was appointed as the Company's Co-Fund Manager with effect from January 2025, having previously been Deputy Fund Manager since 2016. The fund management team receives a proportion of any performance fee paid by the Company to the Manager and a proportion of that is deferred into shares in the Company. Neil and Indriatti have shareholdings in the Company.

The Company does not have employees, premises or operations. Janus Henderson and its subsidiaries provide accounting, sales, marketing and general administrative services. Some of the administration and accounting services are carried out, on behalf of the Manager, by BNP Paribas. Janus Henderson Secretarial Services UK Limited acts as corporate secretary.

Business ethics

As the Company's operations are delegated to service providers, the Board seeks assurances, at least annually, from its service providers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010, Criminal Finances Act 2017, and sanctions element of the Economic Crime (Transparency and Enforcement) Act 2022. The Company has received assurances from its main suppliers that they maintain a zero-tolerance policy towards the provision of illegal services.

Fee arrangements with the Manager

Management fee

The management agreement provides for the payment of a composite management fee. The fee is charged at 0.35% of net assets per annum, payable quarterly in advance at a rate of 0.0875% based on net assets at the end of the previous quarter. Any holdings in funds managed by JHI, of which there were none, would be excluded from the calculation of the management fee.

Performance fee

The management agreement also provides for payment of a performance fee, calculated as 15% of any outperformance of the benchmark index, on a total return basis, over the Company's accounting year using net assets at the financial year end, compared with net assets at the beginning of the period. This is subject to a limit on the total management fee and performance fee payable in any one year of 0.9% of the average value of the monthly net assets of the Company during the year.

No performance fee is payable if, on the last day of the Company's accounting year, the Company's share price is lower than the share price as at the preceding year end. If the current year-end NAV per share is equal to or lower than the previous year-end NAV per share, then:

- the performance fee payable will be restricted; and
- the fee can only be paid to the extent that it increases the NAV per share above the previous year-end level.

No performance fee is payable for the year ended 31 May 2025 (2024: nil).

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. It can only offset underperformance so that underperformance does not prevent a fee from being earned in a future period and will never earn a fee itself. For the year ended 31 May 2025, no unrewarded outperformance is carried forward, but an adjustment has been made to the carried-forward amount for underperformance in the year.

Category of cost	2025 £'000	2025 % of average net assets[1]	2024 £'000	2024 % of average net assets[1]
Management fee[2]	2,396	0.35	2,263	0.35
Performance fee	–	–	–	–
Total	2,396	0.35	2,263	0.35

1 Calculated as a percentage of average monthly net assets, which is the basis on which the management and performance fee cap is calculated

2 The percentage in this table is calculated on the average of the month-end net assets, which is the basis on which the cap is assessed. The actual management fee is calculated and charged quarterly in advance on the net assets at the end of the previous quarter

Ongoing charge

The Board believes that the ongoing charge of 0.45% during the year (2024: 0.45%) represented good value for money for shareholders. The ongoing charge calculation is explained on page 94. A breakdown of the main cost headings in monetary terms and as a percentage of average daily net assets is on page 95.

Principal risks and uncertainties

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal and emerging risks facing the Company which relate to the activity of investing in the shares of smaller companies that are listed (or quoted) in the United Kingdom. The directors seek assurance that the risks are appropriately evaluated, their possible outcomes considered, and that effective mitigating controls are in place.

To support this process, the Audit and Risk Committee ("ARC") maintains a detailed risk matrix which identifies the substantial risks to which the Company is exposed and methods of mitigating against them as far as practicable. The ARC considers the Company's principal and emerging risks at each meeting, with a thorough review at least once per year, using heat maps derived from the detailed risk matrix. Every year each director undertakes an individual assessment of each risk. The ARC collates and reviews the individual ratings, triggering fresh critical debate. The Board regularly considers these and does not consider the principal risks to have changed during the course of the reporting period and up to the date of this report.

Throughout the year the Board has considered the impact of macroeconomic events with a global impact and heightened market volatility, including US trade tariffs and a global trade war, the ongoing ramifications of the Russia/Ukraine war and extreme conflict in the Middle East. The Board has had regard to the impact of mitigation measures on manufacturing supply lines and on heightened uncertainty in the business environment. The Board has also considered the wider consequences of economic uncertainty, disruption to markets and society through artificial intelligence ("AI"), and the UK banks' appetite for lending to the corporate sector.

While uncertainty remains around short-term economic conditions, the Board has concluded that the Company's portfolio and the Manager's investment approach should prove resilient. The Fund Managers' long-standing philosophy is that, over the long term, smaller companies are able to deliver superior returns than the broader market, driven by the fund management team's fundamental, qualitative analysis, engagement with management teams and strong valuation discipline.

The principal risks fall broadly under the following categories:

Risk	Trend	Controls and mitigation
Investment activity and strategy Poor long-term investment performance (significantly below agreed benchmark or market/industry average) Loss of the Fund Managers or management team Impact of political, environmental, health or other emergencies (e.g. pandemics, war and a changing macroeconomic environment) on the Company's investments Unmanaged ESG activities and material climate-related (physical and transition) impacts within portfolio companies Market appetite – investment objective and/or policy not appropriate in the current market or not sought by investors resulting in a wide discount	↑	The Board reviews investment strategy at each board meeting. An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may lead to underperformance against the Company's benchmark and the companies in its peer group; it may also result in the Company's shares trading at a wider discount to NAV per share. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. JHI 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 Fund Managers confirm their compliance with them each month. JHI provides the directors with management information, including performance data and reports and shareholder analysis. The Board monitors the implementation and results of the investment process with the Fund Managers, and regularly reviews data that monitor portfolio risk factors. The Fund Managers report to each board meeting on their close oversight of the portfolio, and more frequently in the event of a crisis. Performance is monitored by JHI's internal teams, any of which would escalate directly to the Board in the event of matters of concern. At each meeting, the Board reviews the Fund Managers' ESG engagement with portfolio companies and their governance structures, ESG risks reports, and votes cast against management. The Board also reviews JHI's ESG-related marketing activity specific to the Company. The performance of the Company relative to its benchmark and its peers and the discount/premium to NAV per share are key performance indicators measured by the Board on a continual basis and are reported on pages 29-30. The Board obtains assurances from JHI that the UK Smaller Companies team is suitably resourced, and the Fund Managers are appropriately remunerated and incentivised in their roles. The Board also considers the succession plan for the fund management team on an annual basis. The Board considers that the risk relating to investment activity and strategy has increased due to the portfolio's underperformance, as described on pages 8-11.

↑ Increase ↔ No change

Principal risks and uncertainties continued

Risk	Trend	Controls and mitigation
Legal and regulatory Loss of investment trust status Breach of company law or UK Listing Rules resulting in suspension	↔	In order to qualify as an investment trust, the Company must comply with s1158 Corporation Tax Act 2010 ("s1158"). A breach of s1158 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 s1158 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 has a listing in the closed-ended investment funds category of the FCA's UK Listing Rules and trades on the main market of the London Stock Exchange, the Company must comply with the UK Listing, Prospectus and Disclosure Guidance and Transparency Rules of the FCA. A breach of the Act could result in the Company and/or the directors being fined or becoming the subject of criminal proceedings. A breach of the FCA Rules could result in suspension of the Company's shares which would in turn lead to a breach of s1158. The Board relies on its corporate secretary and its professional advisers to ensure compliance with the Act and FCA Rules.
Operational Failure of, disruption to or inadequate service levels by key service providers Cyber crime leading to loss of confidential data Breach of internal controls Impact of political, environmental, health or other emergencies (e.g. pandemics, war and a changing macroeconomic environment) on operations	↔	Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian'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 and accounting, to BNP Paribas. Details of how the Board monitors the services provided by JHI and its other suppliers, and the key elements designed to provide effective internal control and risk management, such as review of service providers' assurance reports, are explained further on page 52. Cybersecurity is closely monitored by the ARC as part of quarterly internal controls reports, and the ARC receives an annual presentation from JHI's Chief Information Security Officer. The Board monitors effectiveness and efficiency of service providers' processes through ongoing compliance and operational reporting. There were no disruptions to the services provided to the Company in the year under review.
Financial instruments and the management of risk	↔	By its nature as an investment trust, the Company is exposed in varying degrees to market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk. An analysis of these financial risks and the Company's policies for managing them are set out in note 15 on pages 85-88.

↑ Increase   ↔ No change

Emerging risks

At each meeting, the Board considers emerging risks which it defines as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of occurrence probability and possible effects on the Company. Once emerging risks become sufficiently clear, they may be treated as specific risks and enter the Company's matrix of significant risks.

During the year, the directors agreed that emerging risks would include:

- aggressive action taken by activist investors;
- global market uncertainty/disruption arising from President Trump's actions and policies; and
- possible global conflict owing to escalated violence in the Middle East.

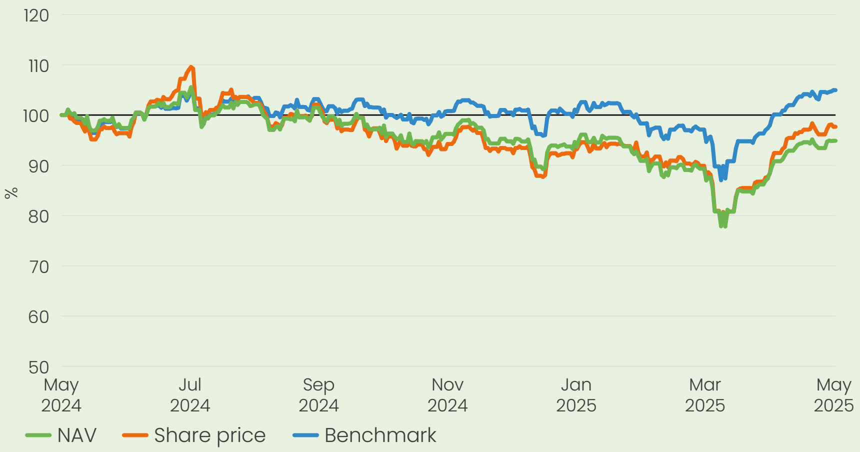
The Board receives reporting on risks from the Manager and other service providers in addition to any ad hoc reports on specialist topics from professional advisors. The Board monitors effectively the changing risk landscape and potential threats to the Company, from a corporate perspective, with the support of regular reports and ad hoc reports as required, the directors' own experience and external insights gained from industry and shareholder events. The Fund Managers work with the Board to monitor the risk landscape, and identify emerging risks from the perspective of their potential impact on the portfolio and investee companies.

Measuring the Company's performance

The directors use key performance indicators ("KPIs") to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager. The focus of the Board is on the longer term, but when reviewing the performance of the Manager each year, the Board uses the KPIs set out below. The charts and data on pages 6-7 and 98 give more insight into how the Company has performed against these KPIs. They are also explained in the glossary and alternative performance measures on pages 93-96.

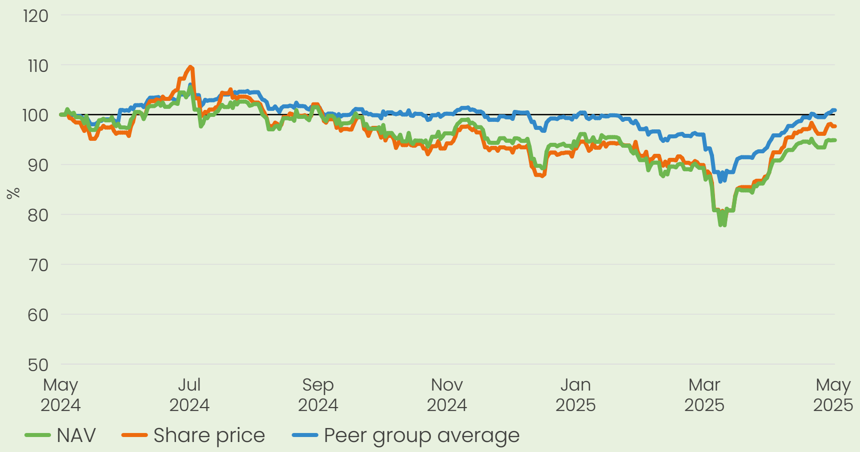
KPI	Action
Performance against benchmark See p.6	The Board compares the performance of the Company's net asset value ("NAV") and share price total return against the Deutsche Numis Smaller Companies Index (excluding investment companies). During the year under review, the Company's NAV underperformed the benchmark by 10.1% on a total return basis. The Company's share price underperformed the benchmark by 7.3% on a total return basis.

NAV and share price total return against benchmark



KPI	Action
Performance against peer group See p.6	The Board considers the Company's net asset value ("NAV") total return and share price total return against the AIC UK Smaller Companies sector average, as the Company's peer group. During the year under review, the Company's NAV underperformed the peer group average by 6.2% on a total return basis. The Company's share price underperformed the peer group by 1.3% on a total return basis.

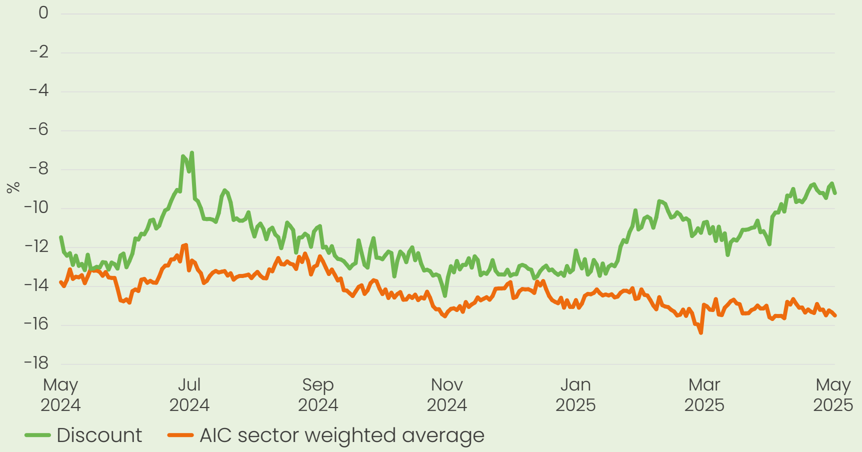
NAV and share price total return against peer group average



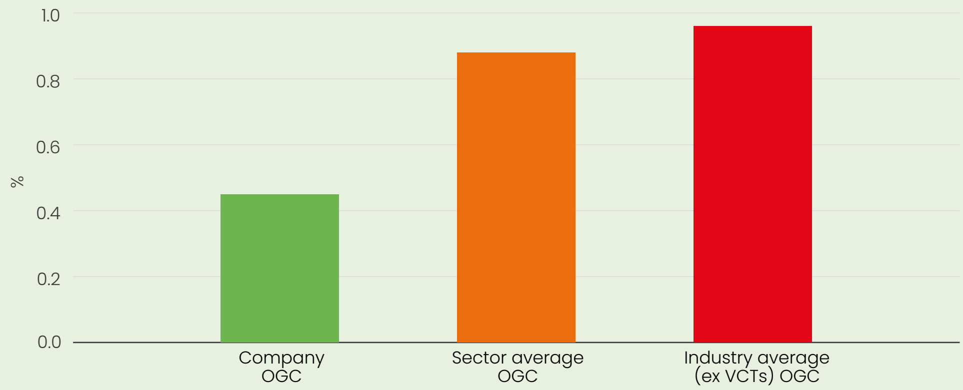
Measuring the Company's performance continued

KPI	Action
Discount/premium to NAV See p.98	The Board monitors the discount to NAV at which the Company's shares trade and reviews the average discount for the AIC sector at each meeting. The Board regularly reviews investor relations, marketing and sales reports and considers their effectiveness. It also considers whether to use share buybacks to enhance shareholder value. Shares are only bought back at a price below the prevailing NAV, thereby increasing the NAV for the remaining shareholders. During the year under review, the Company bought back 6,017,157 shares, representing 8.1% of issued share capital. The discount to NAV ranged from 7.1% and 14.5%, averaging 11.6% and closing the year at 9.2%.

Discount against AIC sector weighted average



KPI	Action
Ongoing charge See p.95	The Board monitors the costs of running the Company calculated using the AIC methodology for the ongoing charge ("OGC"), and also compares these costs with the peer group. During the year under review, the OGC was 0.45% (2024: 0.45%).



Source: Association of Investment Companies

Section 172 Statement

The Chair and all the directors invite shareholders and other stakeholders to contact them directly. Shareholders are welcome to write to the Chair or Senior Independent Director at the registered office (see page 99), or by email to **itsecretariat@janushenderson.com** with any feedback, queries or concerns. The Board reviews all shareholder correspondence addressed to it.

The Board is pleased to invite shareholders to attend the AGM and Fund Managers' presentation for the year ended 31 May 2025. More details are on page 63, and in the AGM Notice on page 100 onwards.

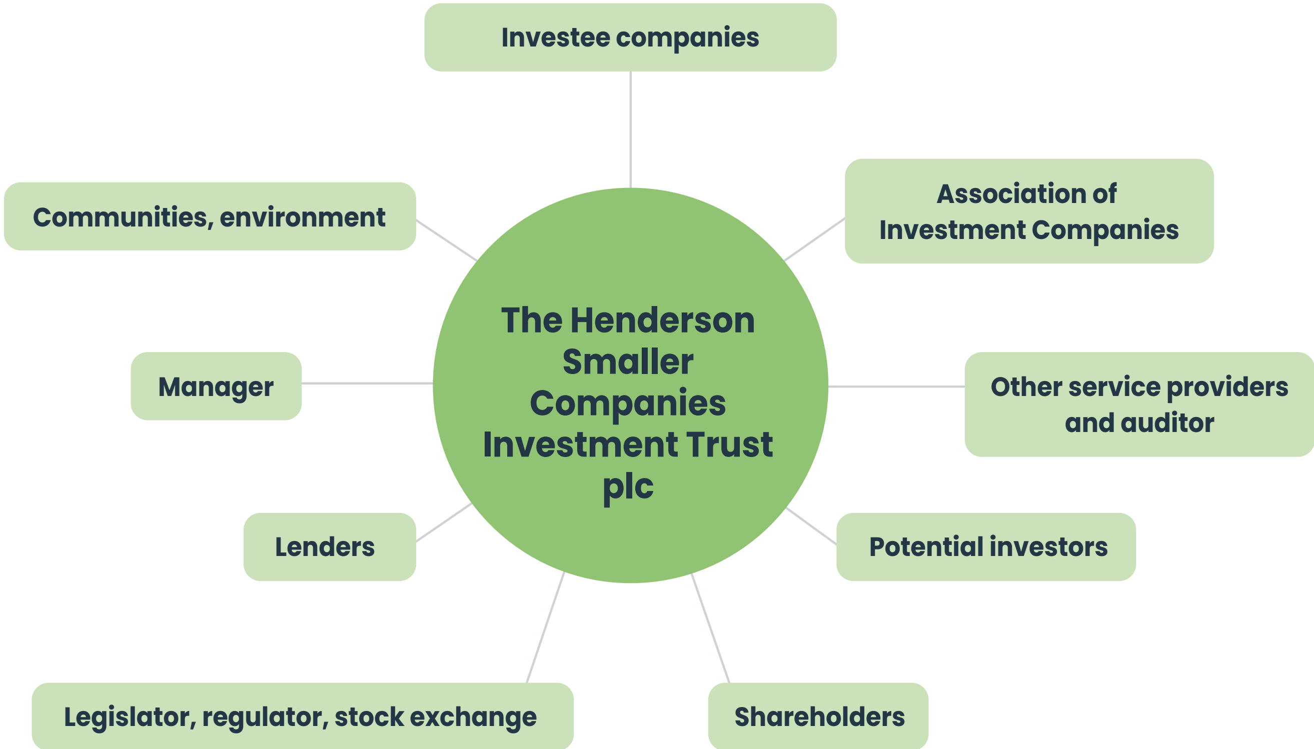
Interaction with stakeholders

The directors, acting collectively as the Board, act to promote the success of the Company for the benefit of shareholders as a whole. In so doing, the directors have regard to the matters set out in s172(1) Companies Act 2006. This includes the likely consequences of their decisions in the longer term, taking wider stakeholders' needs into account. The Board's strategy is facilitated by engaging with a wide range of stakeholders through virtual and physical meetings, research and presentations, and indirectly through service providers' interactions within the investment community and beyond.

As an investment company with no employees, the Company's key stakeholders are all shareholders, service providers and investee companies. Understanding stakeholders, their interests and views enables the Company to fulfil its purpose and the directors to promote the success of the Company for the benefit of shareholders as a whole, with constant awareness of other stakeholders and their interests.

Stakeholder map

The Board has adopted a map to support the directors in identifying and understanding stakeholders and how best to engage and interact with each:



Set out on the following pages are examples of the ways in which the Board and the Company have interacted with key stakeholders in the year under review, in line with s172 Companies Act 2006.

Section 172 Statement continued

Shareholders

Purpose	
Purpose To enable shareholders to make informed decisions about their investments. Clear communication of the Company's strategy and performance against objective can help the share price trade at a narrower discount to its NAV which benefits shareholders. Close interaction with shareholders enables the Board to run the Company in line with shareholders' interests as a whole and for the Company's long-term success.	**Engagement** Key mechanisms of engagement included: • encouraging investors to attend and vote at AGMs and general meetings. Shareholders can address questions to all directors, the Fund Managers and the company secretary; • the Company's website, which hosts a wealth of multi-media information about investment performance and governance; • use of social media channels (see page 99); • providing regular market commentary; • the Fund Managers' presentations and meetings with professional investors and analysts to foster understanding and good relations; • a shareholder tracing and engagement programme continued during the year to locate and reunite shareholders with their unclaimed or 'lost' entitlements to shares and dividends; • promoting the Company through marketing and public relations initiatives, as the Board believes that the Company provides a credible investment choice for all types of investors; • the Board invites representatives of the corporate broker to provide regular analysis of shareholder movements and voting patterns at shareholder meetings.
	Outcome During the year, the Chair and Senior Independent Director held meetings with larger shareholders. The Fund Managers met many investors and wealth managers, and reported back to the Board. The Board discussed feedback from these meetings throughout the year, and also received regular updates from the corporate broker and JHI sales team containing feedback from shareholders. The Board and Manager worked with the corporate broker during the year to provide access to the market and liquidity in the Company's shares. The liquidity of the Company's shares benefits shareholders and potential investors as they can buy and sell shares in a timely, efficient and cost-effective way. The shareholder tracing and engagement programme is generating good results, reuniting several shareholders with their assets of which they may not previously have been aware or been able to claim.

Potential investors

Purpose	
Purpose To provide access to the market and liquidity in the Company's shares.	**Engagement** The Board oversees the Manager's marketing, investment relations and sales programmes and works with the corporate broker to engage with the wider investor community through various forums to understand their specific requirements and to attract new shareholders. The material made available to current shareholders, set out above, is also publicly available for the benefit of potential investors.
	Outcome The Board receives ongoing feedback on the marketing, investor relations and sales programmes from JHI and the corporate broker, and monitors their effectiveness. By understanding the Company's activities, performance, risks and prospects, potential investors will also be able to make informed decisions about their investments.

