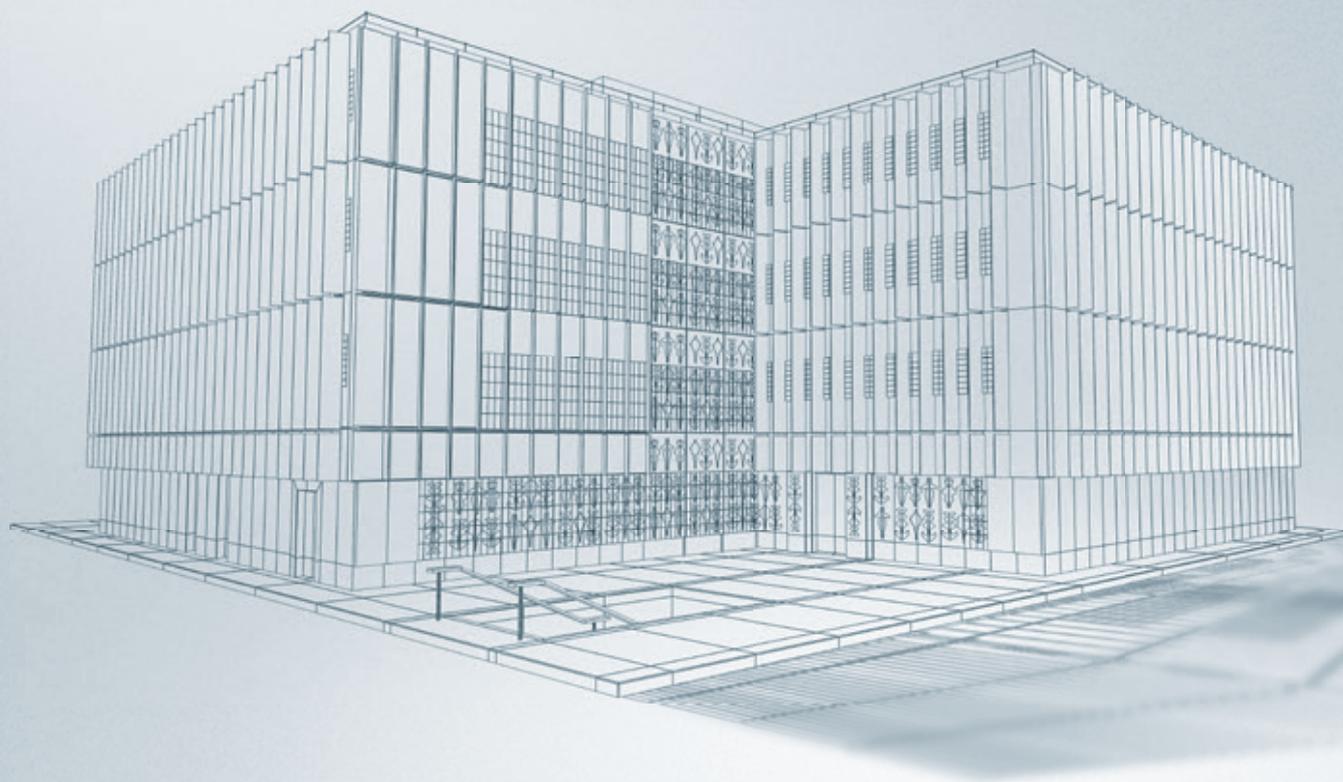


# HENDERSON OPPORTUNITIES TRUST PLC

Annual Report for the year ended 31 October 2018



MANAGED BY

**Janus Henderson**  
— INVESTORS —

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The image on the front cover is based on the biochemistry department at Oxford University. The Company's portfolio includes several biochemistry and technology stocks which started life as university research projects.

## Strategic Report

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**“Market volatility is likely to continue until there is less uncertainty... the Board will maintain a cautious approach in respect of gearing and our Fund Managers will continue to focus on delivering value through careful stock selection. The Board remains confident of the long term value in our portfolio and this conviction has been reflected in our decision to buy back shares in the recent market weakness.”**

Peter Jones, Chairman

### Total return performance to 31 October

	1 year %	3 years %	5 years %	10 years %
NAV <sup>1</sup>	-5.6	23.0	44.4	351.2
Share price <sup>2</sup>	-5.3	15.9	34.7	421.6
Sector Average NAV <sup>3</sup>	-2.6	20.5	35.1	222.1
Benchmark <sup>4</sup>	-1.5	25.4	30.5	156.7

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

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

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

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

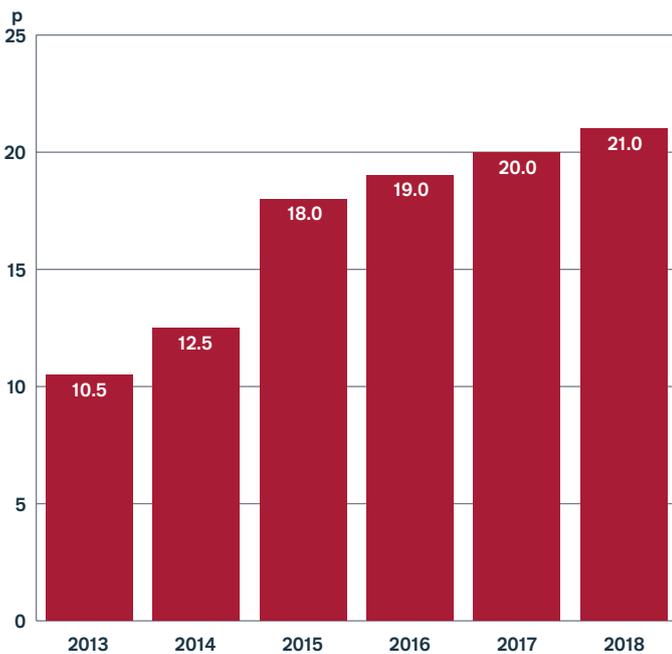
Sources: Morningstar for the AIC, Datastream

# Strategic Report: Performance Highlights

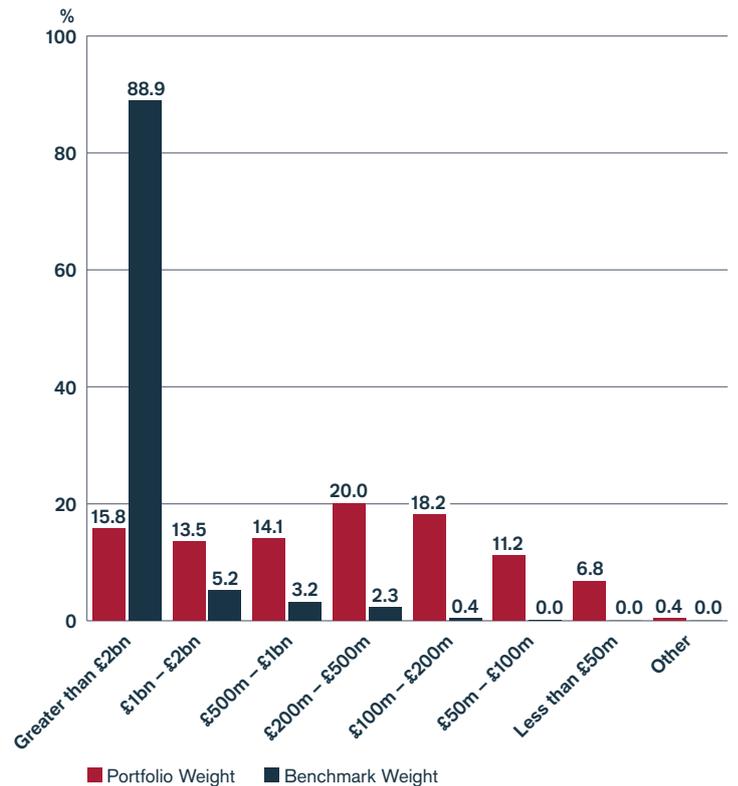
## Total return performance over the last 5 years



## Historical dividend



## Market capitalisation of the portfolio at 31 October 2018



Source: Janus Henderson, Datastream

## Strategic Report: Performance Highlights (continued)

NAV per share at year end

2018 **1,179.4p** 2017 **1,269.9p**

NAV total return<sup>1</sup>

2018 **-5.6%** 2017 **29.5%**

Total return per share

2018 **-70.0p** 2017 **292.2p**

Dividend for year<sup>4</sup>

2018 **21.0p** 2017 **20.0p**

Net gearing at year end

2018 **6.7%** 2017 **13.3%**

Net assets

2018 **£94.4m** 2017 **£101.6m**

Share price at year end

2018 **990.0p** 2017 **1,066.0p**

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

2018 **-5.3%** 2017 **32.3%**

Discount at year end

2018 **16.1%** 2017 **16.1%**

Dividend yield<sup>5</sup>

2018 **2.1%** 2017 **1.9%**

Ongoing charge<sup>6</sup>

2018 **0.84%** 2017 **0.89%**

Number of investments at year end<sup>7</sup>

2018 **85** 2017 **98**

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

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

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

<sup>4</sup> This represents an interim dividend of 6.5p and a proposed final dividend of 14.5p. See page 50 for more details

<sup>5</sup> Based on the ordinary dividends paid and payable for the year and the mid-market closing price at the year end

<sup>6</sup> Ongoing charge excludes performance fee. Ongoing charge including performance fee is 0.84% (2017: 1.91%)

<sup>7</sup> Excluding investments written down to zero

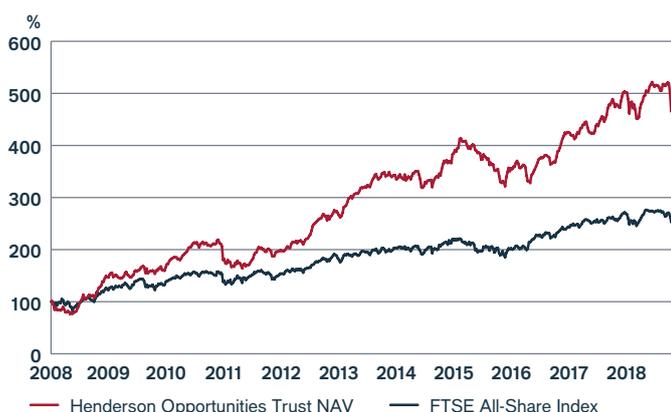
A glossary of terms and Alternative Performance Measures can be found on pages 21 and 22

Sources: Morningstar for the AIC, Janus Henderson, Datastream

# Strategic Report: Chairman's Statement

## Review of performance

The NAV total return for Henderson Opportunities Trust plc ('HOT') fell by 5.6% in the year, compared with a fall of 1.5% in our benchmark, the FTSE All-Share Index. There was pressure on UK focused AIM stocks, especially in the months preceding the end of the financial year, and HOT's heavy weighting in this area significantly impacted overall performance. October 2018 was a particularly difficult month in which HOT's NAV fell by 11.5%, broadly following the AIM All-Share Index which fell 11.1%. The underperformance in the year also reflected valuation corrections in some portfolio stocks which had performed strongly in the previous year, when HOT's total return increased by 29.5% compared with a 13.4% rise in the benchmark. These negative impacts were mitigated by the Fund Managers with anticipatory reductions in some holdings on valuation grounds and sales (£38.7m) outstripping purchases (£30.8m) over the year. This brought the gearing down from 13.3% as at the end of October 2017 to 6.7% as at the end of October 2018. Although the underperformance in the year was disappointing, the Board believes that the Fund Managers' timely and appropriate adjustments to the portfolio have positioned HOT to benefit from market opportunities over the coming months.



Source: Datastream. HOT NAV and FTSE All-Share both on a total return basis, £. Rebased to 100 as at 31 October 2008

## Earnings and Dividends

The revenue return was 20.2p compared to 21.8p last year. The slight fall in revenue return was caused by the trimming of the portfolio to bring about the reduction in gearing. There was also a slight shift in the portfolio away from large cap stocks which tend to pay a higher dividend yield. The FTSE 100 weighting as at the end of October 2018 was 14% compared to 19% at the end of October 2017.

The final dividend of 14.5p to be paid from revenue will be payable on 22 March 2019, subject to shareholder approval at the Annual General Meeting. The shares will be marked ex-dividend on 14 February 2019. The total dividend for the year is 1.0p higher than the previous year. The focus in the investment approach is not solely on companies that pay dividends but often cash generative businesses will find dividend paying a good discipline. The Board is therefore optimistic that the progressive dividend policy of recent years can be maintained, although this may from time to time require resort to the revenue reserve.

During the year the Company began stock lending and it has proved to be a useful addition to income. Stock lending commenced on 25 April 2018 and so far it has generated £49,000 in income.

## Fees and Expenses

The disappointing results this year meant there is no performance fee payable. A performance fee of £0.9m was paid in 2017 when there was marked outperformance. The combined management and performance fees are capped at 1.5% of the average net assets (calculated quarterly) during the year. This year the ongoing charge was 0.84%.

## Continuation Vote

There was a continuation vote at the AGM in 2017. The next continuation vote will be in March 2020 following the three year cycle.

## Buy-backs and Share Issuance

The Company's share price ended the year at a 16.1% discount to NAV. We regularly review the discount level and, as a result of the discount widening to 17.5% in December on the back of general market weakness, the Board took the decision to buy back shares under the authority granted by the shareholders at the AGM in March 2018. Since the year end, 69,510 ordinary shares have been bought back under this authority at a cost of £640,000. The shares are being held in treasury.

## AGM

Our Annual General Meeting will be held at 2.30pm on 14 March 2019 at the registered office, 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting accompanies this Annual Report. The Directors will vote their own shareholdings in favour of all the resolutions to be put to the AGM and the Directors recommend that the shareholders support all the resolutions.