Section 172 Statement continued

Janus Henderson Investors ("JHI"/"Manager") as AIFM

Purpose

The Board holds the Manager to account in managing the Company's assets and keeps costs competitive.

Key roles:

- Portfolio management
- Sales and marketing
- Company secretarial
- Financial reporting
- Internal controls functions
- Accounting and administration (outsourced by JHI to BNP Paribas)

Engagement

The Board sets and oversees parameters for JHI's activities. The Board's effective relationship with the fund management team enables both JHI and the directors to understand performance and controls, and what may be expected in the future.

At each meeting, the Board reviews performance against investment objective, policy and guidelines, and receives presentations from the Fund Managers and other JHI representatives to exercise effective oversight of portfolio, performance and strategic objectives. Outside board meetings, the directors work closely with JHI on portfolio management and stakeholder engagement.

Each year the Management Engagement Committee ("MEC") formally reviews JHI's performance in all respects (see MEC Report on page 56) and monitors succession planning within JHI for all key positions supporting the Company.

Outcome

The portfolio activities and the impact of investment decisions are set out in the Fund Managers' Report on pages 12-18.

During the year, the Board held a dedicated strategy meeting to undertake a deep dive into the underperformance of previous years, which enabled an objective insight into the context and causes, and to take all possible actions to improve performance in future years.

During the year, the directors assessed the Manager's performance and service to the Board, including a focus on the appointment to Co-Fund Manager of Indriatti van Hien and future retirement of Neil Hermon, Co-Fund Manager, and its potential impact on the management of the Company's portfolio.

After thorough consideration of the ongoing management of the Company, the directors were satisfied with the continued resource being applied to a successful investment process, supported by the well-regarded UK Smaller Companies and wider European Equities team. The Board satisfied itself that management costs remain competitive, and the Manager is paid in accordance with the management agreement.

The Board is proud of the diversity in the fund management team. Diversity Improves Results is embedded as a core value in our Manager's Mission, Values, and Purpose and is a guiding principle towards creating an inclusive environment where everyone can reach their full potential and that promotes cultural awareness and respect.

Third-party service providers

(including the depositary and custodian, registrar, corporate broker, legal counsel and fund accountant/administrator)

Purpose

The Board seeks to ensure the Company is supported by experienced and capable third parties for all the services required to be a well-functioning and well-governed FTSE 250 company.

Monitoring and ensuring that all service providers undertake their roles diligently and correctly is necessary for the Company's success and good standing.

Engagement

Representatives of all the main service provider functions present regularly to the Board. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately. The Board is then able to ensure that service levels and fees remain in the best interests of shareholders.

The Board relies on the Manager to provide reports on suppliers' performance at each meeting of the MEC, while the directors remain responsible for assessing each supplier's internal controls and risk management systems, ESG matters, information security and business continuity plans. This is achieved through the assessment of suppliers' assurance reports (see pages 52-53) and feedback from the Manager to identify any issues or concerns.

Outcome

At the MEC meeting held in April 2025, the directors reviewed the contractual terms, fees and performance of all the Company's service providers (see MEC Report on page 56). The key service providers gave updates on any material changes in organisational structure/ownership and information regarding staff turnover and other cultural/leadership matters.

Section 172 Statement continued

Investee companies (as listed on pages 20-21)

Purpose

To exercise good stewardship practices.

Engagement

The Board sets the investment objective, and discusses stock selection, asset allocation, and engagement with investee companies on specific topics (examples on pages 22-23) with the Fund Managers at each board meeting. The Manager has a dedicated Responsible Investment and Governance team which supports the Fund Managers in the investment process. JHI engages with investee companies on behalf of the Company.

At each meeting, the Board also reviews the votes cast on portfolio companies' resolutions since the previous meeting and how they align with the Manager's ESG investment principles.

Outcome

The fund management team has conducted face-to-face and/or virtual meetings with all portfolio companies' management teams in the past year to enable them to understand current trading and business prospects, and ensure that the ESG investment principles and approach are understood. In this way the Company is a responsible and engaged investor.

Communities and the environment

Purpose

To be a good steward of assets within the UK economy and industries.

To provide an investment product which meets the needs of its investors, including retail investors.

Engagement

The Board mandates the Manager, supported by its governance function, to engage with investee companies, when and where appropriate, on ESG matters in line with good stewardship practices, and with an approach agreed with the Board.

The Board continues to work closely with the Manager to achieve the Company's investment objective in an effective, responsible and sustainable way in the interests of shareholders, future investors and society at large. The fund management team defines the ESG considerations pertinent to their own investment approach, as set out on pages 37-40.

Outcome

The Board is conscious of the need to take appropriate account of broader ESG concerns and for the Company to act as a good corporate citizen. An investment approach that meets the needs of investors provides a service valuable to the communities in which the Company operates. See the ESG engagement section on pages 38-39 for more details.

Lenders

Purpose

To employ gearing at low rates to enhance shareholder returns.

Engagement

Each month the Company certifies to its lenders that it complies with the loan covenants of its short-term and long-term gearing facilities. JHI provides the Board with monthly financial covenant compliance validation and regular financial reporting.

Outcome

During the year, the Board held a competitive tender for provision of a £70 million revolving credit facility ("RCF"), as its one-year contract with BNP Paribas was due to expire in February 2025. The Board reviewed proposals from several potential lenders. BNP Paribas, London Branch, again provided the most competitive terms for a one-year RCF and consequently was renewed for a further year.

The Company maintains a good relationship with its lenders and is well positioned to raise financing to operate effectively as an investment trust. Strategic gearing (10.2% at 31 May 2025) positions the Company well to continue to enhance long-term returns over many years to come.

Section 172 Statement continued

Statutory auditor

Purpose To enable stakeholders to rely on the Company's audited annual report and financial statements.	**Engagement** The auditor attends at least two audit and risk committee ("ARC") meetings each year and maintains regular contact with the corporate secretary, the Manager and the ARC Chair between meetings.
	Outcome Through close engagement, the directors ensure that the auditor in office is committed to the investment trust audit market and provides the best quality service for an appropriate fee level. Late in 2024, the FRC reviewed Forvis Mazars' 2024 audit of the Company in a formal audit quality review, including interviewing the Audit and Risk Committee Chair, and assessed Forvis Mazars LLP's audit as 'Good', being the highest quality category.

Legislator, regulator, stock exchange, Association of Investment Companies ("AIC")

Purpose The Company should conduct its business as a good corporate citizen.	**Engagement** The Board complies with the UK Listing Rules and DTRs, UK legislation and London Stock Exchange requirements. The Company is a member of the AIC, the representative body for investment companies. The AIC supports members by providing guidance on issues specific to investment companies and running events for officers of its member companies. The directors also participate in AIC consultations on key industry topics that may affect the Company.
	Outcome During the year, the Company submitted its response to the FCA in its consultation on the future of retail disclosures, expressing concerns about the FCA's proposed 'Consumer Composite Investments' framework and its impact on fair competition and demand for investment companies.

Board decision making

The Board is always mindful to act in the best interests of shareholders as a whole and to have regard to other s172 Companies Act factors. The Board takes into consideration the Company's purpose, investment objective and investment policy as well as the interests of the Company's stakeholders when discussing matters and making decisions. The Board holds regular, detailed discussions about the Company's investment portfolio, strategy, responsible investment and market performance, and considers market and industry developments. Each year the Board approves key reporting around half-year results, annual results, dividend payments and the AGM, and considers and approves the Company's marketing and investor relations programme. In addition, the Board made the following decisions during the year:

The Board carefully considered and approved the **promotion of Indriatti van Hien from Deputy Fund Manager to Co-Fund Manager** in January 2025.

Neil Hermon notified the Board of his retirement from JHI and the asset management industry in March 2025, to take effect from the end of September 2025. The Board is working with JHI on the recruitment of a seasoned portfolio manager to support Indriatti van Hien.

The Board undertook a **detailed 'deep dive' investigation into the Company's underperformance** since 2022. Following these discussions, the Fund Managers have made some changes to the investment portfolio, partly reflecting the deteriorating outlook for the macroeconomy. These changes included further diversifying end-market exposures and enhancing earnings momentum in the portfolio.

The Board held **specific discussions about uncertainties facing the UK economy** following the change in government, the deteriorating macroeconomic and geopolitical environment following the election of US President Trump, including confusion around US trade tariff reforms, the risks of escalating trade wars impacting global supply chains, ongoing conflicts in Ukraine and in the Middle East, continuing tensions between the US, Europe and China, and the changing appetite among bank lenders in the UK. **The Board examined the implications of these heightened risks** for the investment portfolio and the Company's balance sheet and cash flows.

The Board reviewed the Company's structural debt and borrowing position. Taking into account the long-term advantages of gearing for an investment trust and the Fund Managers' investment strategy, the Board **renewed the £70m loan facility agreement with BNP Paribas** London Branch for a further 12 months to reflect the Fund Managers' expected use of gearing. To come to their decision, the directors considered multiple indicative quotes from potential lenders and took advantage of the most competitive rates and terms on offer.

During the year, the Board decided to **increase the level of share buybacks**, following extensive discussions about the potential benefits to shareholders. In the Board's view, share buybacks (and issuance) are useful structural tools in the closed-ended sector, both in helping manage the supply and demand for shares and pricing, and as deployment of capital. The directors convened a general meeting on 1 July 2025 to request shareholders to renew their authority for the Board to buy back up to 14.99% of the Company's ordinary share capital.

The Board **set up a Treasury account to hold repurchased shares**, so that these shares may be sold from Treasury in future rather than being cancelled. All shares bought back since October 2024 are now being held in Treasury.

The Board has arranged a **live online presentation from Fund Manager Indriatti van Hien on 17 September 2025**, which shareholders are invited to attend to assess performance during the year under review and understand the market outlook and prospects for UK smaller companies. There will be an opportunity for attendees to ask questions of the Fund Manager and Chair. In this way, shareholders who may otherwise not be able to attend the AGM will be able to place their votes on an informed basis well before the proxy voting deadline.

The Board discussed and prepared a **shareholder consultation programme ahead of the upcoming continuation vote at the 2025 AGM**. During the year, the Chair and Senior Independent Director met several major shareholders to discuss key topics including performance, the continuation vote, the share price discount to NAV, and changes within the fund management team. The Board invites discussions with shareholders, both on an individual basis with the Chair and Senior Independent Director, and also at general meetings and AGMs, and at the virtual investor presentation mentioned above. The directors welcome questions at any time from shareholders (see page 99 for contact details).

ESG Report

The Board believes in the power of engaged, long-term ownership as a force for positive change. The Board therefore supports the Fund Managers' responsible approach to environmental, social and corporate governance ("ESG") matters, the way it is incorporated into investment decisions by the UK Smaller Companies fund management team (the "Team"), their company engagement, and voting at investee companies' shareholder meetings. As one of the largest investors in listed UK small and mid-cap companies, the Fund Managers recognise the meaningful impact they can have on the way portfolio companies conduct their business, and understand it is their duty to exercise this influence.

Defining ESG

Environment

Environmental factors include climate change, energy efficiency, resource depletion, water and waste management.

Social

Social factors include employee and community relations, diversity, quality of life, enhancements in knowledge and advances in supportive technology for improved sustainability.

Governance

Governance factors include mitigating risks such as bribery and corruption, questioning board diversity, executive pay, accounting standards and shareholder rights, and positively influencing corporate behaviour.

Investment approach and ESG engagement

The Team uses a combination of bottom-up and top-down approaches to find companies that have undervalued long-term growth potential. ESG issues are identified as part of the Team's well-established '4Ms' process to analyse portfolio companies' models, management, money and momentum.

A key part of the philosophy is focused on the sustainability of business models. The Team's core belief is that the most successful management teams over time will be those which score well on ESG and sustainability factors, have a long-term focus, a good track record of shareholder alignment and an understanding of industry themes. The conviction and focus on the long term are reflected in the Company's average holding period of over five years.

Sustainability themes regularly inform capital allocation decisions. Companies offering goods and services which address issues such as the transition to net zero, ageing populations, urbanisation and the savings gap have all been attractive propositions from a growth perspective. The Team is also cognisant of the risks accompanying ESG-themed investing: policy instability, uncertainty around customer adoption and technological obsolescence.

The Team believes that ESG factors impact all parts of an investment case often implicitly, not explicitly. The effectiveness of a company's governance structure and the impact a company has on the environment and society are just as important as more traditional indicators of quality such as cash flow or returns on invested capital.

A company's ESG characteristics directly impact how it is valued. All these factors influence the valuation multiples the market is willing to attribute to a company's earnings or the cost of capital used to discount its cash flows. The Fund Managers' core belief is that companies that score well on ESG and sustainability factors could warrant a premium over time.

Engagement with portfolio companies

The Team's combined experience in the UK market has created a deep knowledge base. The Team's analysis is further supplemented by a body of increasingly sophisticated ESG-related data, broker research and company meetings. The Team is wary of the fact that individual ESG data points are not always material to company performance or even comparable between peers. However, the Team is conscious that management's overall attention to a collection of impactful ESG or sustainability issues can be interpreted as a leading indicator of quality, long-term oriented leadership and so impacts the ability to deliver enduring success.

The general level of governance at listed companies in the UK is of a very high standard in terms of best practice principles. The Team makes strong use of this market feature to augment traditional corporate governance and company research. As active managers in the UK marketplace, the Team is committed to the principles of good stewardship and attends approximately 300 company meetings per year. These opportunities are used to challenge strategy and hold management to account where issues have occurred.

In addition to engaging with company management, the Team will often engage with the boards of portfolio companies where they believe concerns need to be escalated. If the Team does not feel that shareholder concerns are being addressed when engaging with a company, they will consider disinvesting.

The Team collaborates closely with JHI's in-house Responsible Investment and Governance ("RI") team, as a specialist resource on ESG issues. The RI team screens portfolios for major ESG issues and highlights important ESG engagement topics ahead of company meetings. In addition, the RI team and Fund Managers work together to coordinate a pipeline of proactive engagement with companies on a range of ESG themes. In the year to 31 May 2025, they undertook direct ESG engagements with 30 companies.

- **environmental** issues at 9 of the meetings;
- **social** issues at 6 of the meetings; and
- **governance** issues at 26 of the meetings.

Thematic engagement

The Team carried out thematic engagement during the year to 31 May 2025 with companies in the portfolio on ESG topics. These themes included a review of consumer duty, decarbonisation plans for high portfolio emitters, corporate governance standards and net zero targets for oil and gas companies. See below for examples of engagement. The Team continues to engage with investee companies to monitor progress.

Engagement on decarbonisation plans with high-emitting companies

Reason for engagement: The requirement for companies to account, plan and set targets to reduce carbon emissions is more critical than ever. This is particularly true for corporates that have a relatively high baseline of emissions with a clear opportunity for reduction. It is important to ensure that a company's emissions reduction targets are reasonable and equitable, especially considering that current management will not be in place indefinitely.

Objective for engagement: To review two high-emission companies in the portfolio, understand management's actions on decarbonisation pathways and how carbon considerations are embedded in capital allocation decisions.

Scope and process: The Team conducted meetings with a buildings material company with operations in the UK and Europe and an oil and gas company, with projects in the North Sea and South East Asia. Meetings were held with the respective heads of the corporate sustainability and ESG teams with discussions focused on climate transition strategies.

Outcome: Both firms reviewed had performed extensive analysis on their respective carbon reduction pathways and had set an attainable target to reach net zero.

Processes and strategies

The building materials company's primary drivers to net zero included fuel switching from natural gas and coal to alternative fuels, re-carbonisation and carbon capture and storage which is planned for 2030 onwards. Encouragingly, the company was forward-thinking with respect to future decarbonisation plans and would consider any impact potential acquisitions have to decarbonisation targets by incorporating carbon intensity into its M&A decision-making process.

The oil and gas company's net zero targets stretched to 2050. The company's energy transition strategy centres on carbon capture and storage projects in the UK and Nordics, with a target to commence a first project as early as 2027. On the governance front, the company has integrated climate performance into their compensation structure, with 15% of the annual bonus component across the entire organisation linked to climate change metrics. This demonstrates a company-wide commitment to emissions reduction beyond just the executive level.

Both companies have set ambitious target to reach net zero. Carbon capture and storage remains a central pathway for both, although this comes with a degree of risk: technical hurdles, potential for leaks, economic costs and delays in development. Any issues may push out net-zero targets and as such, it will be important to monitor future developments closely and the required impact to both reducing carbon emissions and to any future capital requirements.

Engagement on governance and opportunities to drive shareholder value

Reason for engagement: The general level of governance at listed companies in the UK is of a very high standard. Boards are open to shareholder consultations and feedback. Whilst the Team is not activist, they make use of this market feature and engage on various topics including where there are opportunities to drive shareholder value.

Objective for engagement: To engage with board members of two portfolio holdings to review company strategy, capital allocation framework and methods to improve shareholder returns. The two companies identified had underperformed from a market and delivery perspective, with the view that more could be achieved to improve returns to investors.

Scope and process: The Team conducted meetings with the incoming chair of a price comparison website company with operations in the UK, and with the chair of an industrial company that supplies power convertors to the healthcare, industrial technology and semi-conductor markets.

Outcome: Both companies reviewed were receptive to engagement with the Team and were open to views to enhance shareholder value.

Processes and strategies

With respect to the price comparison website business, the Team advocated for the company to return excess cash to shareholders. Whilst the group had delivered solid earnings and growth, there remained a disconnect with the share price such that, in the Team's view, the group traded at a discount to its intrinsic value, in part due to investor concerns around a misallocation of capital through M&A. To take advantage of this valuation differential and address shareholder concerns, a recommendation was made to use the company's strong balance sheet, to undertake a share buyback and return excess capital to shareholders. This would enhance shareholder value by compounding earnings per share at an accelerated rate and show capital discipline. Encouragingly, the board was supportive of this view and commenced this process in 2025, delivering a positive outcome for the Company's holding.

For the industrial company, challenging market conditions and a prolonged industrial destocking cycle, led to a weak order intake and low earnings visibility. To address the high leverage position and refinancing requirements, the company raised additional capital from shareholders. Whilst disappointing, the Team continues to see significant value in the business and engaged formally with the board to discuss views on maximising shareholder value in light of a previous bid made for the company in 2024. The Team encouraged the board to undertake a formal strategic review to determine the company's fair market value considering the group's market position, fundamental strengths and potential return to historic profitability. Encouragingly, the chair was receptive to the Team's views, and it was communicated that this topic remains an active point of discussion at the board. Whilst the review has not been communicated to the market, there are several options available, including a potential disposal, which could unlock intrinsic value.

Both engagements resulted in positive actions for increasing shareholder value. Whilst the full impact of each outcome has yet to be fully realised, positive steps were undertaken which should accelerate returns overtime.

Voting

The Board believes that voting at general meetings is an integral part of exercising responsible corporate stewardship and provides an effective means of signalling shareholder views on board policy, practices and performance. The Board has delegated voting responsibility to the Manager for the rights attached to the shares held in the Company's portfolio. The Manager votes actively at shareholder meetings and engages with companies as part of the voting process.

The decision on how to vote is guided by the best interests of investors and based on an in-depth understanding of the respective companies' operations. Voting decisions are made in keeping with the provisions of the Manager's ESG Investment Policy which is publicly available at **www.janushenderson.com**. To retain oversight of the process, the directors receive reporting at each board meeting on how the Manager has voted the shares held in the Company's portfolio. The directors review the Manager's ESG Investment Policy, Stewardship Policy, Proxy Voting Policy and Procedures at least annually.

The Fund Managers have a strong focus on good governance practice and an active approach to voting. Where appropriate, they will vote against resolutions at general meetings. In most cases this is done following engagement or consultation with the company prior to general meetings.

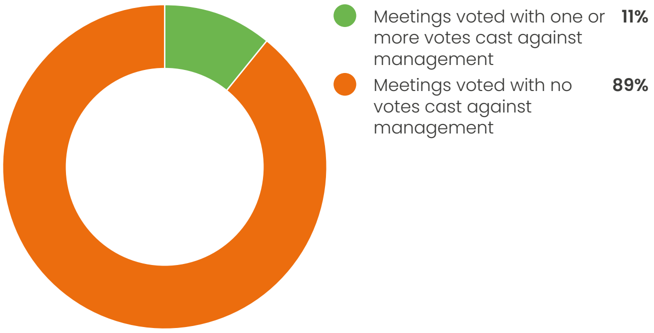
During the year to 31 May 2025, the key issues which the Fund Managers voted against concerned director remuneration, overboarding, diversity and independence. In total, the Company voted at 112 shareholder meetings during the year to 31 May 2025, being 100% of portfolio companies' general meetings. At 12 of these meetings

ESG Report continued

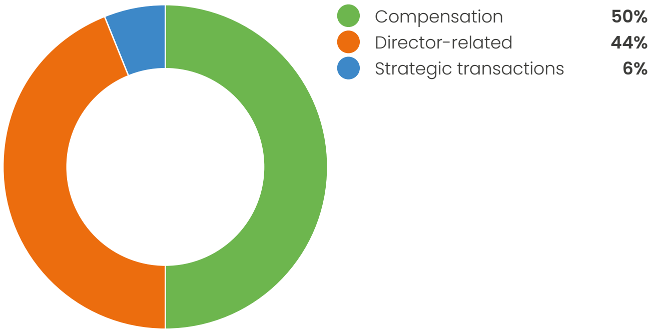
(11%), the Company placed a vote against management. To influence decision making at board level where appropriate, the Team participates in consultations with various members of the boards of our portfolio companies ahead of or after contentious AGM resolutions.

The Company voted against 18 resolutions in total, being 1% of all resolutions voted on during the year.

Voting record



In terms of resolutions not supported, these covered two primary areas: compensation and director-related.



Source: Janus Henderson using ISS categories
Note: Some meetings had more than one vote against management

Stewardship

Stewardship is an integral and natural part of JHI's active, long-term approach to investment management. Strong ownership practices, such as management engagement and proxy voting, can help protect and enhance long-term shareholder value. JHI supports stewardship codes and broader initiatives around the world, including being a founder signatory of the UN Principles for Responsible Investment, and is a signatory of the FRC's Stewardship Code. The intensive research by portfolio managers and analysts involves conducting thousands of interviews with senior executives and chairs of companies throughout the world each year. These teams develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, they seek to leverage these constructive relationships by engaging with company management or expressing their views through voting on management or shareholder proposals. Escalation of the engagement activities depends on a company's individual circumstances.

The environment

The UK Smaller Companies team engages with portfolio companies on environmental matters where they arise. 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 indirect impact occurs through its investments and the Fund Managers monitor the carbon footprint of the portfolio as a measure of its carbon intensity. For these reasons, the Board considers that the Company is a low-energy user under the Streamlined Energy & Carbon Reporting regulations ("SECR") and is therefore not required to disclose energy and carbon information.

JHI recognises the importance of managing operational activities in a sustainable way and minimising any adverse impact on the environment. In 2021, JHI reached its target of reducing its carbon footprint for its own operations by 15% per full-time employee ("FTE") based on 2018 consumption. In 2022 JHI set new ambitious five-year reduction targets for its operations relative to a 2019 baseline:

- reduction target of 29.4% in Scope 1 (fuel) and Scope 2 (electricity) emissions;
- reduction target of 17.5% in Scope 3 (business travel, freight, paper, water, waste, etc.) emissions; and
- reduction target of 17.5% on water and waste consumption by FTE.

JHI discloses its carbon emissions annually through regulatory and voluntary reporting frameworks, including SECR , the Carbon Disclosure Project and in the **2024 Responsibility Report**.

JHI produces product-level Task Force on Climate-Related Financial Disclosures ("TCFD") reports for funds in scope as well as an entity-level TCFD report. These reports include an overview of the climate-related governance, strategy, risk management, and metrics and targets of JHI and its portfolios. Product-level metrics include absolute carbon emissions, carbon footprint, weighted average carbon intensity, implied temperature rise and climate scenario analysis (Climate Value at Risk).

JHI's **TCFD Report** specific to the Company is available at **www.hendersonsmallercompanies.com**.

Viability Statement

The Company is a long-term investor. The Board believes it is appropriate to assess the Company's viability over a five-year period in recognition of the Company's 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 risks and uncertainties as documented in the Strategic Report (see pages 27-82).

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.

When considering the viability of the Company over the next five years, the Board took into account the liquidity of the portfolio, the borrowings in place, and the Company's ability to meet liabilities as they fall due. The assessment also included the duration of the Company's loan and borrowing facilities and whether a breach of any covenants might impact the Company's NAV and share price, recognising the current strength of the covenants, liquidity of the portfolio and capital reserves available. The Board used a five-year cash-flow forecast and sensitivity analysis to support its deliberations.

The Board considers revenue and expense forecasts at each meeting, with additional focus at the time of reviewing half-year and year-end results. At the same time, the Board discusses the impact of decreases in revenue of up to 20% on the Company and the impact that would have on revenue and capital reserves available to pay dividends.

The Board does not expect there to be any significant change in the principal risks and adequacy of the mitigating controls in place, nor does the Board envisage any change in strategy or objective or any events that would prevent the Company from continuing to operate over the next five years; the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust.

In coming to this conclusion, the Board has considered rigorously the uncertainties facing the UK's domestic economy, inflation, the potential impact of a global recession, US and global tariff reforms and potential trade wars, risks associated with geopolitical instability, and conflicts in Ukraine and the Middle East. The Board considers that these events highlight the advantages of holding an investment trust. The Board does not believe these factors will have a long-term impact on the viability of the Company and its ability to continue in operation, notwithstanding the short-term uncertainties these events have caused in the markets and specific shorter-term issues, such as inflation, the cost-of-living crisis in the UK, uncertainties about short-term economic growth and supply chain disruption.

The last continuation vote at the 2022 AGM was passed with the support of 99.2% of votes cast. The Board expects shareholders to support the Company's continuation at the forthcoming AGM in October 2025, and subsequently the 2028 AGM, both of which are within the viability assessment period. The Chair, Senior Independent Director and the Fund Managers have been meeting extensively with shareholders this year to discuss recent changes to the fund management team (as set out in the Chair's Statement on page 9), management of the Company's discount to NAV and the Company's investment strategy and prospects. Feedback from these meetings suggests that shareholders are supportive of the Company continuing in operation.

Based on their assessment, the directors have 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 years to 31 May 2030.

Approval

The Strategic Report has been approved by the Board.

On behalf of the Board

Penny Freer
Chair of the Board
30 July 2025

Governance

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Directors and Fund Managers

The right balance of skills and experience

Board of Directors

The directors appointed to the Board at the date of this Annual Report are set out below:

Penny Freer N ME

Position: **Chair of the Board** (from 1 October 2021)

Date of appointment: **14 September 2018**

Skills and experience

Penny is an experienced board director who brings in-depth investment expertise and leadership skills to the Board. In particular, she has many years of experience of UK smaller companies, both as a director and as an investment banker advising companies in this sector.

Other appointments

Penny is chair of AP Ventures LLP. She is also a non-executive director of Weir Group plc and non-executive chair of Empresaria Group plc.

From 2000 to 2004 Penny led Robert W Baird's UK equities division; prior to this she spent eight years at Credit Lyonnais Securities where she headed the small and mid-cap equities business. Penny was previously a non-executive director of Advanced Medical Solutions Group plc and non-executive chair of Crown Place VCT PLC.

Chair of Committee
A Audit and Risk Committee
N Nominations Committee
ME Management Engagement Committee

Alexandra Mackesy A N ME

Position: **Chair of the Audit and Risk Committee** (from 4 October 2019)

Date of appointment: **14 September 2018**

Skills and experience

Alexandra brings a specialist governance perspective and particular experience of global smaller companies to the Board. She has a strong financial and risk management background. Alexandra has 19 years' experience as a non-executive director, audit chair and senior independent director of UK-listed investment trusts.

Other appointments

Alexandra is non-executive chair of JPMorgan China Growth & Income Investment Trust plc. In addition, Alexandra works as a consultant at Board Level Partners providing external board evaluation services, and as advisory member of the investment committee of Oriel College, Oxford. In her charity activity, Alexandra is trustee of the Longborough Festival Opera.

During her executive career in the investment industry, Alexandra worked in senior equity research roles with Credit Suisse, JPMorgan and SG Warburg in Asia. Alexandra was previously a non-executive director of Murray International Trust PLC.

Kevin Carter A N ME

Position: **Senior Independent Director** (from 1 October 2022)

Date of appointment: **1 May 2021**

Skills and experience

Kevin brings wide experience of investment management and leadership skills to the Board, both as a fund manager and managing director of investment firms. Having been a non-executive chair of Murray International Trust plc and JPMorgan American Investment Trust plc, and director of Lowland Investment Company plc, Kevin is an experienced investment trust director. Kevin is a CFA charter holder and has a doctorate in mathematical statistics with a research subject in financial economics.

Other appointments

Kevin is a non-executive director of Aspect Capital Limited and Newton Investment Management Limited, and an advisory board member of Battersea Dogs and Cats Home.

During his executive career, Kevin led the European investment practice of Watson Wyatt Limited and was chief executive officer of Old Mutual Asset Managers. Kevin was previously a trustee director of the BBC Pension Scheme and chair of its investment committee.

See p.48 Leadership, roles and division of responsibilities

Directors and Fund Managers continued

Yen Mei Lim

A N ME

Position: **Director**

Date of appointment:
3 April 2023

Skills and experience

Mei is a chartered accountant and qualified lawyer. With 25 years' experience in the financial services industry, Mei brings a deep understanding of corporate finance, M&A, strategy, transformational change and business development to Board deliberations. She has an ESG-focused approach, particularly around diversity and inclusion.

Other appointments

Mei is the Managing Partner at Anthemis, a venture capital investor with an embedded finance and impact investment focus.

Prior to joining Anthemis, Mei was a managing director at Barclays, working there for over a decade in a variety of different areas, notably corporate development, strategy, principal investments and finance. Mei's earlier career spans investment banking at Macquarie Bank in M&A for financial institutions, Ernst & Young LLP ("EY") in transaction advisory support and Goldman Sachs as an associate, having qualified as a chartered accountant with EY in 2004.

Victoria Sant

A N ME

Position: **Director**

Date of appointment:
23 September 2016

Skills and experience

Victoria brings a wide governance and stakeholder perspective to the Board with her in-depth ESG/SRI knowledge and experience, particularly through her roles at the Investor Forum and an endowment asset owner.

Other appointments

Victoria is managing director of the Investor Forum, a not-for-profit organisation facilitating engagement between institutional investors and UK-listed companies on long-term strategic and governance issues. Victoria is chair of the investment committee of Crop Trust, a member of the investment committee of the National Trust endowment, and a member of the advisory board of Ownership Capital B.V., which is a Dutch equity manager focused on active ownership and ESG integration.

Prior to this, Victoria was an investment manager at the Wellcome Trust, where she was responsible for the outsourced long-only equity portion of the £18bn investment portfolio, and a trustee director of the pension scheme.

Michael Warren

A N ME

Position: **Director**

Date of appointment:
1 March 2021

Skills and experience

Michael brings a combination of investment, operational and CEO-level management experience, with expertise in managing money, people and organisations. A particular management specialism is Michael's experience of leading sales and marketing divisions.

Other appointments

Michael is a non-executive director of Carrington Wealth Management and EdenTree Investment Management Limited.

During his executive career, Michael held several senior management and investment roles. He was an investment director of Thames River Capital, a board member and the managing director of the sales and marketing divisions of HSBC Investments UK Ltd, managing director and head of retail for DWS, the UK mutual fund business of Deutsche Asset Management, and director and global equity portfolio manager of Baring Asset Management. Michael was previously an advisor to Gresham House Asset Management and a non-executive director of Fidelity Asian Values PLC and Rathbone Asset Management Limited.

All the directors are independent and non-executive. All directors are members of the Management Engagement Committee and the Nomination Committee, both of which are chaired by Penny Freer. The Audit and Risk Committee is chaired by Alexandra Mackesy, the other members of which are Kevin Carter, Yen Mei Lim, Victoria Sant and Michael Warren.

Fund Managers

The fund managers at the date of this report are:

Indriatti van Hien

Position:
Fund Manager

14 years at JHI
18 years' financial industry experience

Skills and experience

Indriatti van Hien is a Portfolio Manager on the UK Equities Team at Janus Henderson Investors, a position she has held since 2016. Indriatti joined Henderson in 2011 as a UK equity analyst. Prior to Henderson, she was with PricewaterhouseCoopers, where she qualified as a chartered accountant.

Indriatti graduated with a BA degree (Hons) in modern history and economics from Oxford University. She is a member of the ICAEW and holds the Investment Management Certificate and Chartered Financial Analyst designation.

Neil Hermon

Position:
Fund Manager

23 years at JHI
36 years' financial industry experience

Skills and experience

Neil Hermon is a Portfolio Manager on the UK Equities Team at Janus Henderson Investors, a position he has held since 2013. He joined Henderson in 2002 as head of UK smaller companies. Prior to this, he served as head of UK smaller companies for General Accident Investment Management (later to become CGU plc). He began his career at Ernst & Young as a chartered accountant.

Neil received an MA (Hons) in mathematics from Cambridge University. He is an associate member of the Society of Investment Professionals (ASIP).

Shivam Sedani

Position:
UK Equities Team Portfolio Manager

8 years at JHI
13 years' financial industry experience

Skills and experience

Shivam Sedani is a Portfolio Manager on the UK Equities Team at Janus Henderson Investors, a position he has held since 2025. Prior to that, he was an associate portfolio manager from 2022 and was a research analyst with the team since joining Henderson in 2017. Shivam previously worked at Deloitte, where he qualified as a Chartered Accountant and was a manager in the mergers and acquisitions tax team.

Shivam graduated with a BSc degree (Hons) in economics from the University of Birmingham. He is a member of the ICAEW. Shivam holds the Chartered Financial Analyst designation.

See p.12 Fund Managers' Report

Corporate Governance Report

Governance structure

Board of Directors
Comprises independent non-executive directors

Chair: Penny Freer

Senior Independent Director: Kevin Carter

Audit and Risk Committee
Chair:
Alexandra Mackesy

Purpose: Ensures the integrity of financial reporting, evaluates the effectiveness of the systems of internal control and risk management, and oversees the relationship with the external auditors

See p.53 Audit and Risk Committee Report

Management Engagement Committee
Chair:
Penny Freer

Purpose: Ensures the performance of service providers meets expectations and their terms of engagement remain appropriate

See p.56 Management Engagement Committee Report

Nomination Committee
Chair:
Penny Freer

Purpose: Ensures the Board has a balance of skills, experience and diversity, oversees performance reviews of the Board and its committees, considers directors' fees and maintains an effective framework for succession planning, with a formal approach to the appointment of directors

See p.57 Nomination Committee Report

Contractually engages third-party service providers

Janus Henderson
Fund Management: UK Smaller Companies equities team, comprising Indriatti van Hien, Neil Hermon and Shivam Sedani

Sales, Marketing, Administration
Corporate Secretary: Janus Henderson Secretarial Services UK Limited

Alternative Investment Fund Manager: Janus Henderson Fund Management UK Limited

Auditor
Forvis Mazars LLP

Custodian and depositary
HSBC Bank plc

Registrar
Computershare Investor Services plc

Corporate broker
Deutsche Numis

The terms of reference for each of the committees of the Board are kept under regular review and are available at **www.hendersonsmallercompanies.com** or via the corporate secretary.

Chair's statement on corporate governance

The Board is pleased to report on its approach to the Company's governance and how the principles of the applicable codes have been applied during the year. The Board believes that good governance creates value and is committed to high standards of corporate governance, business ethics and transparency.

Compliance with corporate governance codes

By virtue of the Company's listing on the London Stock Exchange, the Board is required to report on how the principles of the 2018 UK Corporate Governance Code (the "UK Code") have been applied. The 2019 AIC Code of Corporate Governance (the "AIC Code") addresses the principles and provisions of the UK Code as well as additional provisions of specific relevance to investment companies, and has been endorsed by the Financial Reporting Council. This enables investment company boards to report against the AIC Code and still meet their obligations under the UK Code and associated disclosure requirements under paragraph 6.6.6 of the UK Listing Rules.

The Board has chosen to report under the AIC Code, as it considers reporting against the AIC Code provides more relevant information to the Company's shareholders about its governance arrangements. The AIC Code and the UK Code can be found on the respective organisation's website: **www.theaic.co.uk** and **www.frc.org.uk**.

A new UK Code was published in January 2024, with an updated AIC Code published in August 2024. The new Codes will be applicable to the Company's financial year ending 31 May 2026.

Statement of compliance

The Board confirms that the Company has applied the principles and adhered to the provisions of the AIC Code in the year under review and up to the date of this report, except as set out below.

The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors. A separate remuneration committee has not been established, as the Board comprises only non-executive directors and the Company has no employees. The remit of the Nomination Committee includes responsibility for non-executive directors' remuneration. The Board Chair does not act as Nomination Committee Chair when that committee considers matters relating to her performance, succession or remuneration.

In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function, though the Audit and Risk Committee considers the need for such a function at least annually.

Governance overview

The Board has three principal committees: Audit and Risk Committee, Management Engagement Committee and Nomination Committee, as set out in the governance structure chart on page 46. Committee membership is also noted on page 46.

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary, which in turn appoints the custodian which is responsible for the safe custody of the Company's assets. The Company has appointed a registrar to maintain the register of members and assist shareholders with queries about their holdings.

The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of the service providers' control systems in relation to the affairs of the Company. The Board and its committees maintain oversight of third-party service providers through regular and ad hoc reporting and ongoing monitoring by the Manager. The Board meets annually with representatives of service providers to discuss, amongst other matters, performance, service levels, their value for money, information security and business continuity plans.

The Board meets at least six times a year, with additional board or committee meetings arranged when required. The directors have regular contact with the Fund Managers, the corporate secretary and other employees of the Manager between meetings.

Leadership, roles and division of responsibilities

Role	Primary responsibilities
Board	• Responsible for providing leadership of the Company's affairs. • Setting the Company's investment objective, policy and strategy. • Establishing a robust internal control framework enabling effective risk management. • Appointing and monitoring the performance of service providers within the parameters of the control framework. • Setting the Company's culture and values. • Ensuring that obligations to shareholders and other stakeholders are understood and met. • No directors are linked via any other directorships.
Chair	• Leading and managing Board business and ensuring the timely flow of information from service providers to the Board. • Providing effective leadership of the Board, including setting its agenda and determining its governance framework, culture and values, with the support of other directors and the corporate secretary. • Leading the Board's relationship and engagement with shareholders and other stakeholders. • Managing the relationship with the Manager.
Committee Chairs	• The leadership and governance of their committee. • Maintaining the relationships with specialist service providers delivering services within the remit of their committee. • Reporting on the activities of their committee to the Board. • Seeking approval from the Board for the responsibilities set out in their respective terms of reference.
Senior Independent Director ("SID")	• Fulfilling the role of sounding board for the Chair and intermediary for the other directors as necessary. • Leading the effectiveness review of the Chair. • Acting as a channel of communication for shareholders in the event that contact through the Chair is inappropriate.
Independent non-executive directors	• Providing constructive and effective challenge, especially to the decisions of the Manager. • Scrutinising and holding to account the performance of: – the Fund Managers in meeting the investment objective. – Janus Henderson in the promotion of the Company and day-to-day smooth operations of the Company's business. • Providing strategic guidance and offering specialist advice.
Company Secretary	• Responsible to the Board for compliance with Board and committee procedures, rules and regulations. • Minuting board and committee meetings, with any director's concerns recorded in the minutes. • Board has the power to appoint or remove the secretary in accordance with the terms of the management agreement.
Manager (AIFM)	• Promoting the Company's investment proposition to professional and retail investors. • Making the necessary reporting to the FCA regarding the Company's status as an AIF. • Providing accounting, company secretarial and administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions. • Coordinating the delivery of services provided by the Company's other third-party service providers.
Fund Manager	• Selecting the stocks held within the portfolio. • Diversification and risk management through stock selection and size of investment. • Determining the volume and timing of acquisitions and disposals. • Determining the frequency and level of gearing within the overall limits set by the Board.
Shareholders	• Approving material changes to the Company's investment policy. • Approving the final dividend. • Making decisions on changes to the Company's constitution. • Electing and re-electing directors to the Board, or removing them from office if deemed appropriate. • Determining the overall limit for directors' remuneration.

Operation of the Board

The Board has a formal schedule of matters reserved for its decision, available on the website at **www.hendersonsmallercompanies.com**, which includes setting strategy and providing oversight of performance against agreed measures. All matters that are not delegated to the Manager under the management agreement are reserved for the Board. The Board approves any changes to the governance structure, capital arrangements, board/committee composition, oversees financial reporting and assesses the effectiveness of the internal control framework.

Each board meeting follows a formal agenda, set by the Chair in conjunction with the company secretary, and includes a review of the Company's investment performance, financial position, compliance with investment parameters and the investment objective, a review of shareholder movements, along with any sales and marketing activities and any other relevant business matters, to ensure that control is maintained over the Company's affairs.

The Manager ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information to allow them to discharge their responsibilities and enable smooth functioning of the Board and its committees. Representatives of the Manager attend relevant parts of board meetings to enable the directors to probe further on matters of interest or concern.

The Chair is invited to meetings of all the chairs of the investment trust companies managed by JHI, which provide a forum to discuss industry matters, and then reports back to the Board. A fundamental consideration in the Board's decision-making is its awareness of the interests of shareholders and other key stakeholders, as explained on page 36.

Correspondence from shareholders addressed to the Chair or the Company received by JHI is forwarded to the Chair in line with audited procedures in place, and is submitted to the next board meeting as appropriate. Any urgent or important correspondence would be circulated promptly at the request of the Chair.

Corporate secretary

The Board has direct access to the advice and services of the nominated chartered secretary, who has been appointed by the corporate secretary Janus Henderson Secretarial Services UK Limited, a subsidiary of JHI 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 JHI.

Directors' appointment and tenure

Appointment and retirement

The Board may appoint directors at any time during the year. Any director so appointed will stand for election by shareholders at the following annual general meeting in accordance with the provisions of the Company's articles of association. Each director receives a letter of appointment that sets out, amongst other matters, what is expected of them in terms of time commitment.

The Company's articles of association permit shareholders to remove a director before the end of his or her term by passing a special resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

Tenure

Directors are generally expected to serve two terms of three years, which may be extended to a third term at the discretion of the Board and subject to satisfactory performance evaluation and re-election by shareholders each year. This ensures the regular refreshment of the Board and its committees, and forms an integral part of succession planning.

Given the entirely non-executive nature of the Board and the fact that the Chair may not be appointed as such at the time of their initial appointment as a director, the Chair's tenure may be longer where this is considered by the Board to be in the best interests of the Company.

The appointment of all directors is subject to satisfactory performance evaluation and annual re-election by shareholders. The directors are cognisant of the benefits of regularly refreshing Board membership and seek to do so while retaining a balance of knowledge of the Company and the key relationship with the Fund Managers.

Following the Nomination Committee's review of the contribution and performance of each director (see pages 57-58), the continuing appointment of all directors was agreed for resolution by shareholders at the 2025 AGM, other than Victoria Sant who will retire from the Board on conclusion of the AGM, having completed her ninth year of tenure.

External commitments

The Board considers a potential candidate's other commitments on appointment and then annually through the performance evaluation process to ensure that directors have sufficient time to commit to the Company. A schedule of directors' other commitments is reviewed at each board meeting and directors are required to seek the Chair's approval prior to accepting further appointments. The Chair seeks the SID's approval before accepting further appointments.

Professional development

An induction process is in place for new appointees and all directors are encouraged to attend relevant internal and external training courses and seminars throughout the year, including bespoke investment trust director development sessions provided by JHI. Ongoing individual training requirements are considered as part of the annual review process led by the Chair of the Board.

Directors' independence

All directors have a wide range of other interests and are not dependent financially on the Company. At their meeting in April 2025, the directors reviewed their independence and confirmed that they all remained wholly independent of the Manager. In line with provision 13 of the AIC Code, the directors agreed that Penny Freer as Chair was independent on her appointment to the Board in 2018 and continues to be independent, having no relationships that may create a conflict between her interests and those of shareholders.

The role and contribution of any longer serving director (over six years in tenure) are subject to particularly rigorous review. The Board has concurred with the Nomination Committee's assessment that Penny Freer and Alexandra Mackesy, as longer-serving 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 in effect during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant 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.

The Board has adopted a procedure for directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

Directors' conflicts of interest

The Company's articles of association permit the Board to consider and, if it sees fit, 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 conflicts considered, and any authorisations given, are recorded in the relevant meeting's minutes and the register of interests.

Board attendance

The following table 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 on 2 October 2024 and the general meeting on 1 July 2025. Each director attended every board and committee meeting to which they were entitled throughout the year. Outside the formal meetings in the table, the Board or committees had regular interaction on various corporate activities, and met additionally to:

- consider Fund Manager promotion and succession planning;
- receive market updates from JHI's Head of Sales and the corporate broker and consider share buybacks;
- consider significant industry developments and their impact on the Company;
- plan promotional and marketing activities;
- undertake routine corporate business such as the approval of the Company's results and dividends; and
- convene the general meeting on 1 July 2025.

	Board	ARC	MEC	NC
	Number of meetings			
Penny Freer	6	3	2	1
Alexandra Mackesy	6	3	2	1
Victoria Sant	6	3	2	1
Kevin Carter	6	3	2	1
Michael Warren	6	3	2	1
Yen Mei Lim	6	3	2	1

Notes:
ARC: Audit and Risk Committee
MEC: Management Engagement Committee
NC: Nomination Committee

Directors' insurance and indemnification

Directors' and officers' liability insurance cover was in place throughout the financial year and remains in place at the date of this report. The Company's articles of association provide, subject to UK legislation, an indemnity for directors in respect of costs they may incur relating to defence of any proceedings brought against them arising from their positions as directors, in which they are acquitted or judgment is given in their favour by the Court. No indemnity was given during the year or to the date of this report.