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

## Investment Strategy

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

Your Board believes that clear focus on stock picking rather than on making macro-economic calls is the best way to add value for shareholders. The Fund Managers therefore spend a great deal of time researching and meeting with investment companies.

# Strategic Report: Chairman's Statement (continued)

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## Gearing

Gearing at the year end was 6.7%. It is a distinct advantage to have the ability to gear and the approach is to make use of this when the Fund Managers are finding good opportunities. The level of gearing will be adjusted to reflect the Board's views on the market and economic climate but will not normally exceed 20%. The gearing in the short term is determined by the opportunities that are presented.

## The Board

Following the departure of Peter May at the AGM last year, we are very pleased that Wendy Colquhoun joined the Board on 1 September 2018. She brings with her a long track record of advising investment trust boards on advisory and transactional matters having served as a partner at law firms including Dickson Minto, Linklaters and (currently) CMS Cameron McKenna Nabarro Olswang.

## Fund Managers

During the course of the year Colin Hughes retired as joint Fund Manager of the Company. He had worked on the portfolio for over 20 years and the Board would like to thank him for his considerable contribution to performance. He worked at Janus Henderson (or companies that became part of the Janus Henderson group) for 42 years.

Laura Foll was appointed as joint Fund Manager with effect from September 2018. Laura manages a number of portfolios alongside James Henderson including Lowland Investment Company. She has been actively involved in managing the Company's investments alongside Colin and James for a number of years.

## Outlook

Market volatility is likely to continue until there is less uncertainty in respect of the UK's future relationship with the EU. Until that matter is resolved, the Board will maintain a cautious approach in respect of gearing and our Fund Managers will continue to focus on delivering value through careful stock selection. The Board remains confident of the long term value in our portfolio and this conviction has been reflected in our decision to buy back shares in the recent market weakness in December and January.

Peter Jones  
Chairman  
25 January 2019

# Strategic Report: Business Model

## Strategy

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

## Investment Objective

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

## Investment Policy

### Asset allocation

The following investment ranges apply:

Equities: 70% to 100%

Fixed Income and Cash: 0% to 30%

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

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

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

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

### Dividend

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

### Derivatives

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

### Gearing

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

## Management

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

The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited ('HGIL') in accordance with an agreement which was effective on 22 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority. References to the Manager within this report refer to the services provided by both entities. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson.

The management agreement with HIFL is reviewed annually.

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

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

## Management Fee

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

## Performance Fee

The management agreement also provides for the payment of a performance fee, calculated as 15% of any outperformance of the Net Asset Value over the benchmark, subject to a limit on the total management and performance fees payable in any one year of 1.5% of the average net assets (calculated quarterly) during the year. No performance fee will be payable if on the last day of the Company's accounting year the Company's share price is lower than the share price at the preceding year end. No performance fee will be payable if on the last day of the Company's accounting year the Company's Net Asset Value per share is lower than its value at the preceding year end. Any underperformance relative to the benchmark, or any unrewarded outperformance (for example, as a result of the cap), will be carried forward and set against any outperformance or underperformance respectively in subsequent years. No performance fee is payable for the year ended 31 October 2018.

# Strategic Report: Fund Managers' Report

## Portfolio Review

As at 31 October 2018 there were 85 stocks in the portfolio. The stocks are a diverse collection of companies serving a wide range of geographies and end markets. The objective is to produce strong capital growth while the blend of stocks in the portfolio is intended to reduce volatility.

There is always a large degree of subjectivity in valuing a company today on the future cash flow it may produce in several years' time. This is particularly true of fast growing companies. There is no one set of parameters that can be applied indiscriminately across all types of companies. A company that is in an early high growth phase should command a higher multiple than one which is more established and growing at a slower, but more consistent, rate. For this reason we have divided the portfolio into separate classifications.

The core of the portfolio will always be 'small and mid-cap compounders' and 'growth small cap'. The portfolio as it stands has a high allocation to 'growth' small cap as we are finding a number of exciting early stage companies on AIM that could, in our view, become some of the large UK companies of the future. The path to becoming a large company will not, however, always be smooth and it was this 'growth' area that performed particularly poorly in October. This weakness was not, in our view, a result of any changes to the fundamentals of these businesses but rather reflected that in some cases share prices had moved too far too fast, and a retrenchment was necessary.

The recovery classification is currently a small portion of the portfolio at 8%. Recovery and value investing has been difficult in recent years, while growth and quality investing has performed well. As Fund Managers we need to recognise when a style is proving unsuccessful and therefore we have been quite constrained in value purchases. We will, however, continue to be active in the area and, if we see a compelling opportunity, we will add in small size.

The portfolio is divided into the seven classifications below. There is naturally a degree of subjectivity in these classifications but we find they help us to ensure the portfolio remains diverse:

Classification	Description	Indicative Range %	Exposure %	Top 3 Holdings
Small and Mid-cap Compounders	Quality companies with strong management. Long term returns can be compounded as the company grows. Usually established companies.	20-40	24	RWS Ricardo Assura
Growth Small Cap	Quality companies, however earlier stage with correspondingly higher growth rate.	20-40	32	Blue Prism Tracsis Learning Technologies
Growth Large Cap	These stocks are usually familiar to all investors. They are ballast for the portfolio but as individual companies we believe they remain long term growth stores that are genuinely good in some of their operations.	10-30	15	HSBC Johnson Matthey Rolls-Royce
Early Stage/ University Spin-outs	Early-stage companies and prospects largely uncorrelated to wider market moves.	0-20	7	4D Pharma IP Group Oxford Biodynamics
Natural Resources	Exposure to cyclical stocks adding diversity to portfolio. Positioning depends on commodity cycle.	5-15	12	Serica Energy Faroe Petroleum Rio Tinto
Recovery	Companies viewed as contrarian value opportunities.	0-20	8	Vertu Motors Character Oxford Instruments
Special Situations	One-off investments often driven by a catalyst for change.	0-10	2	IDOX Redcentric

Data: as at 26 November 2018

## Performance

The portfolio does not reflect the make-up of the benchmark index. It is believed that the approach will create more value over time by not being heavily benchmark influenced. It has achieved this over time with the ten year NAV total return up 351.2%, while the FTSE All-Share Index total return is up 156.7%. However, over shorter periods there will be periods of underperformance. The year under review the NAV (on a total return basis) underperformed by 4.1%.

The UK market was weaker than other major markets as UK earnings were treated with caution by investors. The reason for this underperformance was uncertainty surrounding Brexit and the possibility a recession would result. Smaller companies generally have a larger exposure to the UK economy than the major companies in the index so they were relatively weaker and this impacted the portfolio.

# Strategic Report: Fund Managers' Report (continued)

## Portfolio Activity

We were quite active during the year, adding 22 new positions and selling out completely in 34. We were cautious with adding new holdings and therefore sales (totalling £38.7m) were larger than purchases (£30.8m). The number of holdings at 31 October 2018 had been reduced to 85 companies (not including any written down to zero) compared to 98 as at the end of the previous year.

### Top five purchases:

#### Zoo Digital (new position)

Zoo Digital provides dubbing and subtitling services to content producers (such as Netflix and Disney). These content producers want to distribute their content quickly across global markets. Zoo Digital has technology that allows dubbing into multiple different languages in a quicker (and more cost effective way) than traditional dubbing studios. The technology enables freelance actors to record dubbing in their own home using Zoo Digital's software, rather than having to use a more expensive recording studio. Zoo Digital is seeing good demand for its dubbing services, which are of much higher value than their subtitling services. This is causing revenues to rise materially, and we are hopeful that sales can continue to grow strongly as more content producers begin using Zoo Digital's dubbing services.

#### Boku (new position)

Boku has a mobile payments technology that allows, for example, Spotify to charge for its services via the customer's mobile phone bill. Boku then takes a percentage of the overall transaction value. The advantage of having this option for companies such as Spotify and Apple is that some customers may not have a credit card or a PayPal account, so this allows companies to gain customers that they may otherwise have lost. For a relatively small company, Boku is already profitable with a strong list of customers.

#### Next Fifteen Communications (new position)

Next Fifteen Communications is a digital marketing and PR agency that has an impressive list of customers including Facebook and Amazon. It has a strong track record of both organic growth and of undertaking supplementary acquisitions.

#### Vodafone (addition to existing position)

Vodafone is a global telecoms company. Shares have performed poorly due to pricing competition in markets such as Spain and Italy and concerns around the level of indebtedness. In hindsight we added to the shares too early and these concerns have lingered. There is, however, the potential for the company to take more costs out of the business than the market is expecting and for revenues to inflect (marginally) as customers use more data.

#### Mirriad Advertising (new position)

Mirriad Advertising was an IPO during the year that was spun out of one of our existing holdings (IP Group). It has a technology that allows advertising to be retrospectively placed into existing content in a seamless manner. Therefore content producers can sign up to Mirriad Advertising and allow their back catalogue of content to be scanned for advertising opportunities that can then be sold on (with Mirriad Advertising taking a revenue share). The shares have performed poorly since IPO as sales have not risen as fast as

hoped. There has since been a management change and Mirriad Advertising has signed contracts with good quality media owners such as NBC in the US and RTL in Germany.

### Top five sales:

All five of the holdings described below were sold completely from the portfolio. In a demonstration of the low turnover approach (approximately 20% per year), all positions had been held for over five years.

#### Clinigen

Clinigen provides a range of services for the pharmaceutical industry including clinical trial services (for example providing comparator drugs for use in trials) and speciality pharmaceuticals (buying niche, often end of life, products from pharmaceutical companies and extending their usage across geographies). Clinigen had been a strong performer since purchase in 2012 and had re-rated substantially; therefore we sold the position as it had reached what we considered to be fair value.

#### Senior

Senior is a specialist engineer, providing components for the aerospace and automotive industries. It had been a large position in the portfolio and last year was in the top 20 holdings. Following a difficult 2015 and 2016, in which margins came under pressure, the shares had in recent years performed strongly. As a result the valuation was, in our view, factoring in a significant recovery in margin (which is now starting to come through).

#### Royal Dutch Shell

The position in Royal Dutch Shell was sold following a sharp rise in the oil price to over \$80 a barrel in early October 2018. This strong oil price meant that Royal Dutch Shell shares had performed well and had re-rated to a point where the dividend yield was below 5.5% (below the long term average dividend yield). We have maintained the position in the smaller exploration and production companies (including Serica Energy and Faroe Petroleum, both of which are now in the top 10 holdings). We are better placed to add value in these smaller, less well known, oil exploration and production companies.

#### ITV

ITV had been a long held position in the portfolio having been originally purchased in 2012. The business is well managed and is taking sensible steps by investing in its own content; however we sold the position due to increasing structural concerns. ITV's earnings are at risk of coming under pressure due to more intense competition for advertising revenue (both across a huge number of TV channels and also from online platforms such as YouTube).

#### Micro Focus

Micro Focus is a software company that had grown successfully via acquisitions over many years, purchasing legacy software businesses and taking out costs. This culminated in the acquisition of the software segment of Hewlett Packard Enterprise in 2016. This large acquisition ran into integration problems and this made us question the sustainability of the 'roll-up' business model now that the business is of FTSE 100 scale.

# Strategic Report: Fund Managers' Report (continued)

## Attribution

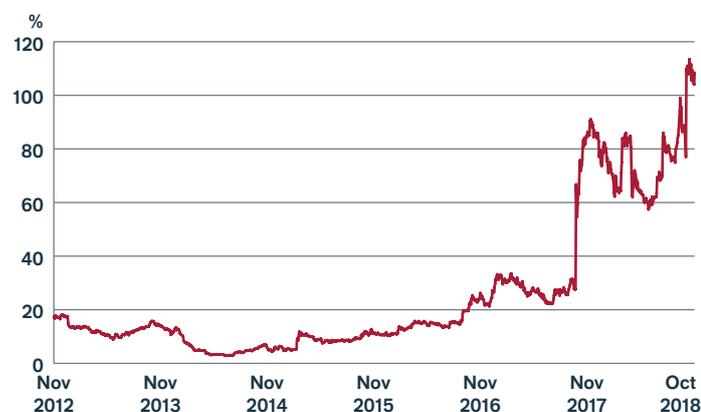
The ten largest positive contributors have certain common themes. Of the top ten, three are oil exploration companies and technology stocks are also well represented. The oil exploration sector, after a period of being out of investor favour came back to prominence on a rise in the oil price and in selective cases good drilling results. Certain technology shares saw potential sales growth being turned into reality.

The largest detractor was **Conviviality**, which went into administration due, primarily, to weak financial controls and was written off as a result. There was no one theme with the detractors but rather that the companies encountered individual problems that had not been envisaged. In the majority of cases we continue to see value in the detractors and in some cases, such as clothing retailer **Quiz**, have added to the holdings.

Top 10 contributors to absolute performance		
	Share price return %	Contribution to NAV %
Serica Energy	+325.1	+3.3
Blue Prism	+24.0	+1.1
GRC International	+150.5	+0.9
Learning Technologies	+74.1	+0.9
Faroe Petroleum	+46.1	+0.7
Keystone Law	+124.8	+0.6
Aveva	+65.0	+0.6
Ubisense	+50.0	+0.6
Eland Oil & Gas	+56.1	+0.5
Gym Group	+34.6	+0.4

Source: Janus Henderson

### Serica Energy share price since first purchase (pence)



Source: Bloomberg

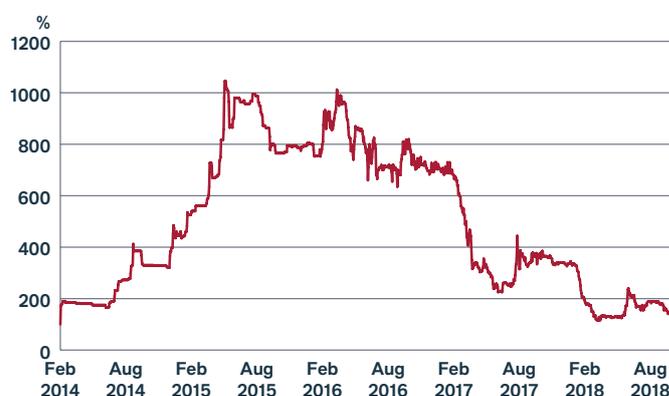
**Serica Energy** is a North Sea oil and gas producer. Following the oil price fall in 2014 and 2015, oil majors such as BP looked to reduce capital expenditure substantially and this led to them divesting a number of smaller fields at attractive prices. Serica Energy was one of the acquirers of some of these divested assets.