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control and risk management, and for reviewing its effectiveness, as set out in the following chart 'System of Internal Controls'. The ARC supports the Board in the continuous monitoring of the Company's internal controls and risk management framework, which includes those of its key service providers. Its considerations in this respect are set out on pages 53-55.

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company (see pages 27-28), aligning with the FRC's Guidance on Risk Management, Internal Control and Related Business and Financial Reporting. The system was in operation throughout the year under review and up to the date of this report and is designed to meet the specific risks faced by the Company. It takes account of the nature of the Company's reliance on its service providers and their internal controls environments. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting that allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Management Engagement Committee conducts a formal evaluation of the overall level of service from third-party providers at least annually (see page 56);
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Operational Risk team on the control environment in operation at the Manager and their view of the control environments of the key third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has carried out a review of the effectiveness of the Company's system of internal controls for the year ended 31 May 2025. During the course of its review, the Board did not identify and was not advised of any failings or weaknesses relating to the Company's portfolio that have been determined as material.

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. Being an investment trust, with no employees and all executive activities delegated to third-party service providers, the Board relies on the Company's framework of internal control and the ARC's views on reporting received from specific teams, particularly at the Manager.

As noted on page 52, the Manager's Operational Risk team supports the ARC in considering the independently audited reports on the effectiveness of internal controls in place at the third-party service providers. The Manager's Internal Audit team provides regular reporting to the Board on the operations at the Manager and presents to the ARC at least annually. The Board has therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

System of internal controls

How the system of internal control operates

The Board delegates contractually to service providers all the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered key stakeholders.

The MEC formally evaluates the performance and service delivery of all service providers at least annually.

The ARC evaluates the performance of the statutory auditor on completion of each audit cycle, and monitors the effectiveness of the control environment of the Manager, Computershare, HSBC Securities Services and BNP each year through review of their annual assurance reports, supplemented by the view of the Manager's Operational Risk team.

Forvis Mazars LLP
(Statutory auditor)

Board of Directors
(six non-executive directors)

Janus Henderson ("JHI" or the "Manager")
(Investment management, company secretarial, sales, marketing, financial reporting and administration)

Reporting
- Investment performance update at each meeting
- Investment limits and restrictions (monthly)
- Internal controls report (quarterly)
- Effectiveness of control environment (annually)

HSBC Bank plc ("HSBC")
Depositary/Custodian

Reporting
- Depositary's report (quarterly)
- Presentation from the depositary and custodian (annually)
- Effectiveness of control environment of HSBC Securities Services (annually)

BNP Paribas ("BNP")
(Accounting and administration services engaged by the Manager)

Reporting
- Balance sheet
- Liquidity and gearing
- Income forecasts
- Portfolio valuation
- Portfolio transactions
- Portfolio attribution
- Effectiveness of control environment (annually)

Computershare Investor Services PLC ("Computershare")
(Registrar)

Reporting
- Voting and scrutineer reports pre- and post-shareholder meetings
- Shareholder correspondence
- Operational service updates
- Effectiveness of control environment (annually)

By order of the Board
For and on behalf of Janus Henderson Secretarial Services UK Limited
Corporate Secretary
30 July 2025

Audit and Risk Committee Report

The Chair of the Audit and Risk Committee (the "Committee"), Alexandra Mackesy, reports to shareholders on the year to 31 May 2025.

Membership

The members of the Audit and Risk Committee during the year were Alexandra Mackesy as Chair, Kevin Carter, Victoria Sant, Michael Warren and Yen Mei Lim. Ms Freer, as Chair of the Board, attends the Committee's meetings by invitation only, in accordance with the AIC Code. The Committee is chaired by Mrs Mackesy, who is an experienced audit committee chair. Ms Lim is a chartered accountant, and the Board considers that Mrs Mackesy, Ms Lim and other members of the Committee have recent and relevant financial experience from their current and previous senior management roles elsewhere.

Meetings

The Committee met three times in the year under review. The Company's external auditor, the Fund Managers, and the Manager's Financial Reporting Senior Manager for investment trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager (including Heads of Operational Risk, Internal Audit, Business Resilience and the Chief Information Security Officer) are also invited to attend meetings on an annual basis, and more frequently as helpful to the Committee.

The Committee Chair also meets with the Company's auditors as part of the audit planning process and during the audit, and to keep the audit firm up to date with corporate developments, as well as being informed of any accounting or reporting changes envisaged.

Role and responsibilities

The Committee is responsible for ensuring the integrity of the Company's financial reporting, the appropriateness of service providers' systems of internal control and risk management, and the effectiveness and objectivity of the external auditor. The Committee oversees the relationship with the external auditor, approving the terms of their appointment or their removal.

The Committee Chair formally reports to the Board after each audit and risk committee meeting and makes recommendations for approval where relevant. The Committee's responsibilities are set out in formal terms of reference, available at **www.hendersonsmallercompanies.com**, which are reviewed at each meeting.

Committee effectiveness review

The activities of the Committee were considered as part of the internal Board effectiveness review, with the conclusion that the Committee continues to be effective in its operation.

Activities during the year

In the year under review the Committee assessed the following matters:

Annual, half-year reports and auditor

- appropriateness of the Company's accounting policies and the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- half-year results and the 2025 Annual Report;
- appropriate level of dividends to be paid by the Company for recommendation to the Board;
- audit plan, including the principal areas of focus;
- nature and scope of the external audit and its findings;
- reappointment of the auditor, its performance, remuneration and tenure of appointment, its independence, objectivity, effectiveness and quality of reporting; and
- a redesign of the Company's annual report.

Internal controls and risk management

- internal controls in place at JHI, BNP, HSBC Securities Services and Computershare;
- JHI's policies and activities in relation to information security and business resilience, meeting with representatives of JHI's internal audit, information security and risk departments;
- key and emerging risks, risk management systems and the Company's risk register and strategic heat map, to reflect changes in the risk environment. The Committee uses its strategic 'heat map' of key risks to better analyse risks holistically, collating each director's individual rating for each risk each year and analysing reasons for any divergence in detail;
- policies and procedures across all service providers to prevent tax evasion, money laundering and the financing of terrorism, as well as to ensure business continuity, information security, cybersecurity protection and strong internal controls;
- any need for an internal audit function;
- JHI's and other key service providers' whistleblowing policies for their staff to raise concerns in confidence about possible improprieties;
- confirmation from the Company's depositary of management in accordance with the Investment Funds Sourcebook, the Company's articles of association and the AIFMD; and
- liquidity analysis of cross-holdings across the Manager's funds.

Annual Report for the year ended 31 May 2025

The Committee considered the following significant matters in respect of the Annual Report for the year ended 31 May 2025:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The directors have appointed the Manager to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required, the Manager 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 is verified by reconciliation to the custodian's records.
Correct calculation of the performance fee	The performance fee calculation is prepared by BNP and reviewed in depth by the Manager and by the Committee, all with reference to the management agreement, verifying that no performance fee is due for the year.
S1158 Corporation Tax Act 2010 compliance	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 the Manager and BNP.
Maintaining internal controls	The Committee performs oversight over the Company's service providers by receiving regular reports on internal controls from JHI, BNP, Computershare and HSBC Securities Services and its delegates. The Committee has access to the relevant personnel of JHI who have a responsibility for risk management and internal audit. The assurance report for one of the Company's service providers was qualified by the respective service auditor. The Committee thoroughly reviewed the instances giving rise to the qualification and received confirmation that the exceptions identified had no impact on the Company.
Recognition of dividend income	Income received is accounted for in line with the Company's accounting policies (as set out on page 77), and is reviewed by the Committee at each meeting. Special dividends may be required to be allocated between revenue and capital, and the Committee reviews the rationale provided by the Manager and approves the treatment.
Viability	The Committee scrutinised assumptions around the viability statement set out on page 41, especially factors behind macroeconomic and geopolitical uncertainties, US tariff reform and economic uncertainties, to satisfy itself of the Company's resilience over the five-year time frame. The directors reviewed the shareholder register and made enquiries of the corporate broker and the Manager to understand shareholder movements and circumstances over the year and up to the date of this report with any potential to have an adverse impact on the continuation vote to be held at the 2025 AGM.
Going concern	The Committee scrutinised assumptions around the going concern statement set out on page 76 and the Company's ability to continue in operational existence for at least twelve months from the date of approval of the financial statements, concluding that the Company's financial statements should be produced on a going concern basis.

Appointment, review and tenure of the external auditor

Regulations in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process in 2021 and appointed Mazars LLP (now 'Forvis Mazars LLP') as external auditor starting from the year ended 31 May 2022. The auditor is required to rotate partners every five years, and this is the fourth year the current audit partner has been in place.

The Company complies with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditors and setting policy on the provision of non-audit services.

Policy on non-audit services

The Committee keeps under regular review its policy on the provision of non-audit services by the auditor. The policy sets out that the Company's auditor will only be considered for non-audit work where this is not prohibited by regulations and where it does not appear to affect the independence and objectivity of the auditor. Any provision of non-audit services by the auditor is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services would require approval in advance by the Committee or the Committee Chair. No fees were paid or payable to the auditor for non-audit services in the year under review or since their appointment.

Independence of the external auditor

The Committee monitors the auditor's independence and objectivity through three aspects of its work:

- approval of the non-audit services policy;
- assessing the appropriateness of the fees paid to the auditor for their work; and
- by reviewing the information and assurances provided by the auditor on their compliance with the relevant ethical standards.

For the year ended 31 May 2025, Forvis Mazars confirmed that all partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are consistent with the FRC's Ethical Standards. Forvis Mazars has confirmed to the Committee its policy on independence, which stipulates that its partners and staff involved with the Company's audit are not permitted to have any direct or material indirect interest in the Company. Adherence to this policy of independence is reaffirmed each year in writing by each staff member involved in the Company's audit.

This being Forvis Mazars' fourth year in office as the Company's auditor and the fact that the firm does not provide any non-audit services to the Company, the Committee is satisfied that auditor independence and objectivity are safeguarded.

Effectiveness of the external audit

The Committee evaluated the effectiveness of the external audit, assessing the auditor's performance during the year together with a post-audit assessment, led by the Committee Chair. Consideration was also given to the findings of the FRC's audit quality inspection report, which monitors audit quality across the major audit firms in the UK. Forvis Mazars presented and discussed the findings of the latest audit quality inspection report and reported on the progress made by the firm in addressing the areas identified for improvement in the prior year's report.

The Committee noted that the Company was subject to an FRC audit quality review of the 2024 audit during the year. The FRC assessed the 2024 audit as 'Good', being the highest quality category.

The Committee discussed the service provided by Forvis Mazars with JHI's Financial Reporting Senior Manager for investment trusts and the company secretary, who have the most hands-on involvement in the audit each year. The Committee also reviewed and assessed the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting for the Committee, benchmarking Forvis Mazars' performance against their recent experience with other firms gained through their other commitments. The Committee also met privately with the Audit Partner to discuss how the audit operated from Forvis Mazars' perspective.

The Committee considers that the audit quality for the year ended 31 May 2025 has been high and that the Manager and Forvis Mazars have worked together effectively to enhance reporting to shareholders. Having completed the assessment, the Committee is satisfied with the effectiveness of Forvis Mazars' audit and recommended to the Board its continuing appointment.

Forvis Mazars has indicated its willingness to continue in office and so the Board is proposing resolutions for the 2025 AGM reappointing the firm as auditor to the Company and authorising the Committee to determine their remuneration.

Alexandra Mackesy
Chair of the Audit and Risk Committee
30 July 2025

Management Engagement Committee Report

The Chair of the Management Engagement Committee ("MEC"), Penny Freer, reports to shareholders on the year to 31 May 2025.

Membership

All directors are members of the MEC and the Chair of the Board is the MEC Chair.

Meetings

The MEC met formally twice during the year.

Role and responsibilities

The MEC reviews the management agreement and monitors the performance of the Manager in respect of its investment, company secretarial, financial reporting, administration, sales, marketing and support services and how those impact the performance of the Company. The MEC is also responsible for evaluating the overall performance of the Company's third-party service providers.

The MEC's purpose is to ensure the services and fees paid to the Manager and other service providers are consistent with the successful delivery of the Company's long-term strategy and that each service provider's continuing appointment is in the best interests of the Company.

The MEC reports to the Board and its responsibilities are set out in formal terms of reference which are reviewed at least annually and amended as appropriate.

MEC effectiveness review

The activities of the MEC were considered as part of the internal Board effectiveness review, with the conclusion that the MEC continues to be effective in its operation.

Activities during the year

The MEC recommended the appointment of Indriatti van Hien as Co-Fund Manager to the Board in January 2025, which the Board approved. The MEC agreed that Indriatti had demonstrated significant expertise and investment acumen since becoming Deputy Fund Manager in 2016.

On Neil Hermon's notification of his retirement to take effect in September 2025, the MEC has been liaising closely with senior management at JHI to recruit an additional portfolio manager to work on the Company's portfolio with Indriatti.

In discharging its duties over the year, the MEC undertook an internal review of the performance of the Manager, following its external Manager review convened in 2023 by Lintstock Ltd. All directors answered an online questionnaire and discussed the results in detail at the MEC meeting in April 2025. The directors also reviewed the performance of other third-party services providers.

The following key items were considered during the review process:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the closed-ended sector, the share price, level of premium/discount and gearing;
- the management of the portfolio's risk profile and use of gearing;
- the fee structures of the Company's competitors in the AIC peer group and other investment companies managed by JHI;
- the quality and experience of the teams involved in managing the Company's business and a review of the stability of the management group and its business priorities;
- the key clauses of the management agreement, principal clauses of which are set out on pages 25-26, how the Manager had fulfilled them and whether they continued to be appropriate. The Committee agreed that the fees paid to the Manager were aligned with the Company's purpose, values and successful delivery of its long-term strategy;
- the culture, values, senior management and any organisational changes of the key service providers and particularly of the Manager;
- the performance and fees of the Company's other service providers, including the Company's corporate broker (Deutsche Numis), depositary and custodian (HSBC) and registrar (Computershare);
- the Company's service providers in their roles as stakeholders and whether there was an appropriate level of engagement with them; and
- any points of conflict which may arise between the service providers.

Continued appointment of the Manager and other service providers

The findings of the annual effectiveness review of the Manager and other service providers were positive overall. The exercise identified some priorities for the Manager to consider over the coming year in implementing refinements to the investment process and portfolio manager recruitment.

Following completion of the review, the MEC recommended to the Board that the continued appointment of the Manager on the terms agreed was in the best interests of the Company's shareholders as a whole and its long-term sustainable success. The MEC also recommended the continuation of the other third-party service providers' appointments. The Board subsequently approved the MEC's recommendations.

Penny Freer
Chair of the Management Engagement Committee
30 July 2025

Nominations Committee Report

The Chair of the Nomination Committee ("NC"), Penny Freer, reports to shareholders on the year to 31 May 2025.

Membership

All directors are members of the NC. The Chair of the Board is the NC Chair but does not chair meetings when the NC is dealing with the Chair's fees, performance or successor.

Meetings

The NC meets at least annually, with further meetings scheduled when required. In the year under review the NC held one meeting.

Role and responsibilities

The NC is responsible for reviewing Board succession planning, tenure and diversity policies, directors' fees, the effectiveness of the Board and its committees, and the appointment of new directors through a formal procedure.

NC effectiveness review

The activities of the NC were considered as part of the internal Board effectiveness review, with the conclusion that the NC continues to be effective in its operation.

Activities during the year

In discharging its duties, the NC considered and made recommendations to the Board as appropriate on:

- composition of the Board and each of its committees, taking account of the contribution of the skills, experience and knowledge of each director to the success of the Company, and using the Board's skills matrix as a guide to collective competencies and experiences on the Board; the directors' and the Chair's tenure policy and remuneration level;
- effectiveness of the Board, its committees, the Chair and each individual director, following an internal review and analysis of the results;
- amendments to the NC's terms of reference and diversity policy effective from 1 June 2025 to align with the revised 2024 AIC Code of Corporate Governance;
- each director's external interests and appointments in the context of time available and their commitment to the Company; and
- reappointment of directors standing for re-election at the AGM.

Board effectiveness review

Each year, the NC assesses the composition of the Board and its effectiveness. An external review is conducted every three years, with the next external review due to be carried out in 2026. This year, the evaluation was undertaken internally. All Board members completed an online survey addressing the performance of the Board and its committees, the leadership and effectiveness of the Chair and the contribution, time commitment and independence of each individual director. The Senior Independent Director conducted the review of the Chair, gathering feedback from all directors and subsequently meeting with the Chair to discuss the results.

As well as addressing core aspects of Board and committee performance, the exercise had a particular focus on the following areas:

- working with JHI on Fund Manager succession planning;
- the Board's engagement with shareholders ahead of the continuation vote;
- the role of the Board in supporting the Company in a difficult market, including the level of support and challenge provided to the Fund Managers and their team;
- the understanding of investor views and mechanisms for differentiating and marketing the Company;
- the Board's engagement and communication with certain third-party service providers and the quality of support they provide; and
- the evolution of the flow of information through regular Board papers and other ad-hoc updates.

The directors reviewed and discussed the results at the April 2025 NC meeting, which were positive overall. No areas of material weakness or concern were identified and the NC concluded that the Board remains fit for purpose and works in a harmonious, effective and collegiate manner. A good range of skills is represented on the Board, as well as a clear understanding of the risks facing the Company. The Senior Independent Director confirmed that the Chair provides effective leadership.

As a result of the review, the Board considered opportunities to increase effectiveness. Priorities identified by the review include close monitoring of performance, succession planning for the Fund Managers, proactive oversight of the share price discount to NAV and active consultation with shareholders.

Board composition and diversity policy

All Board appointments are subject to a formal, rigorous and transparent procedure. The Committee considers the Company's leadership needs regularly and seeks to ensure that any Board vacancies are filled by the most qualified candidates based on objective criteria and merit and in the context of the specific skills, knowledge and experience needed to lead the Company effectively and achieve its investment objective. Review of the individual performance and contribution of each director remains an integral element of the Company's approach.

When considering succession planning and tenure, the NC bears in mind the balance of skills, knowledge, experience, gender, background and diversity on the Board, the achievement of the Company's investment objective and compliance with the Company's articles of association and the AIC Code of Corporate Governance. The NC also considers diversity, inclusion and equal opportunity as appropriate as part of the annual performance review and in any Board appointments and succession planning. The directors believe that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company.

The directors confirm that, in all the NC's activities, there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age, physical ability or socio-economic background.

Board diversity at 31 May 2025

The Board meets the relevant FCA diversity targets, and FTSE Women Leaders and Parker Review recommendations on gender and ethnicity: 67% of individuals on the Board are women and one Board member is from a non-white minority ethnic background. The Board aims to ensure it comprises individuals with diverse and complementary thought, skills and experience to meet the Company's objectives.

The information included in the below tables has been obtained through questionnaires completed by the individual directors. The categories for ethnic groups which are not represented on the Board are not included in the ethnic background table. No changes have occurred between 31 May 2025 up to the date of approval of this Report which could affect the Company's ability to meet the targets in UK Listing Rule 6.6.6R(9)(a).

NC recommendations to the Board

On the basis of the NC's recommendations, the Board concluded that:

- each director provides a constructive contribution to the affairs of the Company and brings different qualities to the Board;
- the Board has an effective committee structure and the committees continue to support the Board efficiently in fulfilling its duties;
- no director is 'overboarded' under the FRC's guidelines or in any practical way, and each director continues to dedicate the time required to fulfil his or her duties to the Company effectively;
- the Board's size and composition remain appropriate for the Company, and the Board will retain a good balance of skills and business experience, as set out on pages 43-44;
- each director seeking re-election merits nomination for re-election by shareholders and was duly recommended for shareholder re-election at the forthcoming AGM.

Penny Freer
Chair of the Nomination Committee
30 July 2025

In accordance with UK Listing Rule 6 Annex 1R (1) and (2), and using the AIC's definitions, the Board provides the following information about its diversity:

Gender identity and sex

	Number of directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)
Men	2	33%	Not applicable - see note*
Women	4	67%	
Total	**6**	**100%**	

Ethnic background

	Number of directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)
White British or other White (including minority white groups)	5	83%	Not applicable - see note*
Other ethnic group	1	17%	
Total	**6**	**100%**	

* This column is not applicable as the Company is externally managed and does not have executive management functions, specifically the roles of CEO and CFO. The Board considers that chairing the Board, its permanent committees and the role of senior independent director are all senior positions in an investment company context. Accordingly, the Chair of the Board, the Nomination and Management Engagement Committees, and the Chair of the Audit and Risk Committee are both women. The Senior Independent Director is a man. These positions are currently held by individuals who consider themselves 'White British or Other White (including minority white groups).

Directors' Remuneration Report

Report on implementation

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the "Regulations"). This report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the UK Listing Rules of the FCA and describes how the Board has applied the principles relating to directors' remuneration. The Company's auditor is 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 reporting requirements contained in the Regulations are not applicable and have not been reported on. The directors believe that all relevant information is disclosed within this report in an appropriate format. While the directors review annually the fees paid to the directors of comparable investment trust companies, the Board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration.

Annual statement from the Chair

Directors' remuneration is determined by the Board as a whole within the parameters of the Remuneration Policy approved by shareholders, following review and recommendations on an annual basis by the Nomination Committee as to the appropriate level of fees. All directors are members of the Nomination Committee. As the Company has no employees and the Board comprises entirely non-executive directors, the Board has not established a separate remuneration committee.

During the year, the directors reviewed fee levels, covering a review of fees in the investment trust industry as a whole and in the AIC UK smaller companies sector, taking into account the impact of inflation. The Board believes that both the individual remuneration and the aggregate fee levels take account of the needs of a very engaged non-executive Board of experienced practitioners in the sector with increasing legal and regulatory responsibilities. Following careful consideration, the Board agreed an increase in directors' fees as set out in the table below:

Role	From 1 June 2025 £	At 31 May 2025 £	At 31 May 2024 £
Chair of the Board	46,700	**44,500**	43,000
Chair of the Audit and Risk Committee	37,775	**36,000**	34,500
Senior Independent Director	34,500	**n/a**	n/a
Non-Executive Director	32,000	**30,500**	29,500

Remuneration policy

Shareholders last approved the Remuneration Policy at the 2023 Annual General Meeting, being a triennial vote. The Board may amend the level of remuneration paid to individual directors within the parameters of the Remuneration Policy. In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary, including relevant legal and regulatory requirements and the provisions and recommendations of the AIC Code of Corporate Governance.

The objective of the Remuneration Policy is to attract, retain and motivate non-executive directors of the quality required to govern the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Board obtains up-to-date information about remuneration in other companies of comparable scale and complexity to avoid and manage conflicts of interest in determining remuneration levels. The directors review the appropriateness and relevance of the Remuneration Policy at least annually, with a focus on supporting the Company's long-term sustainable success.

Individual directors do not participate in discussions relating to their own remuneration. 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 £250,000 per annum. Subject to the overall limit, the Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors, and should be sufficient to promote the long-term success of the Company.

The policy is to review fee rates annually, although this will not necessarily result in any change to the rates. 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 in writing with no compensation payable. There are no set notice periods and no fixed duration. No director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

Recruitment principles

All directors, including those newly appointed, are paid at the same rate, apart from the Chair of the Board, Chair of the Audit and Risk Committee and Senior Independent Director who are paid a higher fee in recognition of their additional responsibilities.

Views of shareholders

Any views expressed by shareholders on the fees being paid to directors would be taken into consideration by the Board, when reviewing levels of remuneration.

In recognition of the Senior Independent Director's greater responsibilities, the Board agreed that an increment of £2,500 be added to the base fee of £32,000 for non-executive directors, effective from the financial year beginning 1 June 2025. 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 May 2025	**1 June 2024**
Penny Freer	4,400	4,400
Kevin Carter	15,000	15,000
Alexandra Mackesy	2,200	2,200
Victoria Sant	1,670	1,670
Michael Warren	8,000	8,000
Yen Mei Lim	2,000	2,000

There have been no changes to the directors' interests in the period from 1 June 2025 to the date of this report. No director has an interest in the preference stock of the Company.

Under the Company's articles of association, no director is required to hold shares in the Company by way of qualification. However, to reflect the governance standards expected in investee companies, the Board requests each director to invest in the Company's shares and to retain those shares for as long as they remain on the Board. The overarching aim is for each director's holding to equate to 25% of their fees earned by the end of their projected nine-year tenure.

Spend on pay

As the Company has no employees, the directors do not consider it relevant to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to directors are shown in the 'Directors' remuneration' table. Distributions to shareholders are set out in note 9 on page 82; in the year to 31 May 2025, total dividends paid amounted to £20.0m.

Directors' remuneration (audited)

The remuneration paid to the directors who served during the years ended 31 May 2025 and 31 May 2024 was as follows:

	2025 Total fees and benefits £	**2024 Total fees and benefits £**
Penny Freer[1]	44,500	43,000
Alexandra Mackesy[2]	36,000	34,709
Kevin Carter	30,500	29,500
Victoria Sant	30,500	29,500
Michael Warren	30,500	29,500
Yen Mei Lim	30,500	29,500
Total	**202,500**	**195,709**

Notes:

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

1 Chair of the Board and highest paid director in the year to 31 May 2025

2 Chair of the Audit and Risk Committee. Mrs Mackesy incurred accommodation expenses of £209 in the year ended 31 May 2024 in order to attend the 2023 AGM due to rail strikes. The expenses were reimbursed through payroll and subject to personal taxation and national insurance

No expenses or taxable benefits were paid to any director in the year to 31 May 2025. In the year to 31 May 2024, the only expense/taxable benefit paid was as set out above. No remuneration or compensation was paid or payable by the Company during the period to any of the current or former directors or third parties specified by them other than as set out in the table. Increases reflect changes of Board roles, including appointments and retirements during the period under review. The incremental increases to fee levels over time are explained in the next table.

Directors' Remuneration Report continued

Annual percentage change

The table below sets out the annual percentage change in directors' fees over the previous five financial years in respect of those directors who served for a minimum of two full years since the year beginning 1 June 2020.

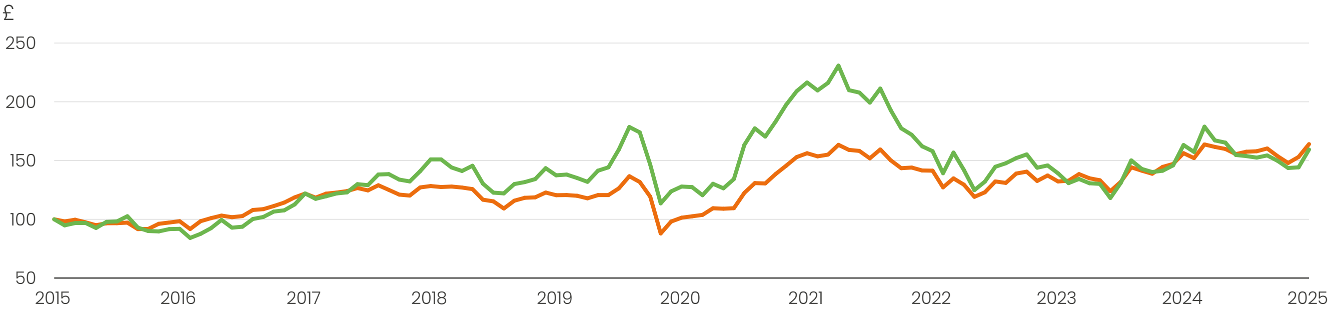
	2025 %	2024 %	2023 %	2022 %	2021 %
Penny Freer[1]	3.5	3.6	15.7	49.4	0.0
Alexandra Mackesy[2]	4.3	3.9	3.8	14.3	5.1
Kevin Carter[3]	3.4	3.5	3.6	n/a	n/a
Michael Warren[3]	3.4	3.5	3.6	n/a	n/a
Victoria Sant[4]	3.4	3.5	3.6	14.6	0.0
Yen Mei Lim[5]	3.4	n/a	n/a	n/a	n/a

1 The increases reflect both changes in directors' fees and Penny's succession as Chair in the year to 31 May 2022
2 The increases reflect Alexandra's appointment as Chair of the Audit and Risk Committee during the year ended 31 May 2020 and changes in directors' fees
3 Appointed in the year to 31 May 2022, so first full year is to 31 May 2023
4 Reflecting annual increases in directors' fees
5 Appointed during the year to 31 May 2023, so first full year is to 31 May 2024

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten-year period ended 31 May 2025 with the benchmark return over the same period.

Total performance return for 10 years to 31 May 2025



Company's share price total return, assuming the investment of £100 on 31 May 2015 and the reinvestment of all dividends (excluding dealing expenses) (Source: Morningstar Direct)

Benchmark total return, assuming the notional investment of £100 on 31 May 2015 and the reinvestment of all income (excluding dealing expenses) (Source: LSEG Datastream). The Company's benchmark is the Deutsche Numis Smaller Companies Index (excluding investment companies)

Statement of voting at AGM

At the Company's AGM on 2 October 2024, shareholders approved the Remuneration Report for the year ended 31 May 2024. Shareholders last approved the Remuneration Policy at the AGM on 5 October 2023. The following poll votes were received on these two resolutions at the respective AGM:

Resolution	For (including discretionary)	% of votes	Against	% of votes[1]	Withheld
Remuneration Policy	23,215,998	99.5	106,236	0.5	79,823
Remuneration Report	27,329,878	99.7	90,139	0.3	70,464

1 Excluding votes withheld

On behalf of the Board

Penny Freer
Chair of the Board
30 July 2025

Directors' Report

The directors present the Annual Report and Accounts of the Company for the year ended 31 May 2025. The Company (registered and domiciled in England & Wales with registration number 00025526) was active throughout the year under review and was not dormant.

The Investment Portfolio on pages 20-21, Corporate Governance Report on pages 43-52, Audit and Risk Committee Report, Management Engagement Committee Report and Nomination Committee Report on pages 53-58, Statement of Directors' Responsibilities on page 64, explanations of AGM resolutions on pages 103-104 and the glossary, alternative performance measures and general shareholder and corporate information on pages 93-99, all form part of the Directors' Report.

Directors

Biographical details of the directors and their appointments are listed on pages 43-44. Page 50 describes the directors' insurance and indemnification arrangements. The directors' interests in the Company's shares are shown on page 60.

Share capital

The Company's share capital comprises:

Ordinary shares of 25p nominal value each ("shares")

The voting rights of the shares on a poll are one vote for each share held. At 31 May 2025, the number of ordinary shares in issue, was 74,385,131 (2024: 74,505,131). During the year, the Company repurchased 6,017,157 shares at a total cost of £48,018,000 (including expenses and excluding stamp duty). 120,000 shares were cancelled and 5,897,157 were taken to Treasury. The total number of shares bought back in the year constitutes 8.1% of issued share capital at the start of the year. At the year end, 5,897,157 shares were held in treasury.

Since 31 May 2025 and at 28 July 2025, being the latest practicable date prior to publication of this Report, the Company bought back 3,226,932 ordinary shares at a total cost of £28,100,000 (including expenses and excluding stamp duty). No shares were allotted during the year or to the date of this Report. As at 28 July 2025, the total number of ordinary shares was 74,385,131. The total number of voting rights was 65,261,042.

There are no restrictions on the transfer of the Company's shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement to which the Company is party that would affect 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 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 shareholdings.

Preference stock units of £1 each ("preference stock units")

Preference stockholders have no rights to attend and vote at general meetings (except where the dividend is six months in arrears or on a resolution to wind up the Company). At 31 May 2025 there were 4,257 preference stock units in issue. This represents 0.02% of the Company's share capital. Further details are in Note 14 of the financial statements.

The directors seek annual authority from the shareholders to allot new shares, to disapply pre-emption rights of existing shareholders and to buy back shares for cancellation or to be held in treasury. The Company's articles of association permit the Company to purchase its own shares and to fund such purchases from its accumulated realised capital reserves. No preference stock units were issued or bought back during the year.

Shareholder authorities

At the annual general meeting ("AGM") held on 2 October 2024, the directors were granted authority to buy back 11,150,331 shares (being 14.99% of issued ordinary share capital on that date). The Company renewed its share buyback authority at a general meeting held on 1 July 2025, as only 5.6% of issued share capital remained within the 2024 AGM share buyback authority. At this general meeting, the directors were granted authority to buy back 10,102,879 shares (being 14.99% of issued ordinary share capital at 30 June 2025). As at 28 July 2025, there remains 7,966,457 shares available within the buyback authority granted at the general meeting on 1 July 2025. This authority will expire at the conclusion of the 2025 AGM. The directors intend to renew this authority, subject to shareholder approval.

Shares are not bought back unless the result is an increase in net asset value per share.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 May 2025 in accordance with the FCA's Disclosure Guidance and Transparency Rules were as follows:

Shareholder	% voting rights
Evelyn Partners	8.4
Saba Capital	5.1
West Yorkshire Pension Fund	4.5

Additionally, holdings of the Company's shares on execution-only stockbroking platforms at 31 May 2025 were as follows:

Platform nominee	% voting rights
Interactive Investor	11.9
Hargreaves Lansdown	10.0
HSDL	3.8
AJ Bell	3.3
Barclays Smart Investor	1.7

Disclosure of information to the auditor

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

Related-party transactions

The Company's transactions with related parties in the year were with the directors and the Manager. There were no material transactions between the Company and its directors, and the only amounts paid to them were in respect of remuneration. Remuneration is paid quarterly in arrears and amounts for April and May 2025 were therefore accrued as at the year end. There were no other outstanding amounts payable at the year end. Directors' shareholdings are listed on page 60.

In respect of the Manager's service provision during the year, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there were no material transactions with the Manager affecting the financial position of the Company. More details on transactions with the Manager, including amounts outstanding at the year end, are on page 90.

Independent auditor

The auditor Forvis Mazars LLP has indicated willingness to continue in office. Resolutions 9 and 10 are being submitted to the 2025 AGM to propose Forvis Mazars' reappointment and authorise the Audit and Risk Committee to determine their remuneration for the coming year.

Financial Instruments

The Company's policy on the use of financial instruments is set out in the Investment Policy on page 24.

Future developments

The future success of the Company is dependent primarily on the performance of its investment portfolio, which will, to a significant degree, reflect the performance of the stock market and the skill of the Manager. While the Company invests in companies that are listed (or quoted) in the United Kingdom, the underlying businesses of those companies are affected by external factors, many of an international nature. The Board's intention is that the Company will continue to pursue its stated Investment Objective and strategy as explained on page 24.

The Chair's Statement and the Fund Managers' Report from pages 8-18 give commentary on the outlook for the Company. Other information on recommended dividends and financial risks is detailed on pages 8-18 in the Strategic Report and in notes 9 and 15 to the financial statements.

Other information

UK Listing Rule 6.6.4 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. The Company's environmental statements are set out in the Strategic Report on pages 37-40. This Report of the Directors has been approved by the Board.

Post-balance sheet event

Since the year end, the Board convened a general meeting on 1 July 2025. Shareholders approved renewed authority for the Board to repurchase up to 14.99% of issued ordinary share capital (excluding shares held in Treasury).

Annual general meeting ("AGM")

The Board is pleased to invite shareholders to attend the AGM in person at 11.30 am on Tuesday, 7 October 2025 at the Company's registered office. The Board encourages shareholders to attend for the opportunity to meet the directors, Fund Manager Indriatti van Hien and the other members of the UK Smaller Companies team, including Shivam Sedani. Indriatti will give a presentation on the year under review and their outlook for the year ahead. Shareholders unable to join in person will be able to join the meeting by videoconference.

In addition to the AGM, the Board is holding a virtual investor presentation at 12 noon on 17 September 2025. During the presentation, shareholders will receive updates from the Chair and Fund Manager on portfolio positioning, outlook and recent progress, and there will be an interactive Q&A session. This is an opportunity for shareholders to hear directly from the Board and the investment team before placing their proxy votes. Full details on how to join the virtual shareholder presentation can be found at **www.hendersonsmallercompanies.com**.

The Board encourages all shareholders to submit their votes on the resolutions, all of which come with the Board's endorsement, ahead of the deadline of Friday, 3 October 2025, to ensure that their vote counts at the AGM, as there will be live voting only for those physically present at the AGM. Please see the AGM Notice on pages 100 onwards for more information on joining and voting.

The Fund Manager discusses these results and performance during the year in a video available from 9.00 am on 31 July 2025 at **www.hendersonsmallercompanies.com**. If shareholders have any questions for the Board or the Fund Managers in advance of the AGM, please contact the Secretary at **itsecretariat@janushenderson.com**.

Voting recommendation

The Board considers that the resolutions to be proposed at the AGM are in the best interests of shareholders as a whole. The Board therefore recommends that shareholders vote in favour of each resolution, as the directors intend to do in respect of their own beneficial holdings.

By order of the Board
Janus Henderson Secretarial Services UK Limited
Corporate Secretary
30 July 2025

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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. The directors have prepared the Company's financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 profit 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a directors' report, a strategic report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

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

Statement under DTR 4.1.12

Each director, who is listed on pages 43-44, confirms that, to the best of his or her knowledge:

- the financial statements, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit/loss 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.

On behalf of the Board

Penny Freer
Chair of the Board
30 July 2025

Financial statements

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Independent Auditor's Report to the members

Opinion

We have audited the financial statements of The Henderson Smaller Companies Investment Trust plc (the "Company") for the year ended 31 May 2025 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and notes to the financial statements on pages 76-91, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2025 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- making enquiries of the Directors to understand the period of assessment that they considered, being at least 12 months from the date of approval of the annual report and financial statements, assessing and challenging the appropriateness of the Directors' key assumptions in their income and expense projections and implication of those when assessing severe but plausible scenarios;
- assessing the Company's ability to continue to operate within its financial covenants and the liquidity of the portfolio through reviewing Management's assessment of how quickly the portfolio could be liquidated if required;
- assessing the Company's performance to date using the key performance indicators being net asset value against benchmark and peer group, share price total return against benchmark and peer group, discount to net asset value and ongoing charge listed on pages 29 and 30 in the annual report;
- reviewing the shareholder register and making enquiries of the broker to understand whether there were any unusual shareholder movements and circumstances over the year and up to the signing date that may have an adverse impact on the continuation vote to be held at the Annual General Meeting in September 2025; and
- evaluating the appropriateness of the Directors' disclosures in the financial statements on going concern and viability statement including the consideration of when the next continuation vote is.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

In relation to Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Director's considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters 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.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Accuracy and completeness of revenue recognition through incorrect classification of special dividends (as described on pages 53-55 in the Report of the Audit and Risk Committee and as per the accounting policy set out on page 76). According to the Statement of Recommended Practice issued by the Association of Investment Companies ('AIC SORP'), recognition of revenue relies upon dividend notifications to be received from the investment portfolio. Depending on the reason behind the payment, dividends recognised are either revenue or capital in nature; therefore, the Directors are required to exercise judgment in determining whether the special dividends should be classified as revenue or capital. The Company has recognised income from investments in the Statement of Comprehensive Income of £22.91m (2024: £24.66m), of which £0.69m (2024: £0.60) relates to special dividends taken to the Revenue return. The Company also received special dividends of £0.48m (2024: £9.94m) which were taken to the Capital return of the Statement of Comprehensive Income. In order to maintain investment trust status, the Company is required to distribute at least 85% of its income for the accounting period. The revenue column of the Statement of Comprehensive Income is the main driver of this minimum dividend calculation. There is a risk that an incorrect classification could result in understated income which could put the Company's investment trust status at risk. There is also a risk that an incorrect classification could result in overstated income to increase the dividends paid to shareholders. We therefore assess the risk of fraud in revenue recognition as being principally in relation to accuracy and completeness of revenue recognition through incorrect classification of the special dividends as revenue or capital items in the Statement of Comprehensive Income.	Our audit procedures included, but were not limited to: • understanding Management's process on revenue recognition and allocation of special dividends through discussions with Management, examination of control reports from third-party service organisation and performing a walkthrough to evaluate the design and effectiveness of controls; • for all six revenue special dividends and one capital special dividend recognised in the year, agreeing each dividend to an independent source, checking the point of recognition, testing the allocation of dividend income between revenue and capital (by assessing the reason for the dividend distributions and the consistency of the classification with the underlying nature of the payments) and tracing to bank statements; • for all investments, checking all dividend announcements declared by those securities in the year to an independent source and agreeing the recognition of such dividends to the income report and capital report; • testing special dividends announced one month either side of the year end covering the period after which announced dividends should be received to ensure dividends should be recorded in the correct period; and • to address the risk of management override, testing all journal entries and other adjustments made in the preparation of the financial statements relating to special dividends. **Our observations** We have no matters to communicate with respect to the procedures in response to the accuracy and completeness of revenue recognition through incorrect classification of special dividends.

Independent Auditor's Report continued

Key Audit Matter	How our scope addressed this matter
Valuation and existence of the investment portfolio (as described on page 54 in the Report of the Audit and Risk Committee and as per the accounting policy set out on page 77). Investments held as of 31 May 2025 were valued at £698.72m (2024: £833.37m). The investment portfolio comprises of solely level one investments. Investments make up 110.2% of the net asset value of the Company as of 31 May 2025 (111.5% of the net asset value as of 31 May 2024) these are only level one and considered to be the key driver of the performance of the Company. The investments are made up of quoted investments that are classified upon initial recognition as held at fair value through profit or loss and are measured initially and subsequently at fair value which is based on their quoted bid prices at the close of business on the year-end date. There is a risk that investments recorded might not exist or might not be owned by the Company. Although the investments are valued at quoted bid prices, there is a risk that errors in valuation can have a significant impact on the numbers presented. We therefore identified valuation and existence of investments as a key audit matter as it had the greatest effect on our overall audit strategy and allocation of resources.	Our audit procedures included, but were not limited to: • understanding Management's process to record and value investments through discussions with Management and examination of control reports from the third-party service organisation; • for all investments in the portfolio, agreeing investment holdings to an independent custodian confirmation and an independent depositary confirmation in order to obtain comfort over existence; • for all investments in the portfolio, comparing to market prices independently obtained from a source vendor and recalculating the investment valuations as at the year-end; and • for all investments in the portfolio, assessing the frequency of trading to identify any prices that have not changed and testing whether the listed price is a valid fair value to ensure appropriateness of fair value classification. **Our observations** We have no matters to communicate with regards to the valuation and existence of the investment portfolio held at 31 May 2025.

The key audit matters in the table above are consistent with those we disclosed in our 2024 independent auditor's report.

Our application of materiality and an overview of the scope of our audit

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

Materiality

Overall materiality	£6.34m (2024: £7.47m)
How we determined it	1% of net assets (2024: 1% of net assets)
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements as they are considered to be the main focus of the shareholders. Whilst valuation processes for these investments are not considered to be complex, there is a risk that errors in valuation could cause a material misstatement. 1% has been chosen as it is a generally accepted auditing practice for investment trust audits and the Company is a public interest entity.

Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments and together with our assessment of the overall control environment, we determined 70% (2024: 70%) of overall materiality, amounting to £4.44m (2024: £5.23m). We also determined a specific materiality for the revenue column of the Statement of Comprehensive Income at £1.02m (2024: £1.11m), being 5% (2024: £5%) of revenue profit before tax.
Reporting threshold	We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.19m (2024: £0.22m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

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

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

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

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement are materially consistent with the financial statements or our knowledge obtained during the audit:

- directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 76;
- directors' explanation as to its assessment of the entity's prospects, the period this assessment covers set out on page 41;
- directors' statement on fair, balanced and understandable, set out on page 64;
- board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 27;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 52; and;
- the section describing the work of the Audit and Risk Committee, set out on pages 53-55.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 64, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK-adopted international accounting standards, the Companies Act 2006, the Listing Rules, UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, S1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Company, the industry in which it operates, and the structure of the Company, and considering the risk of acts by the Company which were contrary to the applicable laws and regulations, including fraud;

- inquiring of the Directors, management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- reviewing minutes of Directors' meetings in the year; and
- discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Statement of Recommended Practice issued by the Association of Investment Companies, the Companies Act 2006 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgments and assumptions in significant accounting estimates, particularly in relation to special dividends, revenue recognition (which we pinpointed to the accuracy and completeness assertions), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud;
- addressing the risks of fraud through management override of controls by performing journal entry testing; and
- reviewing the accounting estimates in relation to special dividends for evidence of management bias and performing procedures to respond to the fraud risk in revenue recognition.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the 'Key audit matters' section of this report.

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

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were appointed on 1 September 2021 to audit the financial statements for the year ending 31 May 2022. The period of total uninterrupted engagement is four years, covering the years ending 31 May 2022 to 31 May 2025.

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

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Nargis Shaheen Yunis (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London EC4M 7AU

30 July 2025

Statement of Comprehensive Income

for the year ended 31 May

Notes		Year ended 31 May 2025 Revenue return £'000	Year ended 31 May 2025 Capital return £'000	Year ended 31 May 2025 Total £'000	Year ended 31 May 2024 Revenue return £'000	Year ended 31 May 2024 Capital return £'000	Year ended 31 May 2024 Total £'000
2	Investment income	22,912	–	22,912	24,656	–	24,656
3	Other income	168	–	168	190	–	190
10	(Losses)/gains on investments held at fair value through profit or loss	–	(61,211)	(61,211)	–	75,521	75,521
	Currency losses	–	(3)	(3)	–	–	–
	Total income/(loss)	**23,080**	**(61,214)**	**(38,134)**	**24,846**	**75,521**	**100,367**
	Expenses:						
4	Management fees	(719)	(1,677)	(2,396)	(679)	(1,584)	(2,263)
5	Other expenses	(761)	–	(761)	(647)	–	(647)
	Profit/(loss) before finance costs and taxation	**21,600**	**(62,891)**	**(41,291)**	**23,520**	**73,937**	**97,457**
6	Finance costs	(1,110)	(2,591)	(3,701)	(1,235)	(2,882)	(4,117)
	Profit/(loss) before taxation	**20,490**	**(65,482)**	**(44,992)**	**22,285**	**71,055**	**93,340**
7	Taxation	(2)	–	(2)	5	–	5
	Profit/(loss) for the year and total comprehensive income	**20,488**	**(65,482)**	**(44,994)**	**22,290**	**71,055**	**93,345**
8	**Earnings/(loss) per ordinary share – basic and diluted**	27.89p	(89.13p)	(61.24p)	29.85p	95.14p	124.99p

The total columns of this statement represent the Statement of Comprehensive Income, prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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. No operations were acquired or discontinued in the year.