The share price chart demonstrates the benefits of having a relatively long list of holdings within the portfolio. Serica was a small position for a number of years. For example as at the end of October 2015 it was only 0.6% of the portfolio and the share price had moved little since purchase. As the table on this page shows, this year it has been a strong contributor to performance.

Top 10 detractors from absolute performance		
	Share price return %	Contribution to NAV %
4D Pharma	-58.9	-1.7
Conviviality	-100.0	-2.5
Clinigen	-26.0	-0.8
Micro Focus	-49.7	-0.8
Mirriad Advertising	-68.6	-0.7
Luceco	-83.4	-0.7
Quiz	-74.2	-0.7
Quantum Pharma	-56.1	-0.7
Safestyle	-61.3	-0.6
Be Heard	-59.1	-0.6

Source: Janus Henderson

### 4D Pharma share price since IPO (pence)



Source: Bloomberg

**4D Pharma** was purchased at IPO in 2014 for £1. It is an early stage pharmaceutical company, aiming to develop drugs targeting a wide range of (large) end markets including Crohn's disease, cancer and IBS. The novel aspect of 4D relative to other pharmaceutical companies is that it is using bacteria that naturally occur in the gut as a drug. In theory this should mean a better safety profile because the bacteria are already in the gut of healthy individuals.

Shortly after IPO there was a lot of excitement in the area and the shares performed strongly. However, drug development often takes longer than expected and the shares have pulled back. The fundamentals of the company remain encouraging in our view. Clinical trials, where they have reported, have looked promising and 4D recently signed a development agreement with Merck for their cancer product. On share price strength

# Strategic Report: Fund Managers' Report (continued)

we reduced the position so our 'entry cost' (combining IPO, a placing and a recent addition on weakness) is £1.9m and we have taken £2.2m out of the position so far. The remaining value of the holding at year end was £1.7m.

## Outlook

There was a convergence of reasons for making investor sentiment bearish. Actual company announcements do not correspond with the degree of macro gloom. The cautious will say this is because the companies have not yet caught up with the economic problems but that they will in time. There is a general attempt to impose

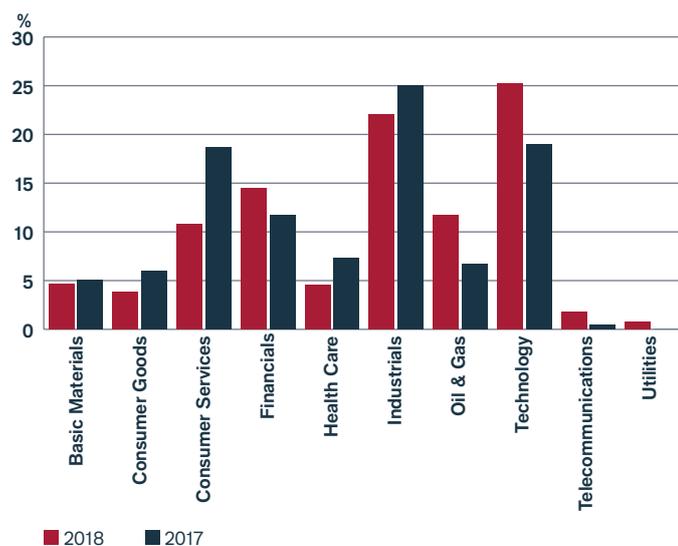
generalities onto what is actually a very diverse picture of industrial activity. Some businesses are moving forward and some moving back, with the quoted company sector maybe doing better than general UK Plc because of overseas earnings and more exports in their turnover. They therefore should be helped by Sterling weakness.

The investment approach is to use any undue weakness to keep refreshing the portfolio.

James Henderson and Laura Foll  
Fund Managers  
25 January 2019

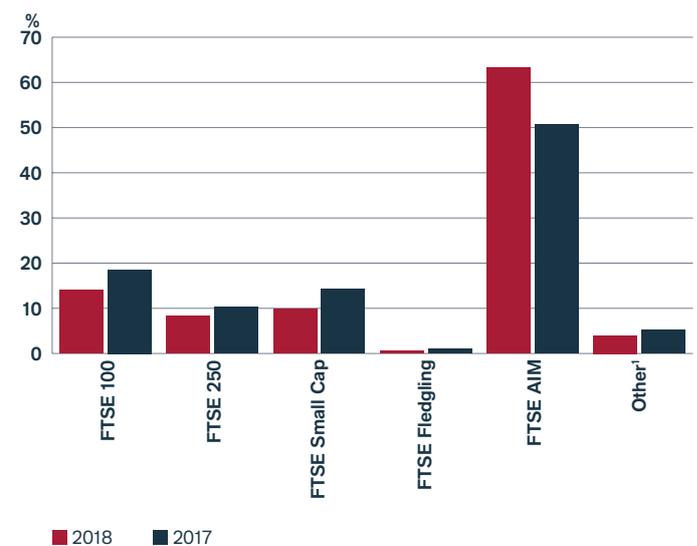
## Portfolio by Sector

As a percentage of the investment portfolio excluding cash.



## Portfolio by Index

As a percentage of the investment portfolio excluding cash.



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

# Strategic Report: Fund Managers' Report (continued)

## Twenty Largest Holdings at 31 October 2018

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

Rank 2018 (2017)	Company	% of Portfolio	Approximate Market Capitalisation	Valuation 2017 £'000	Net purchases/ (sales) £'000	Appreciation/ (depreciation) £'000	Valuation 2018 £'000
1 (1)	<b>Blue Prism<sup>1</sup></b> One of the pioneers of the rapidly growing market for robotic process automation software.	4.9	£910m	5,066	(1,398)	1,361	<b>5,029</b>
2 *	<b>Serica Energy<sup>1</sup></b> An oil exploration and production business focussed on the North Sea. Assets were bought at attractive prices from BP at a time when oil majors were reducing capital expenditure.	4.7	£350m	1,070	96	3,586	<b>4,752</b>
3 (2)	<b>RWS<sup>1</sup></b> The world's leading provider of high-quality translation, intellectual property and language support services. Its customer base encompasses many companies.	4.4	£1.4bn	4,604	(439)	255	<b>4,420</b>
4 (12)	<b>Loopup<sup>1</sup></b> A global software-as-a-service provider for remote meetings, delivering hassle free conference calls for mainstream business users.	2.8	£200m	2,138	485	221	<b>2,844</b>
5 (13)	<b>Tracsis<sup>1</sup></b> A developer of technology and services that solve mission critical resource management problems in the transport sector, particularly rail.	2.7	£170m	1,971	496	283	<b>2,750</b>
6 (15)	<b>Faroe Petroleum<sup>1</sup></b> An oil exploration and production business focused on the Norwegian and UK sectors of the North Sea with a good track record of discovery and monetisation.	2.6	£590m	1,799	42	786	<b>2,627</b>
7 (5)	<b>HSBC</b> The global bank provides international banking and financial services.	2.6	£134bn	2,979	–	(363)	<b>2,616</b>
8 *	<b>Learning Technologies<sup>1</sup></b> An e-learning technology provider for both the public and private sector. The company is growing strongly via organic growth and acquisitions.	2.5	£630m	1,305	84	1,114	<b>2,503</b>
9 (3)	<b>Keyword Studios<sup>1</sup></b> A leading global player in the provision of services for the video games industry across all major platforms.	2.4	£750m	4,394	(1,668)	(260)	<b>2,466</b>
10 (14)	<b>Johnson Matthey</b> Founded in 1817 this FTSE 100 company is today one of the global leaders in reducing emissions pollution through the application of world leading chemistry.	2.3	£5.6bn	1,860	953	(435)	<b>2,378</b>
11 *	<b>Rolls Royce</b> The company designs and manufactures engines as well as providing the aftermarket services for use across aerospace and industry. They have successfully won market share across many of the large new civil aerospace programmes and under a new management team have a renewed focus on removing duplicate costs.	2.1	£15.7bn	1,459	1,046	(407)	<b>2,098</b>
12 (10)	<b>Ricardo</b> A global engineering, environmental and strategic consultancy, focused on efficiency and waste elimination and benefiting from ever tighter environmental controls.	2.0	£380m	2,290	–	(302)	<b>1,988</b>

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

Rank 2018 (2017)	Company	% of Portfolio	Approximate Market Capitalisation	Valuation 2017 £'000	Net purchases/ (sales) £'000	Appreciation/ (depreciation) £'000	Valuation 2018 £'000
13 (16)	<b>Rio Tinto</b> A miner of aluminium, coal, copper, gold, iron ore, uranium, zinc and diamonds, operating good quality assets from a relatively low cost base.	1.9	£62.6bn	1,774	–	128	<b>1,902</b>
14 *	<b>The Gym Group</b> A chain of affordable gyms in the UK. There is good scope to roll out new branches and the low price point is attracting new members.	1.8	£410m	1,310	110	447	<b>1,867</b>
15 (20)	<b>Assura</b> The UK's leading investor in modern health centres helping GP's and the NHS bring healthcare closer to the patient.	1.8	£1.3bn	1,661	421	(254)	<b>1,828</b>
16 *	<b>Redde<sup>1</sup></b> UK market leading support services company specialising in automotive accident management, fleet management and legal services reducing costs for the insurer and the insured.	1.7	£530m	1,517	–	241	<b>1,758</b>
17 *	<b>Eland Oil &amp; Gas<sup>1</sup></b> The company is an oil and gas exploration business operating mainly in Nigeria and other West African countries. The share price does not reflect its underlying asset value.	1.7	£240m	1,119	–	627	<b>1,746</b>
18 (4)	<b>4D Pharma<sup>1</sup></b> A pharmaceutical business focusing on live bio therapeutics. The company could create a very exciting pipeline of drugs.	1.7	£86m	2,985	459	(1,721)	<b>1,723</b>
19 *	<b>Workspace</b> A property company that provides tailored business premises to new and growing companies in the London area. The tenants are involved in many different areas of activity. This gives support to the earnings during economic slowdowns.	1.6	£1.6bn	1,327	223	87	<b>1,637</b>
20 *	<b>Prudential</b> The company provides an assortment of insurance and investment products around the world. The business in the Far East has grown impressively in recent years.	1.5	£40.2bn	926	781	(137)	<b>1,570</b>
		<b>49.7</b>		<b>43,554</b>	<b>1,691</b>	<b>5,257</b>	<b>50,502</b>

At 31 October 2018 these investments totalled £50,502,000 or 49.7% of the portfolio.

\* Not in the top 20 largest investments last year

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

# Strategic Report: Investment Portfolio

at 31 October 2018

Position	Company	Main activity	Valuation £'000
1	Blue Prism <sup>1</sup>	robotic process automation software	5,029
2	Serica Energy <sup>1</sup>	oil and gas exploration and production	4,752
3	RWS <sup>1</sup>	patent translation services	4,420
4	Loopup <sup>1</sup>	conference call services	2,844
5	Tracsis <sup>1</sup>	logistics software and services	2,750
6	Faroe Petroleum <sup>1</sup>	oil and gas exploration and production	2,627
7	HSBC	banking	2,616
8	Learning Technologies <sup>1</sup>	e-learning	2,503
9	Keyword Studios <sup>1</sup>	video games support services	2,466
10	Johnson Matthey	advanced materials technology	2,378
<b>10 largest</b>			<b>32,385</b>
11	Rolls Royce	aero engines and power systems	2,098
12	Ricardo	automotive technology consultancy	1,988
13	Rio Tinto	general mining	1,902
14	The Gym Group	affordable gyms	1,867
15	Assura	healthcare property	1,828
16	Redde <sup>1</sup>	support services for insurance	1,758
17	Eland Oil & Gas <sup>1</sup>	oil and gas explorer and production	1,746
18	4D Pharma <sup>1</sup>	novel drug development platform	1,723
19	Workspace	London office real estate investment trust	1,637
20	Prudential	insurance	1,570
<b>20 largest</b>			<b>50,502</b>
21	Tarsus	international exhibitions and conferences	1,530
22	Ubisense <sup>1</sup>	location solutions	1,500
23	Tribal <sup>1</sup>	educational sector software and services	1,452
24	SDL	software and translation services	1,420
25	Flowtech <sup>1</sup>	water services and boosters	1,420
26	Cohort <sup>1</sup>	military products and services	1,414
27	Aveva	software services for engineering designers	1,309
28	Vertu Motors <sup>1</sup>	motor retailer	1,283
29	XP Power	electrical power components	1,265
30	Standard Chartered	banking	1,264
<b>30 largest</b>			<b>64,359</b>
31	Vodafone	mobile phone operator	1,256
32	Gateley <sup>1</sup>	corporate lawyer	1,240
33	Oxford Instruments	scientific instruments	1,228
34	Character <sup>1</sup>	toys and games	1,225
35	Next Fifteen Communications <sup>1</sup>	digital marketing agency	1,219
36	Miton <sup>1</sup>	fund management	1,188
37	Zoo Digital <sup>1</sup>	dubbing and subtitling services	1,177
38	Boku <sup>1</sup>	mobile payment software provider	1,103
39	IDOX <sup>1</sup>	documentation software	1,062
40	GB Group <sup>1</sup>	identity data intelligence	1,012
<b>40 largest</b>			<b>76,069</b>
41	Integratin	advisor platform	992
42	Springfield Properties <sup>1</sup>	Scottish housebuilder	963
43	Ebiquity <sup>1</sup>	media and marketing analytics	942
44	Oxford Biodynamics <sup>1</sup>	drug and technology	935
45	Horizon Discovery <sup>1</sup>	drug development and diagnostic services	920
46	IP Group	portfolio of early stage companies from universities	890
47	Keystone Law <sup>1</sup>	legal services	875
48	Hollywood Bowl	bowling centres	865
49	Aggregated Micro Power	small scale power generation	840
50	Redcentric <sup>1</sup>	IT managed services	825
<b>50 largest</b>			<b>85,116</b>