The profit attributable to shareholders for the year disclosed above represents the Company's total comprehensive income. The Company does not have any other comprehensive income.

The notes on pages 76-91 form part of these financial statements

Statement of Changes in Equity

for the year ended 31 May

Notes	Year ended 31 May 2025	Share capital £'000	Capital redemption reserve £'000	Retained earnings: Capital reserves £'000	Retained earnings: Revenue reserve £'000	Total equity £'000
	Total equity at 1 June 2024	18,627	26,794	682,267	19,652	747,340
	Total comprehensive income:					
	(Loss)/profit for the year	–	–	(65,482)	20,488	(44,994)
	Buyback of shares for cancellation	(30)	30	(1,057)	–	(1,057)
	Buyback of shares to Treasury	–	–	(46,961)	–	(46,961)
	Transactions with owners, recorded directly to equity:					
9	Ordinary dividends paid	–	–	–	(20,004)	(20,004)
	Total equity at 31 May 2025	**18,597**	**26,824**	**568,767**	**20,136**	**634,324**

Notes	Year ended 31 May 2024	Share capital £'000	Capital redemption reserve £'000	Retained earnings: Capital reserves £'000	Retained earnings: Revenue reserve £'000	Total equity £'000
	Total equity at 1 June 2023	18,676	26,745	612,810	17,156	675,387
	Total comprehensive income:					
	Profit for the year	–	–	71,055	22,290	93,345
	Transactions with owners, recorded directly to equity:					
	Buyback of shares for cancellation	(49)	49	(1,598)	–	(1,598)
9	Ordinary dividends paid	–	–	–	(19,794)	(19,794)
	Total equity at 31 May 2024	**18,627**	**26,794**	**682,267**	**19,652**	**747,340**

The notes on pages 76-91 form part of these financial statements

Balance Sheet

Notes		At 31 May 2025 £'000	At 31 May 2024 £'000
	Non-current assets		
10	Investments held at fair value through profit or loss	698,722	833,368
	Current assets		
12	Receivables	6,183	11,763
	Cash and cash equivalents	1,181	9,249
		7,364	**21,012**
	Total assets	**706,086**	**854,380**
	Current liabilities		
13	Payables	(1,834)	(1,514)
15 i)	Bank loans	(20,133)	(55,744)
		(21,967)	**(57,258)**
	Total assets less current liabilities	**684,119**	**797,122**
	Non-current liabilities		
14	Financial liabilities	(49,795)	(49,782)
	Net assets	**634,324**	**747,340**
	Equity attributable to equity shareholders		
16	Share capital	18,597	18,627
17	Capital redemption reserve	26,824	26,794
	Retained earnings:		
17	Capital reserves	568,767	682,267
18	Revenue reserve	20,136	19,652
	Total equity	**634,324**	**747,340**
19	**Net asset value per ordinary share**	926.2p	1,003.1p

These financial statements on pages 72-91 were approved and authorised for issue by the Board of Directors on 30 July 2025 and were signed on its behalf by:

Penny Freer
Chair of the Board

The notes on pages 76-91 form part of these financial statements

Statement of Cash Flows

for the year ended 31 May

Notes		For the year ended At 31 May 2025 £'000	At 31 May 2024 £'000
	Operating activities		
	(Loss)/profit before taxation	(44,992)	93,340
	Add back interest payable	3,701	4,117
10	Loss/(profit) on investments held at fair value through profit or loss	61,211	(75,521)
	Losses on foreign currency	3	–
10	Purchases of investments	(115,189)	(89,274)
10	Sales of investments	188,624	91,583
	(Increase)/decrease in receivables	(10)	36
12	(Increase)/decrease in amounts due from brokers	(2,542)	506
	Decrease/(increase) in accrued income	8,132	(9,113)
	Increase/(decrease) in payables	64	(54)
13	Increase in amounts due to brokers	26	579
	Net cash inflow from operating activities before interest and taxation[1]	**99,028**	**16,199**
	Interest paid	(3,859)	(3,968)
	Net cash inflow from operating activities	**95,169**	**12,231**
	Financing activities		
	Buyback of ordinary shares	(47,619)	(1,598)
	Equity dividends paid	(20,004)	(19,794)
	(Repayment)/drawdown of bank loans	(35,611)	5,072
	Net cash outflow from financing activities	**(103,234)**	**(16,320)**
	Decrease in cash and cash equivalents	**(8,065)**	**(4,089)**
	Currency losses	**(3)**	**–**
	Cash and cash equivalents at the start of the year	9,249	13,338
	Cash and cash equivalents at the end of the year	**1,181**	**9,249**

1 In accordance with IAS 7.31 cash inflow from dividends was £22,228,000 (2024: £24,346,000), and cash inflow from interest was £171,000 (2024 £198,000)

The notes on pages 76-91 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) 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 (the "Act"). The company is a single reporting entity and there is no ultimate controlling party. The financial statements of the Company for the year ended 31 May 2025 have been prepared in accordance with UK-adopted International Accounting Standards ("IAS") in conformity with the requirements of the Act. These comprise standards and interpretations approved by the IAS Board, together with interpretations of the IAS and Standing Interpretations Committee approved by the International Financial Reporting Standards ("IFRS") that remain in effect, to the extent that IFRS have been adopted by the United Kingdom.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments held at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the Association of Investment Companies (the "AIC") is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

Accounting standards

i) The following new and amended standards are relevant and applicable to the Company and have been adopted. There has been no impact on the financial statements as a result of these new and amended standards.

Amendments to IAS in conformity with the requirements of the Act issued and effective for the current year end:

Standards		Effective for years beginning on or after
IAS 1 Amendments	Classification of Liabilities as current or non-current	1 January 2024
IAS 1 Amendments	Non-current Liabilities with Covenants	1 January 2024

ii) Relevant new standards and amendments issued but not effective for the current financial year and not early-adopted by the Company:

Standards		Effective for years beginning on or after
IAS 21 Amendments	Lack of Exchangeability	1 January 2025
Annual Improvements 2023-24	Minor amendments to IFRS 1, 7, 9, 10 and IAS 7	1 January 2026
IFRS 7 and 9 Amendments	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

Interpretations

It is expected that these new standards and amendments will have no impact on the financial statements. In respect of IFRS 18 the impact of this has yet to be determined.

b) Going concern

The assets of the Company consist of securities that are readily realisable and, 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. In coming to this conclusion, the directors have also considered the continued macroeconomic and geopolitical uncertainty, the nature of the Company's covenants, the strength of the Company's distributable reserves and the liquidity of the portfolio.

The directors have concluded that the Company is able to meet its financial obligations, including the repayment of the bank loan, as they fall due for a period of at least twelve months from the date of issuance. As set out in the Viability Statement on page 41, the Chair, Senior Independent Director and the Fund Managers have been meeting extensively with shareholders this year ahead of the continuation vote. Feedback from these meetings suggests that shareholders are supportive of the Company continuing in operation, and therefore supports the financial statements being prepared on a going concern basis.

The Company's shareholders are asked every three years to vote for the continuation of the Company. An ordinary resolution to this effect was put to the Annual General Meeting ("AGM") held on 30 September 2022 and passed by a substantial majority of the shareholders. The next continuation vote will take place at the AGM in 2025.

1 Accounting policies continued

c) Investments held at fair value through profit or loss

All investments are classified upon initial recognition as held at fair value through profit or loss, and are measured initially and subsequently at fair value. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price or the last traded price depending on the convention of the exchange on which the investment is quoted at the balance sheet date, without deduction of the estimated future selling costs. There were no unquoted investments during the current year or prior year.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as '(losses)/gains on investments held at fair value though profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

d) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under s833 of the Act, net capital returns are no longer prohibited to be distributed by way of dividend where authority is given within the Company's articles of association. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in s1158 Corporation Tax Act 2010.

e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends represent dividends paid by the investee companies that are additional to the normal or expected dividend cycle for that company. Special dividends are treated as revenue return or capital return, depending on the facts and circumstances of each individual case. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to capital return. Other special dividends will usually be considered as revenue in nature unless evidence suggests otherwise. Interest is recognised on an accruals basis.

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

f) Expenses

All expenses are accounted for on an accruals basis. The Board has determined that the capital return should reflect the indirect costs of earning capital returns. Consequently, since 1 June 2013 the Company has allocated 70% of its management fees and finance costs to the capital return of the Statement of Comprehensive Income, with the remaining 30% being allocated to the revenue return. All other administrative expenses are charged to the revenue return of the Statement of Comprehensive Income.

Any performance fees are charged wholly to the capital return. Expenses which are incidental to the purchase or sale of an investment are recognised immediately in the capital return of the Statement of Comprehensive Income, and are included within the gains or losses on investments held at fair value through profit or loss.

g) 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 period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income 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 tax rates that were applicable at the balance sheet date.

The tax effect of different items of expenditure is allocated between the capital and the revenue using the Company's effective rate of tax for the year. 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

1 Accounting policies continued

g) Taxation continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under s1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

h) Foreign currency

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

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities and investments held at fair value through profit or loss which are denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Gains or losses arising on the retranslation of investments held at fair value through profit or loss are included within the '(Losses)/gains on investments held at fair value through profit or loss'.

i) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

j) Borrowings

Interest-bearing bank loans, overdrafts, unsecured loan notes and Preference Stock are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income 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.

The Preference Stock has been classified as a liability as it represents a contractual obligation on behalf of the Company to deliver to the stockholders a fixed and determinable amount at the date of redemption.

k) Operating segments

The directors consider that the Company has one operating segment, being the activity of investing in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective. The Company operates within the United Kingdom.

l) 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 recorded in the Statement of Changes in Equity.

1 Accounting policies continued

m) Capital and reserves

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
- costs 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.

Revenue reserve

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

Capital redemption reserve

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

n) Distributable reserves

The Company's capital reserve arising on investments sold (i.e. realised capital profits) and revenue reserve may be distributed by way of a dividend.

o) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference stock is classified as a liability. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

Share capital represents the nominal value of ordinary shares issued.

p) Key estimates and assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

There are no estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities. The decision to allocate special dividends as income or capital is a judgment, and further details are provided in note 1e). The decision to include Purchases and Sales of investments within Operating activities in the Cash Flow Statement is considered appropriate because these are core activities of the Company's operations. Given the nature of the Company as an investment trust, this is not deemed to be a significant judgement in the context of the financial statements as a whole.

There are no significant judgements made in the preparation of these financial statements.

Notes to the Financial Statements continued

2 Investment income

	2025 £'000	2024 £'000
Income from companies listed or quoted in the United Kingdom:		
Dividends	21,587	23,182
Special dividends	687	602
Property income distributions	638	872
Total investment income	**22,912**	**24,656**

3 Other income

	2025 £'000	2024 £'000
Bank and other interest	168	190
	168	**190**

4 Management fees

	2025			2024		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	719	1,677	2,396	679	1,584	2,263
	719	**1,677**	**2,396**	**679**	**1,584**	**2,263**

A summary of the fee arrangements in the management agreement is given on page 26.

5 Other expenses

	2025 £'000	2024 £'000
Directors' fees (see the Directors' Remuneration Report on pages 59-61)	202	195
Auditors' remuneration for the audit of the Company and the financial statements	62	54
Other professional fees	73	88
FCA and London Stock Exchange fees	72	60
Registration costs	34	25
Annual and half-year reports and shareholder circulars: printing and distribution	32	22
Insurances	16	14
AIC subscriptions	22	22
Custody and other bank charges	41	36
Charitable donations	–	6
Depositary charges	47	46
Other expenses payable to the management company[1]	135	54
Other expenses	25	25
	761	**647**

1 Other expenses payable to management company relate to marketing activities as described in Note 21

All transactions with directors are disclosed in the Directors' Remuneration Report and are related-party transactions. All the above expenses include VAT where VAT is applied to them. There were no non-audit services in the period (2024: nil).

6 Finance costs

	2025			2024		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Bank overdraft and loan interest	643	1,500	2,143	765	1,787	2,552
Interest on unsecured loan notes[1]	467	1,091	1,558	470	1,095	1,565
Total	**1,110**	**2,591**	**3,701**	**1,235**	**2,882**	**4,117**

1 Includes amortisation of direct issue costs and will therefore vary from year to year

7 Taxation

a) Analysis of charge/(credit) for the year

	2025			2024		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax suffered	2	–	2	(5)	–	(5)
Current and total tax charge/(credit) for the year	**2**	**–**	**2**	**(5)**	**–**	**(5)**

b) Factors affecting the tax charge/(credit) for the year

UK corporation tax is charged at 25% (2024: 25%). Approved investment trusts are exempt from corporation tax on chargeable gains made by the investment trust.

	2025			2024		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Profit/(loss) before taxation	**20,490**	**(65,482)**	**(44,992)**	**22,285**	**71,055**	**93,340**
Corporation tax at 25% (2024: 25%)	5,123	(16,371)	(11,248)	5,571	17,764	23,335
Effects of:						
Non-taxable UK dividends	(5,388)	–	(5,388)	(5,761)	–	(5,761)
Non-taxable overseas dividends	(181)	–	(181)	(185)	–	(185)
Expenses not deductible for tax purposes	–	–	–	2	–	2
Excess management expenses and loan deficits	331	799	1,130	229	779	1,008
Overseas withholding tax	2	–	2	(5)	–	(5)
Non-taxable capital items	–	15,304	15,304	–	(18,880)	(18,880)
Corporate interest restrictions	115	268	383	144	337	481
Current and total tax charge/(credit) for the year	**2**	**–**	**2**	**(5)**	**–**	**(5)**

c) Provision for deferred taxation

No provision has been made for deferred tax on income.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to maintain approval of such status in the foreseeable future, the Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments.

d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £31,065,000 (2024: £29,935,000) arising as a result of having unutilised management expenses and loan relationships of £124,259,000 (2024: £119,741,000). These expenses will only be utilised if the tax treatment of the Company's income and chargeable gains changes or if the Company's investment profile changes. There is no expiry date for these deferred tax assets and no expectation for these to be utilised.

8 Earnings/(loss) per ordinary share

The earnings per ordinary share figure is based on the net loss for the year of £44,994,000 (2024: net profit of £93,345,000) and on 73,469,728 (2024: 74,684,351) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

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

	2025 £'000	2024 £'000
Net revenue profit	20,488	22,290
Net capital (loss)/profit	(65,482)	71,055
Net total (loss)/profit	**(44,994)**	**93,345**
Weighted average number of ordinary shares in issue during the year	73,469,728	74,684,351

	2025	2024
Revenue earnings per ordinary share	27.89p	29.85p
Capital (losses)/earnings per ordinary share	(89.13p)	95.14p
Total (loss)/earnings per ordinary share	**(61.24p)**	**124.99p**

The Company has no securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted earnings per ordinary share are the same.

9 Ordinary dividends

	Record Date	Pay Date	2025 £'000	2024 £'000
Final dividend 19.5p (2024: 19.0p) for the year ended 31 May 2024	30 August 2024	7 October 2024	14,505	14,193
Interim dividend of 7.5p (2024: 7.5p) for the year ended 31 May 2025	7 February 2025	7 March 2025	5,507	5,603
Unclaimed dividends			(8)	(2)
			20,004	**19,794**

Subject to approval at the AGM, the proposed final dividend of 20.5p per ordinary share will be paid on 13 October 2025 to shareholders on the register of members at the close of business on 29 August 2025. The shares will be quoted ex-dividend on 28 August 2025.

The proposed final dividend for the year ended 31 May 2025 has not been included as a liability in these financial statements. Under IFRS, the final dividend is not recognised until approved by shareholders.

The total dividends payable in respect of the financial year which form the basis of the test under s1158 of the Corporation Tax Act 2010 are set out below:

	2025 £'000	2024 £'000
Revenue available for distribution by way of dividends for the year	20,488	22,290
Interim dividend for the year ended 31 May 2025 of 7.5p (2024: 7.5p) per ordinary share	(5,507)	(5,603)
Final dividend for the year ended 31 May 2024 of 19.5p	–	(14,505)
Proposed final dividend for the year ended 31 May 2025 of 20.5p (based on 65,261,042 shares in issue at 28 July 2025)	(13,379)	–
Transfer to reserves	**1,602**	**2,182**

10 Investments held at fair value through profit or loss

	2025 £'000	2024 £'000
Cost at start of year	691,938	689,380
Investment holding gains at start of year	141,430	70,776
Valuation at start of year	**833,368**	**760,156**
Movements in the year:		
Acquisitions at cost	115,189	89,274
Disposals at cost	(199,511)	(86,716)
Movement in investment holding (losses)/gains	(50,324)	70,654
Valuation at year end	**698,722**	**833,368**
Cost at end of the year	607,616	691,938
Investment holding gains	91,106	141,430
Valuation at year end	**698,722**	**833,368**

The Company received £188,624,000 (2024: £91,583,000) from investments sold in the year. The book cost of these investments when they were purchased were £199,511,000 (2024: £86,716,000). These investments have been revalued over time and until they were sold, any unrealised gains/losses were included in the fair value of the investments.

Purchase and sale transaction costs for the year ended 31 May 2025 were £451,000 and £84,000 respectively (2024: transaction costs of purchases £371,000; transaction costs of sales £37,000). These comprise mainly stamp duty and commission.

Special dividends allocated to capital for the year ended 31 May 2025 were £480,000 (2024: £9,945,000).

Analysis of investments at fair value

	2025 £'000	2024 £'000
Equity investments:		
Listed on London Stock Exchange	609,994	674,935
Listed on Alternative Investment Market ("AIM")	88,728	158,433
	698,722	**833,368**

All the investments are listed in the United Kingdom. The above categories are based on information obtained from the London Stock Exchange Daily Official List.

Total capital (losses)/gains from investments

	2025 £'000	2024 £'000
(Losses)/gains on the sale of investments based on historical cost	(10,887)	4,867
Revaluation (gains)/losses recognised in previous years	(14,717)	207
(Losses)/gains on investments sold in the year based on the carrying value at the previous balance sheet date	**(25,604)**	**5,074**
Net movement in investment holding	(35,607)	70,447
(Losses)/gains on investments held at fair value through profit or loss	**(61,211)**	**75,521**

All capital gains/(losses) are from investments that are listed (or quoted on AIM) in the United Kingdom.

11 Substantial interests

The Company held interests of 3% or more of any class of share capital in one investee company (2024: two investee companies). These investments are not considered by the directors to be significant in the context of these financial statements.

	Valuation £'000	% of voting rights
RM	4,001	4.9

12 Receivables

	2025 £'000	2024 £'000
Securities sold for future settlement	2,542	–
Prepayments and accrued income	3,641	11,763
	6,183	**11,763**

13 Payables

	2025 £'000	2024 £'000
Securities purchased for future settlement	605	579
Buyback of shares into Treasury for future settlement	399	–
Management fee	351	372
Accruals and deferred income	479	563
	1,834	**1,514**

14 Financial liabilities

	2025 £'000	2024 £'000
Unsecured Loan Notes:		
3.33% Unsecured loan notes 2036 (redeemable at par on 23 May 2036)	29,867	29,856
2.77% Unsecured loan notes 2052 (redeemable at par on 2 February 2052)	19,924	19,922
Preference Stock:		
4,257 Preference stock units of £1 each (2024: 4,257)	4	4
	49,795	**49,782**

The preference stock units carry the right to receive a non-cumulative dividend at a final rate of 0.001% payable on 1 June each year. On a winding-up of the Company, preference stockholders are entitled to repayment of the capital paid up thereon. The preference stock does not entitle the holder to attend or vote at any general meeting of the Company except where the dividend is six months in arrears or on a resolution to liquidate the Company.

On 23 May 2016, the Company issued £30,000,000 (nominal) 3.33% unsecured loan notes, net of issue costs totalling £213,000. The issue costs will be amortised over the life of the notes. The loan notes do not carry voting rights and the 3.33% interest rate would be cumulative if unpaid in any period.

On 2 February 2022, the Company issued £20,000,000 (nominal) 2.77% unsecured loan notes, net of direct issue costs totalling £82,000. The direct issue costs will be amortised over the life of the notes. The loan notes do not carry voting rights and the 2.77% interest rate would be cumulative if unpaid in any period.

15 Risk management policies and procedures

The directors manage investment risk principally through setting an investment policy, approved by shareholders, which incorporates risk parameters (see pages 27-28), by contracting management of the Company's investments to an investment manager (Janus Henderson) under a contract which incorporates appropriate duties and restrictions and by monitoring performance in relation to these. The Board's relationship with Janus Henderson is discussed in the Strategic Report (pages 1-41). Internal control and the Board's approach to risk management are also on pages 51-55. There have been no material changes to the management or nature of the Company's investment risks from the prior year.

The main risks arising from the Company's pursuit of its investment objective are market risk, credit risk and liquidity risk. The effects of these can also be increased by gearing.

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) 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;
  - SAI360 operational risk database;
  - RiskMetrics, UBS Delta, Style Research and Barra for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - Hiportfolio for portfolio holdings and valuations.

a) Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 15 (b)), currency risk (see note 15 (c)) and interest rate risk (see note 15 (d)). The Board reviews and agrees policies for managing these risks. Janus Henderson assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

b) Market price risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of the investments. The Company's investments are susceptible to market price risk arising from uncertainties about the future prices of the investments.

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 regularly reviews investment performance. The Board monitors Janus Henderson's compliance with the Company's objectives and is directly responsible for investment strategy.

The Company's exposure to changes in market prices at 31 May 2025 on its equity investments was £698,722,000 (2024: £833,368,000).

Concentration of exposure to market price risk

An analysis of the Company's investments is shown on pages 19-21 and a sector analysis is set out on page 2. At 31 May 2025 all the investments were in companies listed or quoted on the London Stock Exchange, most of them being companies established in and operating from the United Kingdom. Accordingly, there is a concentration of exposure to 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.

15 Risk management policies and procedures continued

b) Market price risk continued

Market price risk sensitivity

The sensitivity of (a) the return after taxation for the year and (b) the Company's net assets to an increase or decrease of 25% in the fair values of the Company's investments at each balance sheet date is given below. This level of change is considered to be reasonably possible, based on observation of current market conditions.

The impact of a 25% increase in the value of the investments on the revenue return as at 31 May 2025 is a decrease of £183,000 (2024: £219,000) and on the capital return is an increase of £174,253,000 (2024: £207,832,000). Accordingly, the total impact on shareholders' funds is an increase of £174,069,000 (2024: £207,613,000).

The impact of a 25% decrease in the value of the investments on the revenue return as at 31 May 2025 is a increase of £183,000 (2024: £219,000) and on the capital return is an decrease of £174,253,000 (2024: £207,832,000). Accordingly, the total impact on shareholders' funds is an decrease of £174,069,000 (2024: £207,613,000).

c) Currency risk

The Company is not itself materially exposed to currency risk, although some of the investments will be in companies that have operations that involve currency risk.

As at 31 May 2025, the Company did not hold any non-sterling denominated investments (2024: nil).

d) Interest rate risk

Interest rate movements may affect:

- the level of income receivable from cash at bank and on deposit; and
- the interest payable on the Company's short-term borrowings.

Interest rate changes may also have an impact on the market value of the Company's equity investments. In particular, the effect of the interest rate changes on the earnings of companies held within the portfolio may have a significant impact on the valuations of those companies.

Management of risk

The possible effects on the fair value of the investments that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. The Company rarely holds significant cash balances but finances part of its investment activity through borrowings at levels approved and monitored by the Board. At 31 May 2025 the Company had committed bank borrowing facilities for a total of £20.1 million (2024: £55.7 million); borrowings are drawn down for short periods at rates of interest that are determined by reference to the market rates applicable at the time of borrowing.

Interest rate exposure

The Company's financial liabilities at 31 May 2025 that give exposure to fixed interest rate risk are set out in note 14. The exposure to floating interest rates can be found on the Balance Sheet (cash and cash equivalents and bank loans). These amounts are not necessarily representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made, borrowings are drawn down or repaid, and the mix of borrowings subject to floating or to fixed interest rate changes.

Interest rate sensitivity

The Company is not materially exposed to changes in interest rates. As at 31 May 2025 the Company's one-year revolving loan facility provided by BNP Paribas, London branch and effective from 2 February 2025, allowed borrowings to a maximum of £70 million, the interest rate exposure on which is 0.90% plus SONIA (Sterling Overnight Index Average). The bank loan at 31 May 2025 was £20,133,000 (2024: £55,744,000) and if interest rates changed by 100 basis points (up or down) this would decrease or increase shareholder funds by approximately £201,000 (2024: £557,000). The interest payable on the Company's £30 million issue of unsecured loan notes is fixed at 3.33% and on the £20 million issue of unsecured loan notes is fixed at 2.77%.

15 Risk management policies and procedures continued

e) Liquidity risk

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

Management of risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equity securities that are readily realisable. The Company has borrowed £30 million by its issue in 2016 of 3.33% unsecured loan notes 2036 and a further £20 million by its issue in 2022 of 2.77% unsecured loan notes 2052. The Company is able to draw short-term borrowings of up to £70 million from its committed borrowing facility with BNP Paribas, London branch. There were borrowings of £20.1 million drawn down under the facility at 31 May 2025 (2024: £55.7 million).

Accordingly, the Company has access to borrowings of up to £120 million: the £50 million of fixed debt represented by the issue of unsecured loan notes and a committed bank facility of £70 million.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short-term borrowings should be used to fund short-term cash requirements.

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 May 2025, based on the earliest date on which payment could be required, was as follows:

	2025			2024		
	Due within 1 year £'000	Due between 1 and 5 years £'000	Due more than 5 years £'000	Due within 1 year £'000	Due between 1 and 5 years £'000	Due more than 5 years £'000
Preference stock[1]	–	–	–	–	–	–
Unsecured loan notes 2036[2]	999	3,996	35,972	999	3,996	36,971
Unsecured loan notes 2052[2]	554	2,216	32,009	554	2,216	32,563
Bank loans and interest	20,218	–	–	56,123	–	–
Payables	1,609	–	–	1,110	–	–
	23,380	**6,212**	**67,981**	**58,786**	**6,212**	**69,534**

1 See also note 14. The Company has in issue preference stock without a set redemption date with a total par value of £4,000 (2024: £4,000) which has a negligible ongoing finance cost

2 The amounts due include unsecured loan note interest

f) Credit risk

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

Management of risk

The risk is not significant, and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed regularly by JHI, 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.

None of the Company's financial assets are past their due date and the adoption of the expected credit loss model for impairment under IFRS 9 has not had a material impact on the Company.

In summary, the maximum exposure to credit risk at 31 May 2025 was to cash and cash equivalents of £1,181,000 (2024: £9,249,000), and to receivables of £6,183,000 (2024: £11,763,000) (see note 12).

15 Risk management policies and procedures continued

g) Fair values of financial assets and financial liabilities

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 31 May 2025 the fair value of the preference stock was £4,000 (2024: £4,000). 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 £34,913,000 (2024: £35,823,000) 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 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.

The fair value of the unsecured loan notes is calculated using a discount rate which reflects the yield of a UK Gilt of similar maturity plus a suitable credit spread.

h) Fair value hierarchy disclosures

The table below sets out 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: 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.

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

The valuation techniques used by the Company are explained in note 1(c).

Fair value hierarchy – 2025

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**698,722**	**–**	**–**	**698,722**

Fair value hierarchy – 2024

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	833,368	–	–	833,368

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

i) 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 secure long-term capital growth for the shareholders by investment in quoted securities in the UK.

This is to be achieved through an appropriate balance of equity capital and gearing. The Company's policy is that its borrowings must not exceed 30% of the shareholders' funds.

The Company's total capital at 31 May 2025 was £704,461,000 (2024: £853,088,000) comprising £20,133,000 (2024: £55,744,000) of unsecured bank loans, £50,000,000 (2024: £50,000,000) of unsecured loan notes, £4,000 (2024: £4,000) of preference stock and £634,324,000 (2024: £747,340,000) of equity share capital and reserves.

The Company has a £70 million revolving credit facility with BNP Paribas, London branch. The Company had drawn down £20,133,000 under these facilities as at 31 May 2025 (2024: £55,744,000). The Company was fully compliant with the terms of the facilities, as they existed, for the period 1 June 2024 to the date of this Annual Report.

16 Share capital

	Shares entitled to dividend	Total shares in issue	Nominal value in issue £'000
Issued ordinary shares of 25p each:			
At 1 June 2024	74,505,131	74,505,131	18,627
Buyback for cancellation during the year	(120,000)	(120,000)	(30)
Buyback to be held in Treasury during the year	(5,897,157)	–	–
At 31 May 2025	**68,487,974**	**74,385,131**	**18,597**

During the year the Company purchased 120,000 (2024: 196,665) of its own issued ordinary shares for cancellation and 5,897,157 of its own issued ordinary shares to be held in Treasury, at a total cost of £48,018,000 (2024: £1,598,000). Since the year end, 3,226,932 ordinary shares have been bought back at a cost of £28,100,000.

The holders of ordinary shares are entitled to all the capital growth in the Company and all the income from the Company that is resolved by the directors to be distributed. Each holder of ordinary shares present at a general meeting has one vote on a show of hands and on a poll every member present in person or by proxy has one vote for each ordinary share held.

17 Capital redemption reserve and capital reserves

2025	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Capital reserves £'000
At 1 June 2024	26,794	141,430	540,837	682,267
Buyback of shares to Treasury	–	–	(46,961)	(46,961)
Buyback of shares for cancellation	30	–	(1,057)	(1,057)
Transfer on disposal of investments (see note 10)	–	(14,717)	14,717	–
Net capital losses for the year	–	(35,607)	(25,604)	(61,211)
Expenses charged to capital	–	–	(4,268)	(4,268)
Currency losses	–	–	(3)	(3)
At 31 May 2025	**26,824**	**91,106**	**477,661**	**568,767**

2024	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Capital reserves £'000
At 1 June 2023	26,745	70,776	542,034	612,810
Buyback of shares for cancellation	49	–	(1,598)	(1,598)
Transfer on disposal of investments (see note 10)	–	207	(207)	–
Net capital gains for the year	–	70,447	5,074	75,521
Expenses charged to capital	–	–	(4,466)	(4,466)
At 31 May 2024	**26,794**	**141,430**	**540,837**	**682,267**

The capital reserve arising on investments sold (i.e. realised capital profits) may be distributed by way of a dividend.

18 Revenue reserve

	2025 £'000	2024 £'000
At start of year	19,652	17,156
Ordinary dividend paid	(20,004)	(19,794)
Revenue profit for the year	20,488	22,290
At 31 May	**20,136**	**19,652**

19 Net asset value ("NAV") per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £634,324,000 (2024: £747,340,000) and on the 68,487,974 ordinary shares in issue (excluding Treasury shares) at 31 May 2025 (2024: 74,505,131).

The Company has no securities in issue that could dilute the NAV per ordinary share.

The movement during the year of the net assets attributable to the ordinary shares was as follows:

	2025 £'000	2024 £'000
Net assets attributable to ordinary shares at 1 June	747,340	675,387
Buyback of shares to Treasury	(46,961)	–
Buyback of shares for cancellation	(1,057)	(1,598)
Net (losses)/gains for the year	(44,994)	93,345
Ordinary dividends paid in the year	(20,004)	(19,794)
Net assets attributable to ordinary shares at 31 May	**634,324**	**747,340**

20 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments as at 31 May 2025 (2024: nil).

Contingent liabilities

There were no contingent liabilities in respect of sub-underwriting commitments as at 31 May 2025 (2024: nil).

21 Transactions with the Manager and related parties

Under the terms of an agreement effective from July 2014 and most recently revised on 18 July 2024, with no changes to terms affecting the relationship with the Manager, the Company appointed Janus Henderson as Manager to provide investment management, accounting, administrative and secretarial services. The Manager has contracted with BNP Paribas to provide accounting and administration services.

Details of the management fee arrangements for these services are given in the Strategic Report on page 26. The fees paid or payable under this agreement to the Manager in respect of the year ended 31 May 2025 were £2,396,000 (2024: £2,263,000) (see note 4). The amount outstanding at 31 May 2025 was £351,000 payable to Janus Henderson (2024: £372,000).

No performance fee is payable to Janus Henderson in respect of the year ended 31 May 2025 (2024: nil).

In addition to the above services, the Manager facilitates marketing activities with third parties which are recharged to the Company. Total amounts paid to the Manager in respect of marketing for the year ended 31 May 2025 amounted to £135,000 (2024: £54,000).

Directors' interests in the ordinary shares of the Company and fees paid to the directors are considered to be transactions with related parties. Details are shown in the Directors' Remuneration Report and in note 5. At 31 May 2025, an amount of £34,000 (2024: £33,000) had been accrued in respect to April and May 2025 directors' fees and is included within accruals in note 13. This was paid in the June 2025 quarterly payroll, as directors are remunerated in the form of fees payable quarterly in arrears.

22 Changes in financial liabilities

The following table shows the movements during the year in financial liabilities in the Balance Sheet:

Notes		At 1 June 2024 £'000	Cash flows £'000	Amortisation of issue costs £'000	At 31 May 2025 £'000
	Financing activities				
	Bank loans	(55,744)	35,611	–	(20,133)
14	Financial liabilities	(49,783)	–	(12)	(49,795)
		(105,527)	**35,611**	**(12)**	**(69,928)**
	Non-financing activities				
	Cash and cash equivalents	9,249	(8,065)	(3)	1,181
		9,249	**(8,065)**	**(3)**	**1,181**
	Total	**(96,278)**	**27,546**	**(15)**	**(68,747)**

Notes		At 1 June 2023 £'000	Cash flows £'000	Amortisation of issue costs £'000	At 31 May 2024 £'000
	Financing activities				
	Bank loans	(50,672)	(5,072)	–	(55,744)
14	Financial liabilities	(49,771)	–	(12)	(49,783)
		(100,443)	**(5,072)**	**(12)**	**(105,527)**
	Non-financing activities				
	Cash and cash equivalents	13,338	(4,089)	–	9,249
		13,338	**(4,089)**	**–**	**9,249**
	Total	**(87,105)**	**(9,161)**	**(12)**	**(96,278)**

Additional information

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Photo: Mitchells and Butlers

Glossary

Term	Definition
Alternative Investment Fund Managers Directive (“AIFMD”)	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 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 matters which impact the regulation of such entities. The Company is a constituent of the AIC’s UK Smaller Companies sector.
Benchmark	An index against which performance is compared. For the Company, this is the Deutsche Numis Smaller Companies Index (excluding investment companies).
Custodian	The custodian is responsible for ensuring the safe custody of the Company’s assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.
Depositary	As an AIF, the Company is required to appoint a depositary who has responsibility for overseeing the operations of the Company, including safekeeping, cash monitoring 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. No such notification has been made. The Company’s depositary has confirmed that, in all material respects, the Company has been managed in accordance with the FCA’s Investment Funds Sourcebook, the Company’s articles of association and as required by the AIFMD.
Dividend dates	When declared or announced, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company’s registrar to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company’s net asset value and share price will be disclosed ex-dividend.
Gearing	Gearing is the borrowing of money to buy assets in the expectation that the return on investments bought will exceed the interest cost of the borrowing. The net gearing percentage reflects the amount of borrowings (e.g. bank loans and loan notes) the Company has used to invest in the market. It is calculated by taking the difference between total investments (see note 10) and equity shareholders’ funds (see Balance Sheet), dividing this by the equity shareholders’ funds and multiplying by 100.
Gearing impact on stock selection and gearing decision	When the Company has a geared portfolio, the impact of ‘stock selection’ compared to the benchmark is amplified as a consequence of being geared. Without gearing, portfolio performance would have been higher and the residual of the impact is allocated to the ‘decision’ to be geared. Splitting the impact in this way can be helpful to show the effect of debt on portfolio performance and disaggregating this from the impact of the decision to gear. The performance attribution on page 12 shows the impact of gearing on performance. This is split between ‘gearing impact on stock selection’, being a comparison of the performance of the ungeared investments within the Company’s portfolio compared to the index where the effects are not amplified, and the residual which is the impact of the ‘gearing decision’.

Glossary continued

Term	Definition
Investment trusts	Investment trusts are public limited companies, governed by their articles of association, amendments to which must be approved by shareholders through a special resolution. They are listed on the London Stock Exchange, and provide shareholders with a professionally managed portfolio of investments. Investment trusts are defined in s833 Companies Act 2006. They operate in line with s1158 Corporation Tax Act 2010 as amended and obtain approval from HMRC for their status. They are liable to corporation tax on their net revenue profits but are exempt from tax on the capital gains arising on their investments subject to meeting criteria set out in s1158. The directors believe that the Company has conducted its affairs in compliance with s1158 since approval was granted and intends to continue to do so. 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.
Management fee	This is a fee charged by a management company for managing a portfolio, normally based on a percentage of the assets under management. The Company's management fee is charged at 0.35% per annum (0.0875% per quarter) of net assets calculated on the last day of each calendar quarter and is paid to Janus Henderson each calendar quarter in advance.
4Ms process	The UK Smaller Companies team uses a structured investment approach known as the 4Ms process, which stands for Model (business model of a company), Management (quality and track record of the management team), Money (financial health of a company) and Momentum (a company's ability to outperform expectations).
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 the premise that actual costs incurred in the year (see notes 4 and 5) are the best estimate of future costs, excluding any performance fees, in accordance with the AIC methodology. The ongoing charge is the annualised charge expressed as a percentage of the average aggregate NAV in the period (see page 95). Management fees and other administrative expenses are included in the calculation, such as directors' fees and the auditor's fees, and the figure therefore exceeds the rate of the management fee paid to Janus Henderson. The cap of 0.90% relates only to management fees and performance fees under the Company's management agreement, and excludes any other expenses. Total expenses for periods where a performance fee is payable can therefore be greater than 0.90%.
Share buybacks	A corporate financial strategy where a company purchases its own shares from the market. This reduces the total number of shares available. Shares are bought at a price lower than NAV, which helps to increase value for continuing shareholders. When a company's shares trade at a discount to NAV and it buys some shares back, the remaining shares become more valuable because there are fewer shares owning the same level of assets. Shares are bought back from shareholders who have placed an instruction to sell their shares on the London Stock Exchange, and not from shareholders wishing to continue to hold their shares. The number of shares available for investors to buy on the London Stock Exchange is reduced by the number of shares bought back.
Treasury shares	A company's own issued shares which it buys back, and which it does not cancel, are said to be 'held in Treasury'. Shares held in Treasury do not carry voting rights, do not receive dividends, and are not included in earnings per share calculations. Treasury shares can be sold (reissued) by the company or cancelled at a later date.

Alternative performance measures

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

Capital return per share

The capital return per share is the capital profit for the year (see Statement of Comprehensive Income) divided by the weighted average number of ordinary shares in issue during the year (see note 8).

Discount or premium

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

	NAV pence	Share price pence	Premium/ (discount) to NAV
At 31 May 2024	1,003.1	888.0	(11.5%)
At 31 May 2025	926.2	841.0	(9.2%)

Gearing/(net cash)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is a 'net cash' position and not gearing.

		2025	2024
Investments held at fair value through profit or loss (£'000) (page 83)	(A)	698,722	833,368
Net assets (£'000) (page 74)	(B)	634,324	747,340
Gearing (C = (A/B) -1) (%)	(C)	10.2%	11.5%

Net asset value ("NAV") per ordinary share

The value of the Company's assets (i.e. investments held at fair value through profit or loss (see note 10) and cash held (see Balance Sheet)) less any liabilities (i.e. financial liabilities (see note 13)) for which the Company is responsible divided by the number of ordinary shares in issue (see note 16). The aggregate NAV is also referred to as total equity, in the Balance Sheet.

The NAV per ordinary share is published daily and the year end NAV can be found on page 6. Further information is available in note 19 within the notes to the financial statements.

Ongoing charge ratio

The ongoing charge has been calculated in accordance with the guidance issued by the AIC as the total investment management fees and administrative expenses expressed as a percentage of the average NAV throughout the year.

		2025 £'000	2024 £'000
Management fees (note 4)		2,396	2,263
Other administrative expenses (note 5)		761	647
Less: non-recurring expenses		(18)	(4)
Ongoing charges	**(A)**	**3,139**	**2,906**
Average net assets[1]	**(B)**	**693,240**	**649,983**
Ongoing charges ratio (excluding performance fee) (C = (A/B) x 100)	**(C)**	**0.45%**	**0.45%**

1 Calculated using the average daily NAV

Revenue return per share

The revenue return per share is the revenue return for the year (see Statement of Comprehensive Income) divided by the weighted average number of ordinary shares in issue during the year (see note 8).

Alternative performance measures continued

Total return

The return on the share price or NAV taking into account both the rise and fall of NAV or share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in note 9.

NAV per share at 31 May 2024 and 31 May 2023 (p)	1,003.1	904.1
NAV per share at 31 May 2025 and 31 May 2024 (p)	926.2	1,003.1

	2025	**2024**
Change in the year (%)	-7.7	11.0
Impact of dividends reinvested (%)	2.8	3.2
NAV total return for the year (%)	-5.1	14.5

Share price per share at 31 May 2024 and 31 May 2023 (p)	888.0	785.0
Share price per share at 31 May 2025 and 31 May 2024 (p)	841.0	888.0

	2025	**2024**
Change in the year (%)	-5.3	13.1
Impact of dividends reinvested (%)	3.1	3.7
Share price total return for the year (%)	-2.3	17.3

Yield

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

		31 May 2025	**31 May 2024**
Annual dividend (p)	(A)	28.0	27.0
Share price (p)	(B)	841.0	888.0
Yield (C=A/B) (%)	(C)	3.3	3.0

General shareholder information

Alternative Investment Fund Manager's Directive ("AIFMD") disclosures and remuneration

In accordance with the AIFMD, information about the Company's leverage and remuneration of Janus Henderson Fund Management UK Limited, as the Company's alternative investment fund manager ("AIFM"), is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document entitled AIFMD Disclosure which can be found at **www.hendersonsmallercompanies.com.**

BACS

Dividends can be paid to shareholders by means of BACS. Mandate forms for this purpose are available from the registrar, Computershare Investor Services plc. Alternatively, shareholders can write to the registrar at the address on page 99 to give their instructions, including the bank account name, account number and sort code to which payments are to be made.

Common Reporting Standard ("CRS")

Under tax legislation, the Company must provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is given annually to the local tax authority of the tax residencies of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

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 larger type.

A 'typetalk' operator, provided by the Royal National Institute for Deaf People, is available to support speech and hearing-impaired people to make telephone calls. Please dial 18001 followed by the number you wish to dial.

General Data Protection Regulation ("GDPR")

A privacy statement can be found at **www.janushenderson.com.**

Individual Savings Account ("ISA")

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

Non-mainstream pooled investments ("NMPI") status

The Company conducts its affairs so that its ordinary shares of 25p each can be recommended by independent financial advisors ("IFAs") to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules regarding 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

The Company's NAV and share price are published daily. Details can be found at **www.hendersonsmallercompanies.com** and in the London Stock Exchange Daily Official List.

The market price of the Company's ordinary shares is also published daily in the Daily Telegraph and on Trustnet.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, Computershare Investor Services plc, via **www.investorcentre.co.uk**. To gain access to your details on the Computershare site, you will need the holder reference number shown on your share certificate.

Taxonomy Regulation

Regulation (EU) 2020/852 forms the basis for the EU taxonomy. This establishes a list of environmentally sustainable economic activities to provide definitions for which economic activities can be considered environmentally sustainable. The Company confirms that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Historical record

At 31 May	Net assets £'000	NAV per share p	Mid-market price per ordinary share p	Discount %	Profit/ (loss) for year £'000	Revenue return p	Capital return p	Total return p	Dividends p	Ongoing charges excl perf fee %	Ongoing charges incl perf fee %
2016[1]	546,080	731.0	616.5	(15.7)	(6,783)	15.92	(25.00)	(9.08)	15.00	0.44	0.44
2017	688,460	921.6	799.0	(13.3)	154,332	19.57	187.03	206.60	18.00	0.43	1.01
2018	782,068	1,046.9	966.0	(7.7)	107,801	22.79	121.52	144.31	21.00	0.42	0.99
2019	716,145	958.7	858.0	(10.5)	(49,862)	23.59	(90.34)	(66.75)	23.00	0.42	0.42
2020	641,796	859.1	777.0	(9.6)	(56,799)	16.73	(92.76)	(76.03)	23.50	0.42	0.42
2021	992,898	1,329.1	1,280.0	(3.7)	368,651	13.86	479.64	493.50	23.75	0.39	0.98
2022	802,599	1,074.4	917.5	(14.6)	(172,565)	24.57	(255.58)	(231.01)	24.00	0.42	0.42
2023	675,387	904.1	785.0	(13.2)	(109,287)	29.38	(175.68)	(146.30)	26.00	0.44	0.44
2024	747,340	1,003.1	888.0	(11.5)	93,345	29.85	95.14	124.99	27.00	0.45	0.45
2025	**634,324**	**926.2**	**841.0**	**(9.2)**	**(44,994)**	**27.89**	**(89.13)**	**(61.24)**	**28.00**	**0.45**	**0.45**

1 Since the redemption of the Debenture Stock on 31 May 2016, the Company's NAV and discount with debt at par or market value are identical because there is no difference in the values of the remaining debt liabilities

A glossary of terms and explanations of alternative performance measures are included on pages 93-96

Sources: Morningstar Direct, Janus Henderson, LSEG Datastream

Corporate information

History

The Company was incorporated under the Companies Acts 1862 to 1886 on 16 December 1887 with the name The Trustees, Executors and Securities Insurance Corporation, Limited. The name was changed in August 1917 to The Trustees Corporation Limited, in April 1982 to TR Trustees Corporation PLC, in October 1990 to TR Smaller Companies Investment Trust PLC and in September 1997 to The Henderson Smaller Companies Investment Trust plc.