# Strategic Report: Investment Portfolio (continued)

at 31 October 2018

Position	Company	Main activity	Valuation £'000
51	Sigmaroc <sup>1</sup>	construction materials	824
52	Van Elle <sup>1</sup>	construction services	820
53	Ceres Power <sup>1</sup>	fuel cell technology	800
54	Franchise Brands <sup>1</sup>	franchise operator	747
55	Eurocell	extruded plastic products	732
56	GRC International <sup>1</sup>	data protection and cyber security	700
57	CML Microsystems	semi conductor manufacturers	684
58	IQE <sup>1</sup>	semi conductors	679
59	Quixant <sup>1</sup>	gaming hardware and software	678
60	Premier Oil	oil and gas exploration and production	607
<b>60 largest</b>			<b>92,387</b>
61	IG Group	investment services	604
62	International Consolidated Airlines	airline	603
63	BT Group	telecoms	601
64	Dairy Crest	dairy products	598
65	Jersey Oil & Gas <sup>1</sup>	oil and gas exploration and production	555
66	Quiz <sup>1</sup>	multi-channel fast fashion	514
67	Surface Transforms <sup>1</sup>	braking systems	508
68	Be Heard <sup>1</sup>	digital marketing	436
69	Safestyle <sup>1</sup>	upvc windows and doors	420
70	Oxford Sciences Innovation <sup>2</sup>	portfolio of companies from Oxford University	400
<b>70 largest</b>			<b>97,626</b>
71	Mirriad Advertising <sup>1</sup>	advertising technology	380
72	Deltex Medical <sup>1</sup>	medical monitoring equipment	372
73	Sureserve <sup>1</sup>	property services	361
74	KRM22 <sup>1</sup>	risk monitoring systems	353
75	hVIVO <sup>1</sup>	clinical trial services	329
76	Atlantis <sup>1</sup>	renewable energy generation	324
77	UP Global	value brand wholesaler	313
78	Berkeley Energia	uranium project in Spain	289
79	Eve Sleep <sup>1</sup>	online retailer of bedding	272
80	Indus Gas <sup>1</sup>	gas producer in India	269
<b>80 largest</b>			<b>100,888</b>
81	Ilika <sup>1</sup>	advanced materials	255
82	Lucoco	electrical equipment	197
83	Itaconix <sup>1</sup>	speciality chemicals	160
84	Footasylum <sup>1</sup>	specialist retailer	139
85	Velocys <sup>1</sup>	early stage gas to liquids technology	51
<b>Total Investments</b>			<b>101,690</b>

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

<sup>2</sup> Unlisted

The above table excludes investments written down to zero.

# Strategic Report: Corporate Information

## Directors' biographies

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

Peter Jones

**Position:** Chairman

**Date of appointment:** 12 December 2011  
(Chairman 17 March 2016)

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

Wendy Colquhoun

**Position:** Director

**Date of appointment:** 1 September 2018

Wendy is a partner at international law firm CMS Cameron McKenna Nabarro Olswang LLP. She has advised investment trust boards for over 25 years on advisory and transactional matters. She has previously held positions at Dickson Minto and Linklaters. She is a trustee of the Stewart Ivory Financial Education Trust and a non-executive director of, and chairman of the risk and governance committee for, Scottish Financial Enterprise.

Frances Daley

**Position:** Audit Committee Chairman

**Date of appointment:** 18 June 2015

Frances is a Chartered Accountant (FCA) with significant financial and commercial experience having held several senior finance and general management positions in accountancy, investment banking and corporate sector companies over the last 30 years. She is the chairman of Baring Emerging Europe PLC, an emerging markets investment trust listed on the London Stock Exchange and a non-executive director of Regional REIT Limited.

Frances became Audit Committee Chairman on 15 March 2018.

All Directors are non-executive. All are members of the Insider Committee, Management Engagement Committee and Nominations Committee, chaired by Peter Jones. All, with the exception of Peter Jones, are members of the Audit Committee, currently chaired by Frances Daley. Peter May retired as a Director on 15 March 2018.

## Management

Fund Manager

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

Chris Hills

**Position:** Director

**Date of appointment:** 17 June 2010

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

Malcolm King (known as Max)

**Position:** Director

**Date of appointment:** 16 June 2005

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

Fund Manager

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

# Strategic Report: Corporate Information (continued)

## Registered Office

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

## Service Providers

### Alternative Investment Fund Manager

Henderson Investment Funds Limited  
201 Bishopsgate  
London EC2M 3AE

### Corporate Secretary

Henderson Secretarial Services Limited  
201 Bishopsgate  
London EC2M 3AE  
Telephone: 020 7818 1818

### Depository and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Stockbrokers

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

### Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Telephone: 0370 707 1059

## Independent Auditor

BDO LLP  
55 Baker Street  
London W1U 7EU

## Financial Calendar

Annual results	announced January 2019
Ex dividend date	14 February 2019
Dividend record date	15 February 2019
Annual General Meeting <sup>1</sup>	14 March 2019
Final dividend payable on	22 March 2019
Half year results	announced June 2019

## Information Sources

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

### HGi

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

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



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## Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 0345 722 5525, email [customercare.HSDL@halifax.co.uk](mailto:customercare.HSDL@halifax.co.uk) or visit their website [www.halifax.co.uk/sharedealing](http://www.halifax.co.uk/sharedealing).

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

## Nominee Share Code

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

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

# Strategic Report: Corporate Information (continued)

## Status

The Company is registered as a public limited company and is an investment company as defined under section 833 of the Companies Act 2006 (the 'Act'). The Company operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 ('section 1158') as amended. The Company has obtained approval from HMRC of its status as an investment trust under section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with section 1158.

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

## Ongoing Charges

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

For the year ended 31 October 2018 the ongoing charge was 0.84% of net asset value excluding the performance fee and (given that the performance fee for 2018 was zero) 0.84% including the performance fee (2017: 0.89% excluding the performance fee and 1.91% including the performance fee).

## Borrowings

The Company has an unsecured loan facility in place which allows it to borrow as and when appropriate. £20 million (2017: £20 million) is available under the facility. Net gearing is limited by the Board to 25% of net assets. The maximum amount drawn down in the period under review was £18.1 million (2017: £19.6 million), with borrowing costs for the year totalling £229,000 (2017: £200,000). £7.0 million (2017: £14.6 million) of the facility was in use at the year end. Net gearing at 31 October 2018 was 6.7% (2017: 13.3%) of net asset value.

## Future Developments

While the future performance of the Company is mainly dependent on the performance of financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained on page 6. The Chairman's Statement and Fund Managers' Report provide commentary on the outlook for the Company.

## Corporate responsibility

### Responsible investment

Janus Henderson is responsible for reporting on its work on corporate governance and corporate responsibility issues in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ('ESG') issues into mainstream investment decision-making and ownership practices.

The way companies respond to ESG issues can affect their business performance, both directly and indirectly. ESG factors are considered by Janus Henderson investment teams but investments are not necessarily ruled out on ESG grounds only.

### Voting policy and the UK stewardship code

The Manager has a responsible investment policy in place which sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Janus Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to the Manager. The Board receives regular reports on the voting undertaken by the Manager on behalf of the Company. The Board and the Manager believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. The Manager actively votes at shareholder meetings and engages with companies as part of the voting process. Voting decisions are made in close consultation with the Fund Managers, with regular dialogue between the Fund Managers and corporate governance specialists.

The responsible investment policy and further details of responsible investment activities can be found on the website [www.janushenderson.com](http://www.janushenderson.com).

### Employees, social, community, human rights and environmental matters

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

The Company's core activities are undertaken by Janus Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues. Janus Henderson's corporate responsibility statement is included on its website.

# Strategic Report: Corporate Information (continued)

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

## Bribery Act 2010

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

## Modern Slavery Act 2015

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

## Criminal Finances Act 2017

The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion. The Company has received assurances from the Company's main contractors and suppliers that they maintain a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

## Board Diversity and Experience

The Company's affairs are overseen by a Board comprising of five non-executive Directors – two females and three males. The Directors are diverse in their experience bringing knowledge of investment markets, business, banking and accounting and auditing expertise to discussions regarding the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective, and are cognisant of diversity when making appointments to the Board. Further detail is provided on page 31 in the Nominations Committee section. The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

## Performance Measurement and Key Performance Indicators

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

The charts, tables and data on pages 1, 2 and 3 show how the Company has performed against those KPIs:

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

# Strategic Report: Corporate Information (continued)

## Principal Risks and Uncertainties

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

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

Risk	Controls and Mitigation
<b>Investment activity and strategy</b>	The Manager provides the Directors with management information including performance data reports and portfolio analyses on a monthly basis. The Board monitors the implementation and results of the investment process with the Fund Managers, who attend all Board meetings, and reviews regularly data that monitors risk factors in respect of the portfolio. The Manager operates in accordance with investment limits and restrictions determined by the Board; these include limits on the extent to which borrowings may be used. The Board reviews its investment limits and restrictions regularly and the Manager confirms its compliance with them each month. The Board reviews investment strategy at each Board meeting. An inappropriate investment strategy (for example, in terms of asset allocation, stock selection, failure to anticipate external shocks or the level of gearing) may lead to a reduction in NAV, underperformance against the Company's benchmark index and the Company's peer group; it may also result in the Company's shares trading on a wider discount to NAV. The Board seeks to manage these risks by ensuring a diversification of investments through regular meetings with the Fund Managers with measurement against performance indicators and by reviewing the extent of borrowings.
<b>Financial instruments and the management of risk</b>	By its nature as an investment trust, the Company is exposed in varying degrees to market risk, interest rate risk, liquidity risk, currency risk and credit and counterparty risk. Market risk arises from uncertainty about the future prices of the Company's investments.  An analysis of these financial risks and the Company's policies for managing them are set out in Note 15 on pages 52 to 56.
<b>Operational</b>	Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the Custodian or the Depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. The Manager has contracted some of its operational functions, principally those relating to trade processing, investment administration, accounting and cash management, to BNP Paribas Securities Services.  Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement on page 32.
<b>Accounting, legal and regulatory</b>	In order to qualify as an investment trust the Company must comply with section 1158 of the Corporation Tax Act 2010 ('section 1158'), to which reference is made on page 17 under the heading 'Status'. A breach of section 1158 could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to corporation tax. The section 1158 criteria are monitored by the Manager and the results are reported to the Directors at each Board meeting. The Company must comply with the provisions of the Companies Act 2006 (the 'Act') and, as the Company's shares are listed for trading on the London Stock Exchange, the Company must comply with the UK Listing Authority's Listing Rules ('UKLA Listing Rules'). A breach of the Act could result in the Company and/or the Directors being fined or becoming the subject of criminal proceedings. Breach of the UKLA Rules could result in the suspension of the Company's shares which would in turn lead to a breach of section 1158. The Board relies on Henderson Secretarial Services Limited, its Corporate Secretary and its professional advisers to ensure compliance with the Act and the UKLA Listing Rules.

## Strategic Report: Corporate Information (continued)

Risk	Controls and Mitigation
<b>Liquidity</b>	In line with the Company's investment strategy the Fund Managers can invest on an unconstrained basis across the whole range of market capitalisations. This includes investing in smaller, early stage development companies. The market for these shares is less liquid than for those stocks which have a larger market capitalisation. The Board monitors the Company's exposure to these smaller companies on a monthly basis and reviews this in detail at Board meetings. The liquidity of the whole portfolio is also considered at Board meetings.
<b>Net gearing</b>	The ability to borrow money for investment purposes is a key advantage of the investment trust structure. A failure to maintain a bank facility would prevent the Company from gearing. A breach of the Company's borrowing covenants or the gearing range determined by the Board could lead to the Company becoming a forced seller of shares with possible losses for shareholders. The Board reviews the level of net gearing at each Board meeting in light of the liquidity of the portfolio and ensures that it is well within the covenants so that this risk is very unlikely to arise.
<b>Failure of Janus Henderson</b>	A failure of the Manager's business, whether or not as a result of regulatory failure, cyber risk or other failure could result in the Manager being unable to meet its obligations and its duty of care to the Company. The Board meets regularly with representatives of the Manager's Investment Management, Risk, Compliance, Internal Audit and Investment Trust teams and reviews internal control reports from the Manager on a quarterly basis. The failure of the Manager would not necessarily lead to a loss of the Company's assets, however, this risk is mitigated by the Company's ability to change its investment manager if necessary, subject to the terms of its management agreement.

### Viability Statement

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

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

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

The Directors do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls

in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. Only a substantial financial crisis affecting the global economy could have an impact on this assessment. Whilst there is currently uncertainty in the markets due to the UK's negotiations to leave the European Union, the Board does not believe that this will have a long term impact on the viability of the Company and its ability to continue in operation.

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

For and on behalf of the Board

Peter Jones  
Chairman  
25 January 2019

# Strategic Report: Glossary

## Alternative Investment Fund Managers Directive ('AIFMD')

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

## Association of Investment Companies ('AIC')

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

## Benchmark

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

## Capital Return per share

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

## Custodian

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

## Depositary

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. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

## Derivative

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

## Dividend Dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which

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

## Gearing

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

## Investment Trusts

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

## Liquidity

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

## Market Capitalisation

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

## Securities Financing Transactions

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

## Treasury Shares

Shares repurchased by the Company but not cancelled.