Registered office

201 Bishopsgate
London EC2M 3AE

Service providers

Alternative Investment Fund Manager

Janus Henderson Fund Management UK Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

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

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1057
Email: **web.queries@computershare.co.uk**

Investors with share certificates (i.e. not those in a share plan or ISA) can check their holdings at **www.investorcentre.co.uk**

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Broker

Deutsche Numis
Deutsche Bank AG, London Branch
45 Gresham Street
London EC2V 7BF

Independent Auditor

Forvis Mazars LLP
30 Old Bailey
London EC4M 7AU

Financial calendar

Ex-dividend date	28 August 2025
Dividend record date	29 August 2025
Annual general meeting	7 October 2025
Final dividend payable	13 October 2025
Half-year results	January 2026
Interim dividend payable	March 2026

Information sources

For more information about the Company, visit the website at **www.hendersonsmallercompanies.com.** This includes factsheets, interviews, current information on the Company and up-to-date share price and net asset value details.

To sign up for expert insights about investment trusts, updates from our fund managers as well as AGMs please visit this page:

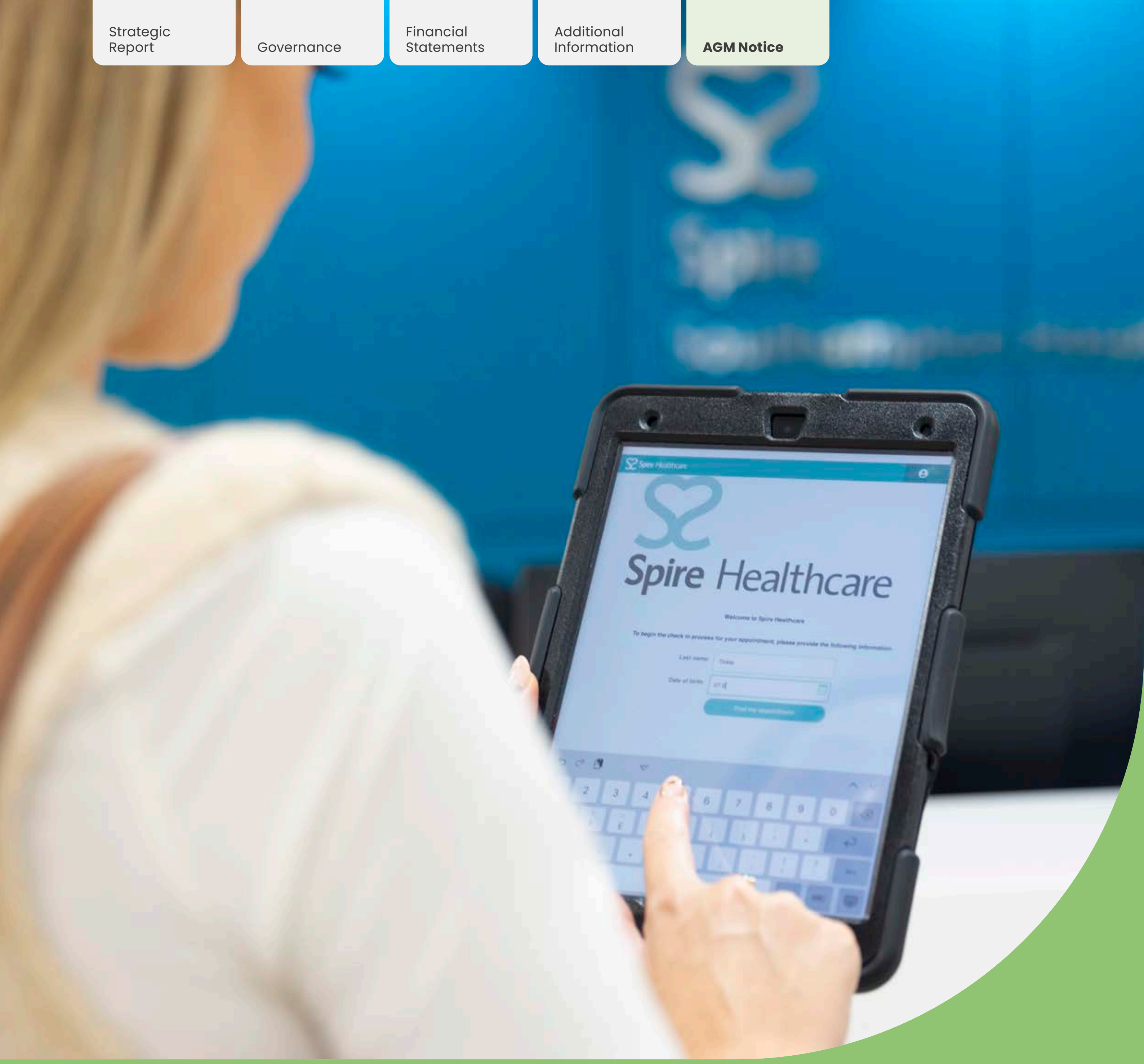
www.janushenderson.com/en-gb/investor/subscriptions

Follow the Janus Henderson Investment Trusts on LinkedIn – Janus Henderson Investment Trusts, UK.

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. Links to various providers are included on the website.

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



Notice of Annual General Meeting

Photo: Spire Healthcare

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of The Henderson Smaller Companies Investment Trust plc will be held at **11.30 am** on **Tuesday, 7 October 2025** at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE, for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary resolutions

1 To receive the Annual Report and the audited financial statements for the year ended 31 May 2025.

2 To approve the Directors' Remuneration Report for the year ended 31 May 2025.

3 To approve a final dividend of 20.5p per ordinary share.

4 To re-appoint Penny Freer as a director of the Company.

5 To re-appoint Kevin Carter as a director of the Company.

6 To re-appoint Alexandra Mackesy as a director of the Company.

7 To re-appoint Yen Mei Lim as a director of the Company.

8 To re-appoint Michael Warren as a director of the Company.

9 To re-appoint Forvis Mazars LLP as the statutory auditor of the Company.

10 To authorise the Audit and Risk Committee to determine the statutory auditor's remuneration.

11 THAT the Company continue as an investment trust.

12 THAT in substitution for all existing authorities, the directors be generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of s551 of the Act) up to an aggregate nominal amount of £1,631,526 (or such other amount as shall be equivalent to 10% of the Company's issued ordinary share capital, excluding treasury shares, at the date of the passing of this resolution) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next AGM of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

13 THAT in substitution for all existing authorities and subject to resolution 12 being passed, the directors be empowered pursuant to s570 and s573 of the Act to allot equity securities (within the meaning of s560 of the Act), and/or where such allotment constitutes an allotment of equity securities by virtue of s560 of the Act, for cash pursuant to the authority conferred by resolution 12, as if s561 of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of s560 of the Act) held by the Company immediately before the sale as treasury shares (as defined in s724 of the Act) for cash as if s561 of the Act did not apply to any such sale.

This power shall be limited to:

(a) the allotment or sale of equity securities, whether by way of a rights issue, open offer or otherwise in favour of ordinary shareholders on the register of members at such record date as the directors may determine, where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities), subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or local or practical problems arising under the laws of, or the requirements of any regulatory body or stock exchange in any territory or otherwise howsoever;

(b) the allotment or sale (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £1,631,526 (or such other amount as shall be equivalent to 10% of the issued ordinary share capital, excluding treasury shares, at the date of the passing of the resolution); and

(c) to the allotment or sale of equity securities at a price of no less than the net asset value per share;

and shall expire at the earlier of the date falling 15 months after the passing of this resolution or the conclusion of the next AGM of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

14 THAT in substitution for existing authorities, the Company be generally and unconditionally authorised in accordance with s694 of the Act to purchase (within the meaning of s693 of the Act) the preference stock units of £1 each in the capital of the Company (prior to 1 May 1999, the 4½ per cent cumulative preference stock units of £1 each in the capital of the Company) (the "Preference Stock") pursuant to contracts arising from acceptance of the offer to purchase Preference Stock made by the Company on the terms described in the circular to holders of ordinary shares and Preference Stock dated 24 February 1999, and to cancel such Preference Stock, such authority to expire at the conclusion of the next AGM of the Company or, if sooner, 15 months from the date of the passing of this resolution.

Notice of Annual General Meeting continued

15 THAT in substitution for existing authorities, the Company be generally and unconditionally authorised in accordance with s701 of the Act to make market purchases (within the meaning of s693 of the Act) of ordinary shares in issue of 25p each, excluding treasury shares, in the capital of the Company ("ordinary shares"), on such terms and in such manner as the directors may from time to time determine, provided that:

(a) the maximum number of ordinary shares that may be purchased shall be 14.99% of the Company's issued ordinary share capital (equivalent to 9,782,630 shares at the date of this Notice) at the date of the passing of this resolution excluding shares held in Treasury;

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 25p, being the nominal value per share;

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed the higher of:

(i) 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

(ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

(d) the authority hereby conferred will expire on the earlier of the conclusion of the next AGM of the Company after the passing of this resolution or 15 months from the date of the passing of this resolution, unless such authority is renewed prior to such time;

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to such contract; and

(f) any shares so purchased shall be cancelled or, in accordance with the provisions of the Act, if the directors so determine, be held, sold, transferred or otherwise dealt with as treasury shares.

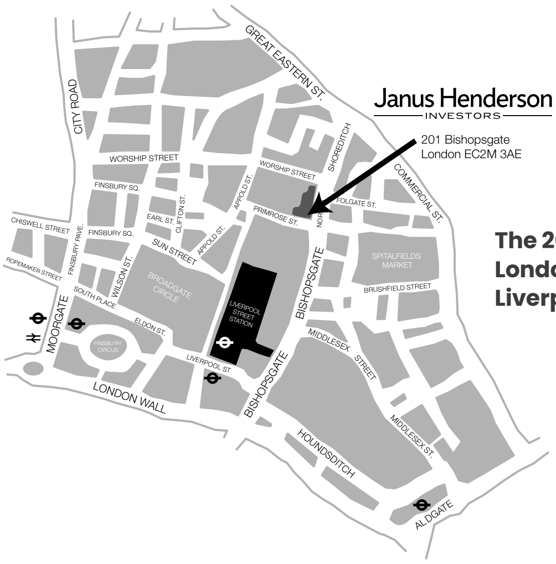
16 THAT a general meeting other than an AGM may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the AGM of the Company in 2026.

By order of the Board

Janus Henderson Secretarial Services UK Limited
Corporate Secretary
30 July 2025

Registered office:
201 Bishopsgate, London EC2M 3AE

AGM venue



The 2025 AGM will be held at 201 Bishopsgate, London EC2M 3AE. It is a few minutes' walk from Liverpool Street Station and from Moorgate Station.

Explanation of AGM resolutions

The information set out below is an explanation of the business to be considered at the 2025 Annual General Meeting (the "AGM"). You are welcome to join the AGM in person or by conferencing software Zoom. If you wish to join by videoconference, please visit **www.janushenderson.com/hsl-agm** to register.

Resolutions 1 to 12 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 13 to 16 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1: Annual Report and audited financial statements

The directors are required to lay before the AGM the annual report and audited financial statements of the Company for the financial year ended 31 May 2025 (the "Annual Report"). Shareholders will be given an opportunity at the AGM to ask questions and will be invited to receive the Annual Report.

Resolution 2: Approval of the Directors' Remuneration Report

Shareholders are asked to approve the Directors' Remuneration Report for the year ended 31 May 2025 (see pages 59-61 of the Annual Report). The vote on the Remuneration Report is advisory and does not affect the remuneration payable to any individual director, though the Board will take feedback from shareholders and incorporate this into any future remuneration discussions.

Resolution 3: Final Dividend

The directors propose a final dividend of 20.5p per ordinary share. The payment of a final dividend is subject to the approval of shareholders, although the scope to pay a lesser amount would be restricted by the Company's status as an investment trust. If approved, the dividend will be paid on 13 October 2025 to shareholders on the register on 29 August 2025. The shares will be quoted ex-dividend on 28 August 2025.

Resolutions 4 to 8: Re-appointment of directors

Under the AIC Code of Corporate Governance, as endorsed by the Financial Reporting Council, directors are expected to stand for re-appointment by shareholders annually. At its meeting in April 2025, the Nomination Committee reviewed the performance, contribution and commitment of the members of the Board and concluded that each director standing for appointment and re-appointment brought extensive, current and relevant business experience that allows them to contribute effectively to the leadership of the Company, in terms of both performance and time commitment.

The biographies of each director, including their skills, experience and qualifications relevant for the sustainable success of the Company are set out on pages 43-44 of the Annual Report. All directors standing for re-appointment by shareholders held office throughout the year under review.

Resolutions 9 and 10: Statutory auditor

In accordance with s489 and s492 Companies Act 2006 (the "Act"), shareholders are required to approve the appointment of the Company's auditor each year and give directors the authority to determine the auditor's remuneration. Resolution 9 relates to their appointment and resolution 10 relates to the determination of Forvis Mazars LLP's remuneration. In accordance with sections 489 and 492 of the Act, shareholders are required to approve the appointment of the Company's auditor each year and give authority to the directors to determine their remuneration. The Board is pleased to ask shareholders to re-appoint Forvis Mazars LLP as the Company's auditor for what would be their fourth year in office.

Resolution 11: Continuation

Since 2004, the Board has given shareholders the opportunity to vote on whether the Company should continue as an investment trust every three years. Please see the Chair's Statement on page 10, where the Chair explains why shareholders are asked to support continuation of the Company.

Resolutions 12 and 13: Authority to issue new shares and disapply pre-emption rights

At the 2024 AGM the directors were granted authority to allot a limited number of new ordinary shares. No shares have been allotted under this authority, which will expire at the forthcoming AGM. The directors are seeking the power to allot new ordinary shares for cash on a non pre-emptive basis. Renewal of the resolutions, if passed, will give the directors authority to allot ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £1,631,526 (or such other amount as shall be equivalent to 10% of the issued ordinary share capital at the date of the passing of the resolution). The directors intend to use the authority to issue ordinary shares only if and when they believe it to be advantageous to the Company's existing shareholders to do so. In particular, shares, whether new ordinary shares or ordinary shares held in treasury, will never be allotted or sold other than at a premium to the net asset value per ordinary share. The authority will lapse unless renewed at the earlier of 15 months from the passing of this resolution or the conclusion of the next AGM of the Company.

Resolution 14: Preference Stock

In a circular to shareholders and preference stockholders dated 24 February 1999, the Company proposed to offer to purchase for cancellation all the Company's outstanding preference stock at £1 per unit, being the par value of the preference stock units. At an extraordinary general meeting of the Company held on 22 March 1999, these proposals, together with the related changes to the articles of association, were approved. At 31 May 2025, 4,257 preference stock units of £1 each were still in issue. It is intended that the offer will remain open until such time as all the preference stock has been acquired. This resolution renews for a further year the Company's powers to purchase for cancellation the outstanding preference stock. This authority will expire at the conclusion of the next AGM of the Company or if sooner, 15 months from the date of the passing of this resolution.

Resolution 15: Repurchase of the Company's ordinary shares

At a general meeting on 1 July 2025, the directors were granted authority to repurchase 10,102,879 ordinary shares for cancellation or to be held in treasury. A total of 2,136,422 shares were bought back under this authority as at 28 July 2025. The Company's articles of association permit the Company to purchase its own shares and to fund such purchases from its accumulated realised capital reserves. The Board considers that the Company should continue to have authority to buy back its own ordinary shares to be held in treasury or for cancellation. Resolution 15 authorises the Company to make market purchases for cancellation of up to 14.99% of the ordinary shares in issue at the date of the AGM (equivalent to 9,782,630 ordinary shares with a nominal value of £2,445,657 at 28 July 2025).

Under the UK Listing Rules of the Financial Conduct Authority, this is the maximum percentage of its equity share capital that a company may purchase through the market pursuant to such authority. The directors believe that buying back the Company's own shares in the market, at appropriate times and prices, is in the best interests of shareholders generally. The Company will make purchases within guidelines set from time to time by the Board and if or when market conditions are suitable, with the aim of maximising the benefit to the remaining shareholders.

The directors will not use this authority unless to do so would result in an increase in the net asset value per ordinary share. The minimum price (exclusive of expenses) which may be paid for an ordinary share is 25p, being the nominal value per share. The authority will expire at the earlier of the date falling 15 months after the passing of this resolution or the conclusion of the next AGM of the Company.

Resolution 16: Notice of General Meetings

The Act and the Company's articles of association provide that all general meetings other than AGMs can be convened on 14 days' notice. However, one of the requirements of the Shareholder Rights Directive is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. The Board is of the view that it is in the Company's interests to have a shorter notice period which complies with the provisions of the Act, and the Company's articles allow all general meetings (other than an AGM) to be called on 14 clear days' notice. The passing of Resolution 16 would constitute shareholders' agreement for the purposes of the Shareholder Rights Directive (for which agreement is required annually) and would therefore preserve the Company's ability to call general meetings other than an AGM on 14 clear days' notice. The Board would utilise this authority to provide flexibility only when merited and would not use it as a matter of routine. The Board intends to seek a renewal of such authority at subsequent AGMs.

Notes to the Notice of Annual General Meeting (the "AGM")

1. Voting record date

Only those shareholders registered in the register of members of the Company at close of business on Friday, 3 October 2025 (the "voting record date") shall be entitled to vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend, speak and vote at the AGM.

If the AGM is adjourned for no more than 48 hours after the original time, the same voting record date will also apply for the purpose of determining the entitlement of members to attend, speak and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If the AGM is adjourned for more than 48 hours then the voting record date will be close of business on the day which is two days (excluding non-working days) before the day of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice. In the case of joint holders of a voting right, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

2. Right to attend and vote

Holders of ordinary shares are entitled to attend and vote at the AGM or at any adjournment(s) thereof. On a poll vote, each ordinary shareholder has one vote for each share held. On a vote on a show of hands, each ordinary shareholder or proxy has one vote.

If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled on a show of hands to vote 'for' or 'against' as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may on a show of hands vote both 'for' and 'against' in order to reflect the different voting instructions.

On a poll all or any of the voting rights of the members may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, s285(4) of the Companies Act 2006 (the "Act") does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with s323 of the Act. Shareholders are invited to send their letters of corporate representation in advance of the AGM to **itsecretariat@janushenderson.com.**

This Notice is available to holders of preference stock for information only. Preference stockholders are not entitled to attend or vote at the AGM.

Notice of Annual General Meeting continued

3. Right to appoint proxies

Pursuant to s324 of the Act, a member entitled to attend and vote at the AGM may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to shares held by him or her. A proxy need not be a member of the Company. A form of proxy is provided for every shareholder directly on the register of members maintained by Computershare. The completion of the form of proxy or any CREST proxy instruction will not preclude a shareholder from attending.

Persons nominated to receive information rights have been sent this Notice of AGM and are hereby informed, in accordance with s149(2) of the Act, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this AGM. If they have no such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements. The statement of rights of shareholders for the appointment of proxies does not apply to nominated persons.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by 11.30 am on Friday, 3 October 2025 to be considered valid.

Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

4. Receipt and termination of proxies

To be valid, the enclosed Form of Proxy must be received by the Company's Registrar (Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY) before 11.30 am on Friday, 3 October 2025 (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting).

As an alternative to completing and returning the printed Form of Proxy, you may submit your proxy electronically by accessing **www.investorcentre.co.uk/eproxy**. For security purposes, you will be asked to enter the control number, your shareholder reference number ("SRN") and personal identification number ("PIN") to validate the submission of your proxy online. The control number and members' individual SRN and PIN numbers are shown on the Form of Proxy.

A member may terminate a proxy's authority at any time before the commencement of the Meeting. Termination must be provided in writing and submitted to the Company's Registrar.

In accordance with the Company's Articles of Association, in determining the deadline for receipt of proxies, no account shall be taken of any part of a day that is not a working day.

5. Electronic receipt of proxies

CREST members who wish to appoint a proxy or proxies by following the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST manual, which is available to download from the Euroclear website **www.euroclear.com**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

6. Communication with the Company

Members may not use any electronic address provided either in the Notice or in any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

Notice of Annual General Meeting continued

7. Questions at the AGM

S319A of the Act requires the directors to answer any question raised at the AGM which relates to the business of the AGM, although no answer need be given:

(a) if to do so would interfere unduly with the preparation of the AGM or involve disclosure of confidential information;

(b) if the answer has already been given on the Company's website; or

(c) if it is undesirable in the best interests of the Company or the good order of the AGM that the question be answered.

8. Members' statement of audit concerns

Members satisfying the thresholds in s527 of the Act can require the Company to publish a statement on its website setting out any matter relating to:

(a) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or

(b) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the AGM.

The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time at which it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website.

9. Total voting rights

As at 28 July 2025 (being the last practicable date prior to the publication of this Notice) the Company's issued ordinary share capital consisted of 74,385,131 ordinary shares of 25p each. The total number of voting rights on that date was 65,261,042 as 9,124,089 shares were held in Treasury. Each share carries one vote, other than those held in Treasury which do not carry any voting rights.

10. Documents available for inspection

The directors' letters of appointment may be inspected at the registered office of the Company, 201 Bishopsgate, London EC2M 3AE during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will be available at the AGM from 15 minutes prior to its commencement until its conclusion. No director has a contract of service with the Company. If shareholders unable to attend the AGM physically wish to inspect the directors' letters of appointment, please contact the corporate secretary at **itsecretariat@janushenderson.com**.

11. Members' power to circulate resolutions

Under s338 and s338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company to:

(a) give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or

(b) include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious.

Such a request must: identify the resolution of which notice is to be given or the matter to be included in the business; be signed by the person or persons making it; state the full name(s) and address of the person making it; provide evidence of the number of shares held; be received by the Company not later than six clear weeks before the meeting; and (in the case of a matter to be included in the business only) be accompanied by a statement setting out the grounds for the request.

The request may be made in hard copy to the Corporate Secretary, The Henderson Smaller Companies Investment Trust plc at 201 Bishopsgate, London EC2M 3AE or in electronic form to **itsecretariat@janushenderson.com.**

12. Website

The Company's Annual Report which contains this Notice of Meeting is available at **www.hendersonsmallercompanies.com**, together with these explanatory notes.

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 persistent and extremely persuasive. Shareholders are therefore advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Please note that it is unlikely that either the Company or the Company's registrar, Computershare, would make unsolicited telephone calls to shareholders. 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 99. You can also check the FCA Warning List at **#BeScamSmart – www.fca.org.uk/scamsmart**.

MANAGED BY
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INVESTORS

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www.hendersonsmallercompanies.com

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Registered as an investment company in England and Wales

Registered office
201 Bishopsgate,
London EC2M 3AE

ISIN/SEDOL
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GB0009065060 / 0906506

Companies House registration number
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London Stock Exchange (TIDM) Code
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