# Strategic Report: Alternative Performance Measures

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## Dividend Yield

The annual dividend (see Note 10) expressed as a percentage of the share price (see page 3).

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

The value of the Company's assets (i.e. investments (see Note 11), cash held (see Statement of Financial Position) and debtors (see Note 13)) less any liabilities (i.e. bank borrowings, debt securities and creditors (see Note 14)) for which the Company is responsible, divided by the number of shares in issue (see Note 16). The aggregate NAV is also referred to as shareholders' funds on the Statement of Financial Position. The NAV is published daily.

## Ongoing Charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs, excluding any performance fees, in accordance with the AIC methodology and is the annualised ongoing charge expressed as a percentage of the average aggregate NAV in the period. An alternative ongoing charge can also be calculated including any performance fee.

## Premium/Discount

The amount by which the market price per share (see page 3) of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

## Revenue Return per ordinary share

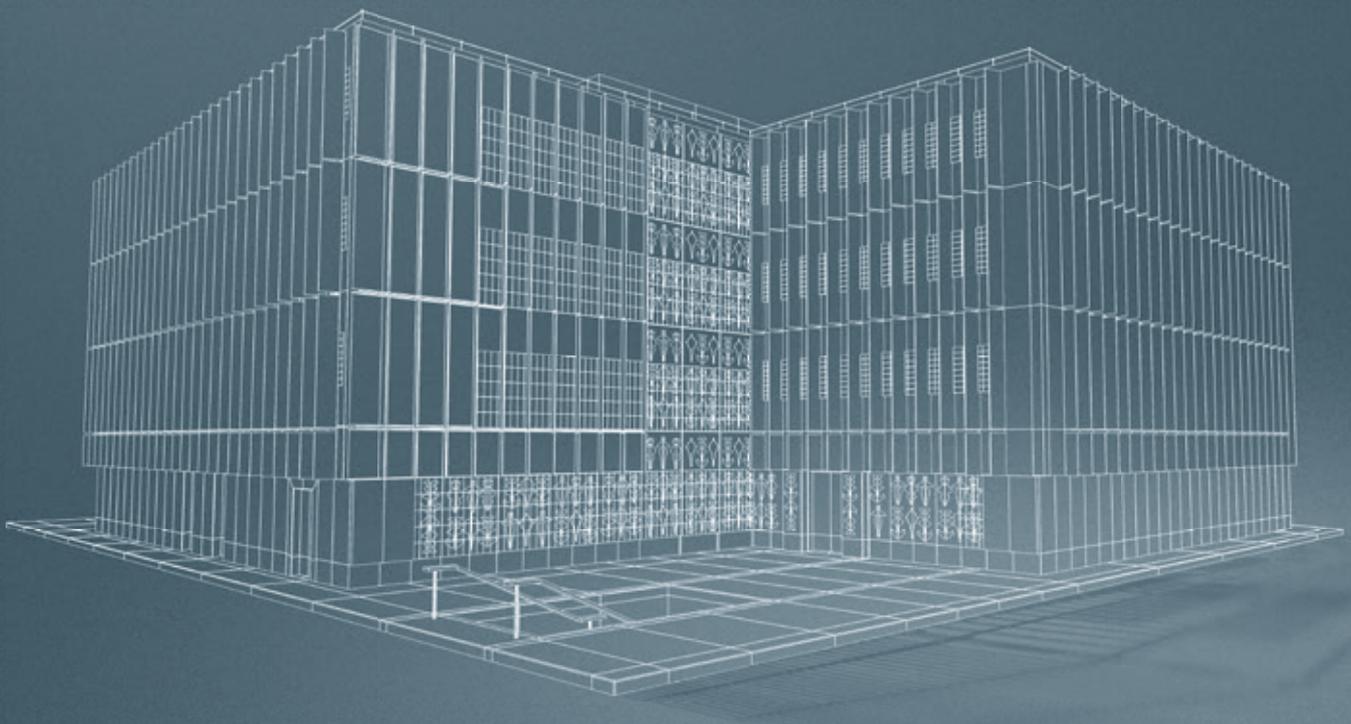
The revenue return per ordinary share is the revenue return profit for the year (see Income Statement) divided by the weighted average number of ordinary shares (see Note 9) in issue during the year.

## Total Return Performance

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

# Corporate Report

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# Report of the Directors

The Directors present the audited Financial Statements of the Company and their report for the year from 1 November 2017 to 31 October 2018. Henderson Opportunities Trust plc (the 'Company') (registered and domiciled in England & Wales with company registration number 01940906) was active throughout the year under review and was not dormant.

The Investment Portfolio on pages 13 and 14 and the Corporate Governance Statement and Report of the Audit Committee on pages 29 to 35 form part of the Report of the Directors.

## Related Party Transactions

The Company's transactions with related parties in the year were with the Directors, and the Manager. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 27.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in Note 20 on page 57.

## Share Capital

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

At 31 October 2017 and 31 October 2018 there were 8,000,858 ordinary shares in issue (of which 69,510 were held in treasury at 31 October 2018; 2017: none held in treasury). No shares were issued during the year.

The Directors seek annual authority from the shareholders to allot new ordinary shares, to disapply pre-emption rights of existing shareholders and to buyback shares for cancellation or to be held in treasury. At the AGM held in March 2018 the Directors were granted authority to buyback 1,199,328 shares (being 14.99% of the issued ordinary share capital as at 15 March 2018). In the period from 1 November 2018 to 24 January 2019, being the latest

practicable date prior to publication of this Annual Report, the Company had bought back 69,510 shares at a total cost of £640,000. These shares are held in treasury. Shares held in treasury do not carry voting rights. As at 24 January 2019, being the latest practicable date prior to publication of this Annual Report, the total voting rights were 7,931,348. There remained 1,129,818 ordinary shares available within the buyback authority granted in 2018. This authority will expire at the conclusion of the 2019 AGM. The Directors intend to renew this authority subject to shareholder approval.

## Fund Managers' Interests

James Henderson has a beneficial interest in 80,950 (2017: 80,950) ordinary shares and a non beneficial interest in 280,229 (2017: 280,229) ordinary shares. Laura Foll has a beneficial interest in 617 ordinary shares.

## Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 31 October 2018 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

Shareholder	% of voting rights
Janus Henderson	7.5%
Investec Wealth & Investment Limited	4.3%
Prudential plc Group of Companies	4.4%

No changes have been notified in the period 1 November 2018 to 24 January 2019 being the latest practicable date prior to publication of this Annual Report.

## Annual General Meeting ('AGM')

The AGM will be held on Thursday 14 March 2019 at 2.30 pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the circular being sent to shareholders with this report.

## Other Information

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

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

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

## Report of the Directors (continued)

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information and to establish that the Company's Auditors are aware of that information.

### Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 October 2018 (2017: same), and has no responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

### Listing Rule 9.8.4

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

By order of the Board

Henderson Secretarial Services Limited  
Corporate Secretary  
25 January 2019

# Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

## Statement Under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors, who are listed on page 15, confirms that, to the best of his or her knowledge:

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

For and on behalf of the Board

Peter Jones  
Chairman  
25 January 2019

The Financial Statements are published on [www.hendersonopportunitiestrust.com](http://www.hendersonopportunitiestrust.com) which is a website maintained by the Manager.

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

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

# Directors' Remuneration Report

## Remuneration Policy

Directors are remunerated in the form of fees, payable quarterly in arrears. The Company's Articles of Association limit the fees payable to the Directors in aggregate to £150,000 per annum. Subject to the overall limit, the Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to promote the long-term success of the Company.

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

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

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

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

## 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 in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies Act 2006 (the 'Act') and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the AGM on 14 March 2019. The Company's remuneration policy has been in place since 1 November 2012 and was approved by shareholders at the AGM on 16 March 2017 in accordance with section 439A of the Act. The policy will remain in place until the AGM in 2020, unless amended by way of an ordinary resolution put to shareholders at a general meeting. No changes to the policy are currently proposed.

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

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

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

The Board as a whole considers the Directors' remuneration. The Board has not appointed a Remuneration Committee to consider such matters. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

## Annual Statement

As Chairman, Peter Jones reports that Directors' fees were increased with effect from 1 April 2018, as detailed on page 28. The increases were made after consideration of the fees paid to directors of investment trusts in the peer group and the Janus Henderson managed investment trusts. The Board continues to believe that fees paid to Directors should be commensurate with the need to attract and retain candidates of a suitable calibre to govern the Company effectively.

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

## Directors' interests in shares (audited)

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

	Ordinary shares of 25p	
	31 October 2018	1 November 2017
Peter Jones	14,000	12,000
Wendy Colquhoun <sup>1</sup>	1,000	n/a
Frances Daley	2,000	2,000
Chris Hills	2,000	2,000
Malcolm King	3,200	3,200
Peter May <sup>2</sup>	n/a	10,540

<sup>1</sup> Appointed 1 September 2018

<sup>2</sup> Retired 15 March 2018

There have been no changes to the Directors' holdings in the period 1 November 2018 to the date of this Annual Report.

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

## Relative Importance of Spend on Pay

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

	2018 £	2017 £	Change £
Total remuneration paid to Directors	102,826	107,550	(4,724)
Ordinary dividend paid during the year	1,640,176	1,560,167	80,009

# Directors' Remuneration Report (continued)

## Directors' Remuneration (audited)

The remuneration paid to the Directors who served during the years ended 31 October 2018 and 31 October 2017 was as follows:

	Year ended 31 October 2018 Total salary and fees £	Year ended 31 October 2017 Total salary and fees £	Year ended 31 October 2018 Expenses and taxable benefits £	Year ended 31 October 2017 Expenses and taxable benefits £	Year ended 31 October 2018 Total £	Year ended 31 October 2017 Total £
Peter Jones <sup>1</sup>	28,783	27,950	–	–	28,783	27,950
Wendy Colquhoun <sup>2</sup>	3,333	n/a	–	n/a	3,333	n/a
Frances Daley <sup>3</sup>	22,471	18,750	–	–	22,471	18,750
Chris Hills	19,583	18,750	–	–	19,583	18,750
Malcolm King	19,583	18,750	–	–	19,583	18,750
Peter May <sup>4</sup>	8,785	23,350	288	–	9,073	23,350
<b>Total</b>	<b>102,538</b>	<b>107,550</b>	<b>288</b>	<b>–</b>	<b>102,826</b>	<b>107,550</b>

### Notes:

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

1 Chairman and highest paid Director

2 Appointed on 1 September 2018

3 Chairman of the Audit Committee from 15 March 2018

4 Retired on 15 March 2018

From 1 April 2018 fees were as follows (previous rates are shown in brackets): Chairman £29,200 (£28,200) per annum, Audit Committee Chairman £24,600 (£23,600) per annum and other Directors £20,000 (£19,000) per annum.

## Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten year period ended 31 October 2018 with the return from the FTSE All-Share Index over the same period.



— Henderson Opportunities Trust plc share price total return, assuming the investment of £1,000 on 31 October 2008 and the reinvestment of all dividends (excluding dealing expenses) (source: Morningstar for the AIC)

— FTSE All-Share Index total return, assuming the notional investment of £1,000 on 31 October 2008 and the reinvestment of all income (excluding dealing expenses) (source: Morningstar for the AIC)

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

At the 2018 AGM 1,625,013 votes (99.2%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 13,281 (0.8%) were against, none were discretionary and 11,801 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the Remuneration Policy, last voted on at the 2017 AGM, 2,147,022 votes (99.4%) were received voting for the resolution, 11,535 (0.5%) were against, 2,206 (0.1%) were discretionary and 5,130 were withheld; the percentage of votes excludes votes withheld.

For and on behalf of the Board

Peter Jones  
Chairman  
25 January 2019

# Corporate Governance Statement

## Applicable Corporate Governance Codes

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

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

The Board has noted that the FRC issued a revised code in July 2018 (the '2018 UK Code') which the Company will be required to report against for the financial year ending 31 October 2020.

## Statement of Compliance

The Board has considered the principles and recommendations of the UK Code, the AIC Code and the AIC Guide and believes the Company has complied with the applicable provisions throughout the period under review and up to the date of this report except as set out below.

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

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

## Directors

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

## Terms of appointment

### Directors' appointment and retirement

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

Wendy Colquhoun will stand for appointment at the AGM in March 2019, following her appointment to the Board on 1 September 2018.

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

The Company's Articles of Association and also the AIC Code require all Directors to retire at intervals of not more than three years. The Directors offering themselves for re-appointment at this year's AGM are Frances Daley and Chris Hills.

The contribution and performance of each of the Directors seeking re-appointment was reviewed by the Nominations Committee at its meeting in December 2018, which recommended to the Board their continuing appointment.

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

### Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in December 2018, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Manager. The Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company are positive factors and should not impact a Director's independence. It believes that longer serving Directors are less likely to take a short-term view, which is supported by the AIC Code. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

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

### Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by the Manager at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are

# Corporate Governance Statement (continued)

advised to the Board as they arise. Directors are also able to attend external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered as part of the annual performance evaluation.

## Directors' insurance and indemnification

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

## Directors' Conflicts of Interest

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

## The Board

### Board composition

The Board currently consists of five non-executive Directors and the biographies of those holding office at the date of this report are included on page 15. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year with the exception of Wendy Colquhoun who was appointed to the Board on 1 September 2018. All Directors are resident in the UK.

## Responsibilities of the Board and its Committees

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

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

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

The Board has a formal schedule of matters specifically reserved for its decision, which include strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, Board membership and other appointments, delegation of authority, remuneration, corporate governance, policies and shareholders.

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 October 2018, 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.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's net asset value ('NAV'), share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

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

## Committees of the Board

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

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the Remuneration Policy set out on page 27, which is subject to periodic shareholder approval.

# Corporate Governance Statement (continued)

## Audit Committee

The Audit Committee comprises all of the Directors, with the exception of the Chairman of the Board, and is chaired by Frances Daley, who is a Chartered Accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. All members of the Audit Committee are independent. The Report of the Audit Committee can be found on pages 34 and 35.

## Management Engagement Committee

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

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

The Management Engagement Committee met in September 2018 to carry out its annual review of the Manager, the results of which are detailed on page 33.

## Nominations Committee

All Directors are members of the Nominations Committee, which is chaired by the Chairman of the Board (except when the Chairman's performance or successor is being considered). The Nominations Committee is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees and the recommendation to the Board on the appointment of new Directors through an established formal procedure.

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

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to gender diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when the requirement to recruit an additional Board member becomes necessary and did

so with the recruitment of Wendy Colquhoun, in respect of which Stephenson Executive Search Limited, who have not provided any other services to the Company, were engaged.

The Nominations Committee also reviews and recommends to the Board the Directors seeking re-appointment. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Nominations Committee also takes into account the mix of skills and experience of the current Board members. In accordance with the UK Code any Director serving for longer than six years is subject to particularly rigorous assessment of his or her contribution.

The Nominations Committee met in December 2018 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed below.

## Insider Committee

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

## Board attendance

The table below sets out the number of scheduled Board and Committee meetings held during the year under review and the number of meetings attended by each Director. With the exception of Wendy Colquhoun, who joined the Board in September 2018, all Directors attended the AGM in March 2018.

The Directors and Committees of the Board also met during the year to undertake business such as the approval of the Company's results and dividends, the approval of a new loan facility, the appointment of Wendy Colquhoun and for investment updates. There was also a separate audit tender meeting that was attended by Peter May, Frances Daley and Max King.

	Board	AC	MEC	NC
<b>Number of meetings</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>1</b>
Peter Jones	5/5	3/3	1/1	1/1
Wendy Colquhoun <sup>1</sup>	1/1	1/1	1/1	1/1
Frances Daley	5/5	3/3	1/1	1/1
Chris Hills	5/5	3/3	1/1	1/1
Malcolm King	5/5	3/3	1/1	1/1
Peter May <sup>2</sup>	3/3	2/2	n/a	/n/a

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee

<sup>1</sup> Appointed 1 September 2018

<sup>2</sup> Retired 15 March 2018

## Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Nominations Committee has conducted a review of the Board's performance, together with that

# Corporate Governance Statement (continued)

of its Committees, the Chairman and each individual Director. The Nominations Committee met without the Chairman present to discuss the performance of the Chairman. The evaluation of the Board, its Committees and each individual Director was conducted by way of an evaluation questionnaire. The results of the questionnaire were collated and discussed by the Board.

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

## Internal controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The system was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

The key components of the internal control framework include:

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

The Board noted the service auditors' qualification in respect of the assurance reports of Janus Henderson during the reporting period. As reported last year, the Audit Committee sought additional clarification in respect of the exceptions which resulted in the qualifications and was satisfied that the matter has been considered in sufficient detail. In particular remedial action has been undertaken by Janus Henderson to address the exceptions identified within the assurance reports.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 October 2018. During the course of its review the Board has not identified or been advised of any other failings or weaknesses that have been determined as significant.

## Internal Audit Function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's management functions are delegated to third parties and the Board monitors the controls in place with support from the Manager's internal audit department. As such the Board has determined that there is currently no need for the Company to have its own internal audit function.

## Accountability and relationship with the Manager

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 26, the Independent Auditors' Report on pages 36 to 40 and the Viability Statement on page 20.

The Board has delegated contractually to external third parties, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the Depositary as explained on page 21), the day-to-day accounting and cash management, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is invited to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Janus Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable

# Corporate Governance Statement (continued)

rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and the Manager operate in a supportive, co-operative and open environment.

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

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

## Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are contained on page 6.

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

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

## Share Capital

Please see the Report of the Directors on page 24.

## Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website. Janus Henderson also provides information on the Company and Fund Manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 16.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Audit Committee Chairman and all other Directors at the meeting and the Fund Managers will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Chairman via the Corporate Secretary at the registered office address given on page 16 of this report.

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

By order of the Board

For and on behalf of  
Henderson Secretarial Services Limited  
Corporate Secretary  
25 January 2019

# Report of the Audit Committee

## Composition

The Audit Committee comprises all of the Directors, with the exception of the Chairman of the Board, and is chaired by Frances Daley, who is a Chartered Accountant. Peter May was Chairman of the Audit Committee until his retirement on 15 March 2018. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit Committee's members has recent and relevant financial experience. The biographies of the Audit Committee members are shown on page 15. All members of the Audit Committee are independent. The Chairman of the Board was a member of the Audit Committee during the year under review. In line with the recommendations set out in the 2018 UK Code, with effect from 1 January 2019, the Chairman of the Board is no longer a member of the Committee. The Chairman of the Board will attend meetings at the invitation of the Audit Committee Chairman.

## Meetings

The Audit Committee met three times during the year under review; in advance of the publication of both the annual and the half year results and one other occasion with an agenda that was focused on its broader responsibilities. Peter May, Frances Daley and Max King received audit tender presentations at a separate meeting in November 2017 before recommending the appointment of BDO LLP to the Board for approval. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Manager and BNP Paribas Securities Services may also be invited.

## Role and Responsibilities

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

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

- consideration of the appropriateness of the Company's accounting policies;
- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's Auditors, the Manager and the Corporate Secretary;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Janus Henderson;
- consideration of the valuation of the Company's unquoted and nil value investments for recommendation to the Board;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Janus Henderson, BNP Paribas Securities Services as administrator and HSBC Bank plc as Depository and Custodian;
- consideration of Janus Henderson's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's Anti-Bribery Policy;
- consideration of the nature and scope of the external audit and the findings therefrom;
- annual consideration of whether there is a need for an internal audit function;
- consideration of the appointment of the Auditors and their performance, remuneration and tenure of appointment;
- consideration of the audit plan, including the principal areas of focus;
- consideration of the Auditors' independence, objectivity and effectiveness and the provision of any non-audit services (as explained further on page 35) and the reporting of the external auditor;
- consideration of the whistleblowing policy that Janus Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action;
- consideration of the management fee and performance fee calculations; and
- consideration of the annual confirmation from the Company's Depository.

# Report of the Audit Committee (continued)

## Annual Report for the Year Ended 31 October 2018

In relation to the Annual Report for the year ended 31 October 2018 the following significant issues were considered by the Audit Committee:

Significant issue	How the issue was addressed
<b>Valuation and ownership of the Company's investments</b>	The Directors have appointed Janus Henderson, who outsource some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments are verified by reconciliation to the Custodian's records and the Directors have received quarterly reports and an annual confirmation from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.
<b>Recognition of income</b>	Income received is accounted for in line with the Company's accounting policies, as set out on page 46, and is reviewed by the Committee.
<b>Compliance with Section 1158 of the Corporation Tax Act 2010</b>	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.
<b>Maintaining internal controls</b>	The Committee receives regular reports on internal controls from Janus Henderson and its delegates and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit.
<b>Performance fee</b>	The calculation of the performance fee payable to Janus Henderson is reviewed by the Audit Committee before being approved by the Board. No performance fee is payable in respect of the financial year ended 31 October 2018.
<b>Resource risk</b>	The Company has no employees and its day-to-day activities are delegated to third parties. The Board monitors the performance of third party suppliers on an ongoing basis.

## Policy on Non-Audit Services

In January 2017 the Audit Committee adopted a new policy on the provision of non-audit services, in accordance with the Financial Reporting Council's ('FRC') Guidance on Audit Committees and the FRC's Revised Ethical Standards 2016. The Audit Committee has determined that the statutory auditors will not be engaged to provide any non-audit services without the approval of the Audit Committee. The statutory auditors are not pre-approved to provide any non-audit services. The Audit Committee may approve the provision of non-audit services if they consider such services to be:

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

The Audit Committee will refer to the Board any engagement with a cost or potential cost greater than £10,000. All engagements for non-audit services will be determined on a case-by-case basis.

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

## Auditors' Appointment

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

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

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

Following conclusion of the audit tender process, the Audit Committee recommended to the Board the appointment of BDO LLP as the auditors. The Board agreed to the recommendation. The appointment of BDO LLP was put to the shareholders at the 2018 AGM and the shareholders approved the appointment of BDO LLP for the financial year ended 31 October 2018. The auditors are required to rotate partners every five years and this is the first year that the current partner has been in place.

Fees paid or payable to the Auditors are detailed in Note 6 on page 49.

Frances Daley  
Audit Committee Chairman  
25 January 2019

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

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## Opinion

We have audited the financial statements of Henderson Opportunities Trust plc (the 'Company') for the year ended 31 October 2018 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2018 and of its loss for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

## Basis for opinion

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

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## Conclusions relating to principal risks, going concern and viability statement

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

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

Key audit matter	How we addressed the key audit matter in the audit
<p><b>Valuation and ownership of investments</b> (Note 1(d) page 45 and Note 11 on page 51):</p> <p>Investments represent the most significant balance in the financial statements, there is a potential risk that the Company has not appropriate confirmation of title over investments.</p> <p>The Manager is responsible for preparing the valuation of investments which are reviewed and approved by the Board. Notwithstanding this review, there is a potential risk of misstatement in the investment valuations due to errors in the calculations.</p>	<p>We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures:</p> <p>In respect of quoted investment valuations (over 99% of the total portfolio by value) we have:</p> <ul style="list-style-type: none"> <li>Confirmed the year-end bid price was used by agreeing to externally quoted prices.</li> <li>For a sample of investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value.</li> <li>Obtained direct confirmation from the custodian regarding all of investments held at the balance sheet date.</li> </ul> <p>In respect of unquoted investment valuations (less than 1% of the total portfolio) we have:</p> <ul style="list-style-type: none"> <li>Obtained direct confirmation from the custodian at the balance sheet date.</li> <li>Confirmed the assumptions and underlying evidence supporting the year end valuations are in line with UK GAAP and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines.</li> <li>Considered the economic environment in which the Company operates to identify factors that could impact the investment valuation.</li> </ul>

## Our application of materiality

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
<b>Financial statement materiality (1% of net assets)</b>	<ul style="list-style-type: none"> <li>Assessing whether the financial statements as a whole present a true and fair view.</li> </ul>	<ul style="list-style-type: none"> <li>The value of net investments.</li> <li>The level of judgement inherent in the valuation.</li> <li>The range of reasonable alternative valuations.</li> </ul>	£940,000
<b>Performance materiality</b>	<ul style="list-style-type: none"> <li>Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Financial statement materiality.</li> <li>Risk and control environment.</li> </ul>	£660,000

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

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

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## An overview of the scope of our audit

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA Listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Companies and Venture Capital Trusts (the 'SORP') issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

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

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

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

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## Other information

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 26** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 34 and 35** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 29** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

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## 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the strategic report and the Report of the Directors have been prepared in accordance with applicable legal requirements.
- 

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 26, 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.

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## 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.

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

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## Other matters which we are required to address

Following the recommendation of the audit committee, we were first appointed by the Company on 15 March 2018 to audit the financial statements for the year ending 31 October 2018 and subsequent financial periods.

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

Our audit opinion is consistent with the additional report to the audit committee.

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

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## Use of our report

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

Peter Smith (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom  
25 January 2019

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

# Income Statement

Notes		Year ended 31 October 2018			Year ended 31 October 2017		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(6,669)	(6,669)	–	23,029	23,029
3	Income from investments held at fair value through profit or loss	2,097	–	2,097	2,246	–	2,246
4	Other interest receivable and other income	74	–	74	14	–	14
	<b>Gross revenue and capital (losses)/gains</b>	<b>2,171</b>	<b>(6,669)</b>	<b>(4,498)</b>	<b>2,260</b>	<b>23,029</b>	<b>25,289</b>
5	Management and performance fee	(165)	(386)	(551)	(148)	(1,257)	(1,405)
6	Other administrative expenses	(319)	–	(319)	(302)	–	(302)
	<b>Net return/(loss) before finance costs and taxation</b>	<b>1,687</b>	<b>(7,055)</b>	<b>(5,368)</b>	<b>1,810</b>	<b>21,772</b>	<b>23,582</b>
7	Finance costs	(69)	(160)	(229)	(60)	(140)	(200)
	<b>Net return/(loss) before taxation</b>	<b>1,618</b>	<b>(7,215)</b>	<b>(5,597)</b>	<b>1,750</b>	<b>21,632</b>	<b>23,382</b>
8	Taxation	(2)	–	(2)	(5)	–	(5)
	<b>Net return/(loss) after taxation</b>	<b>1,616</b>	<b>(7,215)</b>	<b>(5,599)</b>	<b>1,745</b>	<b>21,632</b>	<b>23,377</b>
9	Net return/(loss) per ordinary share – basic and diluted	20.20p	(90.18p)	(69.98p)	21.81p	270.37p	292.18p

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

## Statement of Changes in Equity

Notes	Year ended 31 October 2018	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
	At 1 November 2017	2,000	14,838	2,431	79,549	2,781	101,599
10	Ordinary dividends paid	–	–	–	–	(1,640)	(1,640)
	Net (loss)/return after taxation	–	–	–	(7,215)	1,616	(5,599)
	<b>At 31 October 2018</b>	<b>2,000</b>	<b>14,838</b>	<b>2,431</b>	<b>72,334</b>	<b>2,757</b>	<b>94,360</b>

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

# Statement of Financial Position

Notes		31 October 2018 £'000	31 October 2017 £'000
	<b>Fixed assets</b>		
11	<b>Investments held at fair value through profit or loss</b>		
	Listed at market value	35,971	54,693
	Quoted on AIM at market value	65,319	61,119
	Unlisted at market value	400	400
		<b>101,690</b>	<b>116,212</b>
	<b>Current assets</b>		
12	Investment held at fair value through profit or loss	2	2
13	Debtors	147	1,089
	Cash at bank and in hand	707	1,123
		<b>856</b>	<b>2,214</b>
14	<b>Creditors: amounts falling due within one year</b>	(8,186)	(16,827)
	<b>Net current liabilities</b>	<b>(7,330)</b>	<b>(14,613)</b>
	<b>Total assets less current liabilities</b>	<b>94,360</b>	<b>101,599</b>
	<b>Net assets</b>	<b>94,360</b>	<b>101,599</b>
	<b>Capital and reserves</b>		
16	Called up share capital	2,000	2,000
	Share premium account	14,838	14,838
17	Capital redemption reserve	2,431	2,431
17	Other capital reserves	72,334	79,549
	Revenue reserve	2,757	2,781
	<b>Total shareholders' funds</b>	<b>94,360</b>	<b>101,599</b>
18	<b>Net asset value per ordinary share (basic and diluted)</b>	<b>1,179.4p</b>	<b>1,269.9p</b>

These financial statements on pages 41 to 57 were approved and authorised for issue by the Board of Directors on 25 January 2019 and were signed on their behalf by:

Peter Jones  
Chairman

# Statement of Cash Flows

	Year ended 31 October 2018 £'000	Year ended 31 October 2017 £'000
<b>Cash flows from operating activities</b>		
Net (loss)/return before taxation	(5,597)	23,382
Add: finance costs	229	200
Add: losses/(gains) on investments held at fair value through profit or loss	6,669	(23,029)
Withholding tax on dividends deducted at source	(1)	(11)
Decrease/(increase) in other debtors	62	(14)
(Decrease)/increase in creditors	(899)	885
<b>Net cash inflow from operating activities</b>	<b>463</b>	<b>1,413</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(30,932)	(15,650)
Sale of investments	39,550	13,702
<b>Net cash inflow/(outflow) from investing activities</b>	<b>8,618</b>	<b>(1,948)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(1,640)	(1,560)
Net loans (repaid)/drawn down	(7,624)	2,814
Interest paid	(233)	(201)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(9,497)</b>	<b>1,053</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(416)</b>	<b>518</b>
Cash and cash equivalents at start of year	1,123	605
<b>Cash and cash equivalents at end of year</b>	<b>707</b>	<b>1,123</b>
Comprising:		
Cash at bank	707	1,123
	<b>707</b>	<b>1,123</b>

# Notes to the Financial Statements

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## 1 Accounting policies

### a) Basis of accounting

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 16.

The Financial Statements have been prepared in accordance with the Companies Act 2006, FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (the 'SORP') issued in November 2014 and updated in February 2018 with consequential amendments.

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

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

### b) Going concern

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

### c) Significant judgements and areas of estimation uncertainty

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

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

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

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

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'gains or losses on investments held at fair value through profit or loss'. 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. All purchases and sales are accounted for on a trade date basis.

### e) Foreign currency

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

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

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

# Notes to the Financial Statements (continued)

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## 1 Accounting policies (continued)

### f) Income

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

Bank interest and stock lending revenue are accounted for on an accruals basis.

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

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

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

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

The management fee is calculated quarterly in arrears, as 0.55% per annum of the net assets. A performance fee of £nil was accrued in the period (2017: £913,000). Performance fees payable are allocated 100% to the capital return.

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

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

### h) Taxation

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

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

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

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

# Notes to the Financial Statements (continued)

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## 1 Accounting policies (continued)

### i) Bank borrowings

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

### j) Cash and liquid resources

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

### k) Dividends payable to shareholders

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

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

The proceeds from the issue of new ordinary shares (including those relating to the sale of shares out of treasury), and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury) are taken directly to equity. Issue costs incurred in respect of new ordinary shares are offset against the proceeds received and dealt with in the share premium account. Issue costs incurred in respect of shares sold out of treasury are offset against proceeds received and dealt with in the share premium account. Share issue and repurchase transactions are accounted for on a trade date basis. There were no issues or repurchases in the year under review.

### m) Capital reserves

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

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

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

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

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

#### **Capital reserve arising on investments sold**

The following are accounted for in this reserve:

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

#### **Capital reserve arising on revaluation of investments held**

The following are accounted for in this reserve:

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

### n) Distributions

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

## Notes to the Financial Statements (continued)

### 2 (Losses)/gains on investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Gains on the sale of investments based on historical cost	11,464	5,321
Revaluation gains recognised in previous years	(11,325)	(1,665)
<b>Gains on investments sold in the year based on carrying value at previous Statement of Financial Position date</b>	<b>139</b>	<b>3,656</b>
Revaluation (losses)/gains on investments held at 31 October	(6,808)	19,373
	<b>(6,669)</b>	<b>23,029</b>

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

	2018 £'000	2017 £'000
UK:		
Dividends from listed investments	1,176	1,284
Dividends from AIM investments	719	713
	<b>1,895</b>	<b>1,997</b>
Non-UK:		
Dividends from listed investments	202	249
	<b>2,097</b>	<b>2,246</b>

### 4 Other interest receivable and other income

	2018 £'000	2017 £'000
Deposit interest	3	–
Stock lending commission	49	–
Underwriting commission (allocated to revenue)	22	14
	<b>74</b>	<b>14</b>

At 31 October 2018, the total value of securities on loan by the Company for stock lending purposes was £11,683,000 (2017: £nil). The maximum aggregate value of securities on loan at any one time during the year ended 31 October 2018 was £13,465,000 (2017: £nil). The Company's agent holds collateral at 31 October 2018, with a value of £14,079,000 (2017: £nil) in respect of securities on loan, the value of which is reviewed on a daily basis and comprises CREST Delivery By Value ('DBVs') and Government Bonds with a market value of 121% (2017: nil) of the market value of any securities on loan.

During the year the Company was not required to take up shares in respect of underwriting commission; no commission was taken to capital (2017: same).

### 5 Management and performance fee

	2018			2017		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	165	386	551	148	344	492
Performance fee	–	–	–	–	913	913
	<b>165</b>	<b>386</b>	<b>551</b>	<b>148</b>	<b>1,257</b>	<b>1,405</b>

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

# Notes to the Financial Statements (continued)

## 6 Other administrative expenses

	2018 £'000	2017 £'000
Auditors' remuneration for audit services	21	25
Directors' fees (see the Directors' Remuneration Report on pages 27 and 28)	103	108
Directors' and officers' liability insurance	5	6
Listing and regulatory fees	15	15
Custody fees	8	7
Depositary fees	10	9
Printing and postage	12	13
Registrar's fees	12	8
Marketing expenses payable to Janus Henderson	34	52
Bank facilities: arrangement and non-utilisation fees	40	14
Other expenses	35	22
Irrecoverable VAT	24	23
	<b>319</b>	<b>302</b>

All transactions with Directors are disclosed in the Directors' Remuneration Report and are related party transactions. Auditors' remuneration for 2017 was paid to the Company's previous auditor, PricewaterhouseCoopers LLP.

## 7 Finance costs

	2018			2017		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
On bank loans and overdrafts	69	160	229	60	140	200

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

## 8 Taxation

Approved investment trusts are exempt from tax on capital gains.

The tax assessed for the year is the same as (2017: lower) the applicable rate of corporation tax in the UK for the year ended 31 October 2018 of 19.00% (2017: 19.42%).

The tax charge for the year ended 31 October 2018 is £2,000 (2017: £5,000).

The differences are explained below:

	2018			2017		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
<b>Net return/(loss) before taxation</b>	<b>1,618</b>	<b>(7,215)</b>	<b>(5,597)</b>	<b>1,750</b>	<b>21,632</b>	<b>23,382</b>
Corporation tax at 19.00% (2017: 19.42%)	307	(1,371)	(1,064)	340	4,201	4,541
Non-taxable UK dividends	(360)	–	(360)	(387)	–	(387)
Non-taxable overseas dividends	(25)	–	(25)	(40)	–	(40)
Excess management expenses	78	104	182	87	271	358
Irrecoverable overseas withholding tax	2	–	2	5	–	5
Capital losses/(gains) not subject to tax	–	1,267	1,267	–	(4,472)	(4,472)
<b>Total tax charge</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>5</b>	<b>–</b>	<b>5</b>

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status. The Company has not recognised a deferred tax asset totalling £3,500,000 (2017: £3,337,000) based on a prospective corporation tax rate of 17.00% (2017: 17.00%).

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

## Notes to the Financial Statements (continued)

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

The total loss per ordinary share is based on the total loss attributable to the ordinary shares of £5,599,000 (2017: total return of £23,377,000) and on 8,000,858 ordinary shares (2017: 8,000,858) being the weighted average number of shares in issue during the year.

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

	2018 £'000	2017 £'000
Revenue return	1,616	1,745
Capital (loss)/return	(7,215)	21,632
<b>Total (loss)/return</b>	<b>(5,599)</b>	<b>23,377</b>
<b>Weighted average number of ordinary shares</b>	<b>8,000,858</b>	<b>8,000,858</b>
	2018	2017
Revenue return per ordinary share	20.20p	21.81p
Capital (loss)/return per ordinary share	(90.18p)	270.37p
<b>Total (loss)/return per ordinary share (basic and diluted)</b>	<b>(69.98p)</b>	<b>292.18p</b>

### 10 Ordinary dividends paid

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 October 2017 of 14.0p (2016: 13.5p)	1,120	1,080
Interim dividend for the year ended 31 October 2018 of 6.5p (2017: 6.0p)	520	480
	<b>1,640</b>	<b>1,560</b>

The final dividend of 14.0p per ordinary share in respect of the year ended 31 October 2017 was paid on 23 March 2018 to shareholders on the register of members at the close of business on 16 February 2018.

The interim dividend of 6.5p per ordinary share in respect of the year ended 31 October 2018 was paid on 21 September 2018 to shareholders on the register of members at the close of business on 17 August 2018.

Subject to approval at the Annual General Meeting, the proposed final dividend of 14.5p per ordinary share will be paid on 22 March 2019 to shareholders on the register of members at the close of business on 15 February 2019. The shares will be quoted ex-dividend on 14 February 2019.

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

	Year ended 31 October 2018 £'000	Year ended 31 October 2017 £'000
Revenue available for distribution by way of dividends for the year	1,616	1,745
Interim dividend for the year ended 31 October 2018: 6.5p (2017: 6.0p)	(520)	(480)
Proposed final dividend for the year ended 31 October 2018: 14.5p (based on the 7,931,348 ordinary shares in issue at 25 January 2019) (2017: 14.0p on 8,000,858 ordinary shares)	(1,150)	(1,120)
<b>Transferred (from)/to revenue reserve<sup>1</sup></b>	<b>(54)</b>	<b>145</b>

<sup>1</sup> There is no undistributed revenue in the current year (2017: 6.5%)

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

## Notes to the Financial Statements (continued)

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

	2018 £'000	2017 £'000
Valuation at 1 November	116,212	91,077
Investment holding gains at 1 November	(36,933)	(19,231)
<b>Cost at 1 November</b>	<b>79,279</b>	<b>71,846</b>
Purchases at cost	30,819	16,681
Sales at cost	(27,207)	(9,248)
<b>Cost at 31 October</b>	<b>82,891</b>	<b>79,279</b>
Investment holding gains at 31 October	18,799	36,933
<b>Valuation of investments at 31 October</b>	<b>101,690</b>	<b>116,212</b>

All the investments were equity investments, with the exception of Kenmare Resources warrants with a value of £nil (2017: Kenmare Resources warrants £nil).

Total transaction costs amounted to £58,000 (2017: £30,000) of which purchase transaction costs for the year ended 31 October 2018 were £40,000 (2017: £21,000). These comprise mainly stamp duty and commissions. Sale transaction costs for the year ended 31 October 2018 were £18,000 (2017: £9,000). These comprise mainly commissions.

#### Substantial interests in investments

As at 31 October 2018 the Company held an interest in 3% or more of any class of share capital in Be Heard, Deltex Medical, Itaconix and Ubisense (2017: Be Heard and Ubisense). These investments are not considered material in the context of these financial statements for either year.

### 12 Current asset investment

The Company has a holding in Deutsche Global Managed Platinum Income Fund, a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short term deposit. At 31 October 2018 this holding had a value of £2,000 (2017: £2,000).

### 13 Debtors

	2018 £'000	2017 £'000
Sales for future settlement	–	879
Prepayments and accrued income	141	203
Tax recoverable	6	7
	<b>147</b>	<b>1,089</b>

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

	2018 £'000	2017 £'000
Unsecured sterling loans (see Note 15.6)	7,001	14,625
Purchases for future settlement	918	1,031
Loan interest payable	10	15
Other creditors	257	1,156
	<b>8,186</b>	<b>16,827</b>

# Notes to the Financial Statements (continued)

## 15 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 6. In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

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

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

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

### 15.1 Market risk

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

#### 15.1.1 Market price risk

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

The Company's exposure to market price risk at 31 October 2018 and at 31 October 2017, is represented by the investments it holds, as shown on the Statement of Financial Position on page 43 under the heading 'Investments held at fair value through profit or loss'.

#### **Management of the risk**

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

#### **Concentration of exposure to market price risk**

An analysis of the Company's investment portfolio is shown on pages 13 and 14. This shows that the value of the investments is primarily in companies that are listed in the UK. Accordingly, there is a concentration of exposure to market price risk in the UK, although it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

#### **Market price risk sensitivity**

The table overleaf illustrates the sensitivity of the total return after taxation for the year and the net assets to an increase or decrease of 20% (2017: 40%) in the fair values of the Company's investments. This level of change was reviewed during the current year and the level of 20% is considered to be reasonable based on recent market conditions.

# Notes to the Financial Statements (continued)

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

### 15.1.1 Market price risk (continued)

#### Sensitivity analysis

	2018		2017	
	If prices go up 20% £'000	If prices go down 20% £'000	If prices go up 40% £'000	If prices go down 40% £'000
Investments (excluding investments in money market funds)	101,690	101,690	116,212	116,212
Impact on the income statement:				
Revenue return	(34)	34	(77)	77
Capital return	20,260	(20,260)	46,306	(46,306)
<b>Impact on net assets and total return</b>	<b>20,226</b>	<b>(20,226)</b>	<b>46,229</b>	<b>(46,229)</b>

### 15.1.2 Currency risk

A small proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items. The Company had £nil cash at bank at 31 October 2018 (2017: £nil) denominated in foreign currency.

#### Management of the risk

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

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

#### Foreign currency exposure and sensitivity

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

### 15.1.3 Interest rate risk

Interest rate movements may affect:

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

#### Management of the risk

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

#### Interest rate exposure

The Company's exposure at 31 October 2018 and at 31 October 2017 of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates - when the interest rate is due to be reset.

	2018 Within one year £'000	2017 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	707	1,123
Money market funds	2	2
Creditors – within one year:		
Borrowings under loan facility	(7,001)	(14,625)
<b>Total exposure to interest rates</b>	<b>(6,292)</b>	<b>(13,500)</b>

# Notes to the Financial Statements (continued)

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

### 15.1.3 Interest rate risk (continued)

Interest receivable and finance costs are at the following rates:

- interest received on cash balances and money market funds, or paid on bank overdrafts, is at a margin linked to LIBOR (2017: same); and
- interest paid on borrowings under the loan facility is at a margin over LIBOR for the type of loan. The weighted average interest rate of these is 1.4% as at 31 October 2018 (2017: 1.4%).

#### Interest rate risk sensitivity

The Company is exposed to interest rate risk primarily through its loan facility with The Royal Bank of Scotland International Limited and money market funds balances. The sensitivity is as follows: borrowings vary throughout the year as a result of the Board's borrowing policy. Net borrowings at the year end were £6,292,000 (2017: £13,500,000) and if that level of borrowings was maintained for a full year, then a 200 basis points change in LIBOR (up or down) would decrease or increase total net return after taxation and shareholders' funds by £126,000 (2017: £270,000).

### 15.2 Liquidity risk

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

#### Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable. The Company had unsecured Sterling loan facilities totalling £20,000,000 (2017: £20,000,000) and an overdraft facility with the Custodian, the extent of which is determined by the Custodian on a regular basis by the value of the securities held by it on behalf of the Company. The facilities are subject to regular review.

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

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

	2018		2017	
	Due within one month £'000	Due between one and three months £'000	Due within one month £'000	Due between one and three months £'000
Bank overdraft, loans and interest	4,006	3,005	7,625	7,015
Other creditors	1,175	–	2,187	–
	<b>5,181</b>	<b>3,005</b>	<b>9,812</b>	<b>7,015</b>

### 15.3 Credit and counterparty risk

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

#### Management of the risk

The risk is managed as follows:

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

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

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

In summary, the exposure to credit risk at 31 October 2018 was to cash at bank and money market funds of £709,000 (2017: £1,125,000) and to debtors of £147,000 (2017: £1,089,000) (see Note 13).

## Notes to the Financial Statements (continued)

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

#### 15.4 Fair values of financial assets and financial liabilities

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

#### 15.5 Fair value hierarchy disclosures

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

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

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

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

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

Fair value hierarchy at 31 October 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	101,290	–	400	101,690
Current asset investments	2	–	–	2
	<b>101,292</b>	<b>–</b>	<b>400</b>	<b>101,692</b>

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

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

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

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

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

	2018 £'000	2017 £'000
Opening balance at 1 November	400	333
Revaluation	–	67
<b>Closing balance at 31 October</b>	<b>400</b>	<b>400</b>

The investment valuation of the Company's holding in Oxford Sciences Innovation has been reviewed and there are no changes to the valuation.

#### 15.6 Capital management policies and procedures

The Company's capital management objectives are:

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

The Company's capital at 31 October 2018 comprised its equity share capital, reserves and loans (as shown in Note 14) that are included in the Statement of Financial Position at a total of £101,361,000 (2017: £116,224,000).

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

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

## Notes to the Financial Statements (continued)

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

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

The Company is subject to externally imposed capital requirements:

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

The Company has complied with these requirements.

In September 2018 the Company negotiated a revolving credit facility of £20 million (the 'Facility') with The Royal Bank of Scotland International Limited which replaced the previous £20 million facility with National Australia Bank.

### 16 Called up share capital

	2018 £'000	2017 £'000
Allotted and issued ordinary share of 25p each 8,000,858 (2017: 8,000,858)	2,000	2,000

During the year the Company made no purchase of its own issued ordinary shares (2017: none). Subsequent to the year end 69,510 ordinary shares were bought back to be held in treasury at a cost of £640,000.

### 17 Capital redemption reserve and other capital reserves

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Other capital reserves total £'000
At 1 November 2017	2,431	42,610	36,939	79,549
Transfer on disposal of investments	–	11,325	(11,325)	–
Net gains/(losses) on investments	–	139	(6,808)	(6,669)
Expenses and finance costs allocated to capital	–	(546)	–	(546)
<b>At 31 October 2018</b>	<b>2,431</b>	<b>53,528</b>	<b>18,806</b>	<b>72,334</b>

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Other capital reserves total £'000
At 1 November 2016	2,431	38,686	19,231	57,917
Transfer on disposal of investments	–	1,665	(1,665)	–
Net gains on investments	–	3,656	19,373	23,029
Expenses and finance costs allocated to capital	–	(1,397)	–	(1,397)
<b>At 31 October 2017</b>	<b>2,431</b>	<b>42,610</b>	<b>36,939</b>	<b>79,549</b>

The capital reserve arising on revaluation of investments held includes £1,588,000 of unrealised losses on nil valued investments (2017: £736,000). Any distributions from the capital reserve arising on investments sold would be restricted by this amount.

## Notes to the Financial Statements (continued)

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

The net asset value per ordinary share at the year end was 1,179.4p (2017: 1,269.9p). The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £94,360,000 (2017: £101,599,000) and on the 8,000,858 ordinary shares in issue at 31 October 2018 (2017: 8,000,858). There are no dilutive securities so the basic and diluted net asset value per ordinary share are the same.

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

	2018 £'000	2017 £'000
Total net assets at 1 November	101,599	79,782
Total net (loss)/return	(5,599)	23,377
Dividends paid in the year	(1,640)	(1,560)
<b>Total net assets at 31 October</b>	<b>94,360</b>	<b>101,599</b>

### 19 Capital commitments and contingent commitments

#### Capital commitments

There were no capital commitments at 31 October 2018 (2017: nil).

#### Contingent commitments

As at 31 October 2018 there were no commitments in respect of sub-underwriting (2017: nil).

### 20 Transactions with Janus Henderson

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

Details of the fee arrangements with Janus Henderson for these services are given on page 6 in the Business Model section in the Strategic Report. The fees payable under these arrangements are shown in Note 5 on page 48. The other fees payable to Janus Henderson are shown in Note 6 on page 49.

The management fees payable to Janus Henderson under this agreement in respect of the year ended 31 October 2018 were £551,000 (2017: £492,000) of which £187,000 was outstanding at 31 October 2018 (2017: £176,000). A performance fee of £nil is payable to Janus Henderson in respect of the year ended 31 October 2018 (2017: £913,000).

In addition to the above services, Janus Henderson has provided the Company with sales and marketing services. The total fees payable for these services for the year ended 31 October 2018 were £34,000 excluding VAT (2017: £52,000), of which £10,000 was outstanding at 31 October 2018 (2017: £10,000).

# Securities Financing Transactions (unaudited)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015-2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 31 October 2018 are detailed below.

## Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's assets under management as at 31 October 2018 are disclosed below:

Stock lending 2018		
Market value of securities on loan £'000	% of lendable assets	% of assets under management
11,683	11.49	12.38

## Concentration Data

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

Issuer	2018 Market value of collateral received £'000
Government of Japan	6,434
Shire Limited	612
Lonza Group	506
BHP Billiton	505
British American Tobacco	505
Siemens	446
Total	445
China Mobile	301
UK Treasury	290
Cochlear	250
	<b>10,294</b>

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

Counterparty	2018 Market value of securities on loan £'000
Merrill Lynch International	4,766
UBS	2,838
Barclays	1,749
Bank of Nova Scotia	1,107
Macquarie Bank Ltd	858
HSBC	276
Citigroup	71
BNP Paribas	18
	<b>11,683</b>

All counterparties have been included.

# Securities Financing Transactions (unaudited)

(continued)

## Aggregate Transaction Data

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

Stock lending 2018							
Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
Merrill Lynch International	United Kingdom	Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,937
		Equity	Main Market Listing	GBP	Tri-party	HSBC	1,516
		Equity	Main Market Listing	EUR	Tri-party	HSBC	934
		Equity	Main Market Listing	CHF	Tri-party	HSBC	505
UBS	Switzerland	Government Debt	Investment Grade	USD	Tri-party	HSBC	141
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	2,554
		Equity	Main Market Listing	HKD	Tri-party	HSBC	301
		Equity	Main Market Listing	USD	Tri-party	HSBC	175
		Equity	Main Market Listing	GBP	Tri-party	HSBC	98
		Equity	Main Market Listing	NOK	Tri-party	HSBC	26
Macquarie Bank Ltd	Australia	Equity	Main Market Listing	JPY	Tri-party	HSBC	922
		Equity	Main Market Listing	USD	Tri-party	HSBC	772
		Equity	Main Market Listing	AUD	Tri-party	HSBC	282
		Equity	Main Market Listing	EUR	Tri-party	HSBC	244
		Equity	Main Market Listing	HKD	Tri-party	HSBC	176
Barclays	United Kingdom	Government Debt	Investment Grade	JPY	Tri-party	HSBC	102
Bank of Nova Scotia	Canada	Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,837
		Equity	Main Market Listing	GBP	Tri-party	HSBC	466
		Equity	Main Market Listing	USD	Tri-party	HSBC	283
		Equity	Main Market Listing	EUR	Tri-party	HSBC	234
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	131
		Equity	Main Market Listing	CAD	Tri-party	HSBC	58
HSBC	Hong Kong	UK Gilts	Investment Grade	GBP	Bilateral	HSBC	290
Citigroup	United States	Equity	Main Market Listing	EUR	Tri-party	HSBC	20
		Equity	Main Market Listing	GBP	Tri-party	HSBC	15
		Equity	Main Market Listing	NOK	Tri-party	HSBC	15
		Equity	Main Market Listing	USD	Tri-party	HSBC	12
		Equity	Main Market Listing	SEK	Tri-party	HSBC	7
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	4
BNP Paribas	France	Equity	Main Market Listing	JPY	Tri-party	HSBC	3
		Equity	Main Market Listing	JPY	Tri-party	HSBC	7
		Equity	Main Market Listing	HKD	Tri-party	HSBC	5
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	4
		Equity	Main Market Listing	EUR	Tri-party	HSBC	2
		Equity	Main Market Listing	SEK	Tri-party	HSBC	1
							<b>14,079</b>

The lending and collateral transactions are on an open basis and can be recalled on demand.

## Re-use of Collateral

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

## Return and Cost

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

Total gross amount of securities lending income £'000	Direct and indirect costs and fees deducted by securities lending agent £'000	% return of the securities lending agent	Net securities lending income retained by the Company £'000	% return of the Company
61	12	20	49	80

# General Shareholder Information

## Alternative Investment Fund Managers Directive ('AIFMD') Disclosures

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

## BACS

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 16) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

## Common Reporting Standard ('CRS')

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

## Equality Act 2010

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

You can contact the Registrar, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 707 1059. Specially trained operators are available during normal business hours to answer queries via this service.

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

## Foreign Account Tax Compliance Act ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the USA) to file yearly reports on their non-USA financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities "regularly traded on an established securities market", investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company makes an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and,

where they do, identify and report USA reportable accounts to HMRC, as required.

## General Data Protection Regulation ('GDPR')

GDPR came into force on 25 May 2018. A privacy statement can be found on the website [www.janushenderson.com](http://www.janushenderson.com).

## ISA

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

## Non-Mainstream Pooled Investment ('NMPI') Status

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

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

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

## Performance details/share price information

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

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

## Shareholder details

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

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

# Historical Record

## Historical Record

Year ended 31 October	Net assets £'000	Net asset value per ordinary share pence	Net revenue return per ordinary share pence	Dividend pence
2009	35,889	437.2	11.4	10.5 <sup>1</sup>
2010	42,898	532.0	7.4	6.5
2011	40,408	501.0	7.9	7.0
2012	48,490	608.8	10.9	9.0
2013	70,434	884.3	12.5	10.5
2014	72,302	903.7	15.2	12.5
2015	81,007	1,012.5	22.5	18.0
2016	79,782	997.2	20.5	19.0
2017	101,599	1,269.9	21.8	20.0
<b>2018</b>	<b>94,360</b>	<b>1,179.4</b>	<b>20.2</b>	<b>21.0</b>

<sup>1</sup> Dividends in this year included exceptional VAT refunds

### Warning to shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary at the number provided on page 16.

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

SEDOL/ISIN number: 0853657/GB0008536574  
London Stock Exchange (TIDM) Code: HOT  
Legal Entity Identifier (LEI): 2138005D884NPGHFQS77  
Global Intermediary Identification Number (GIIN): LVAHJH.99999.SL.826

Telephone: **0800 832 832**  
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MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
The Association of  
Investment Companies



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