

Company Number: 00025526

**THE HENDERSON SMALLER COMPANIES
INVESTMENT TRUST PLC**

**Report for the half-year ended
30 November 2023**
(unaudited)

www.hendersonsmallercompanies.com

THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC

JANUS HENDERSON FUND MANAGEMENT UK LIMITED

LEGAL ENTITY IDENTIFIER: 213800NE2NCQ67M2M998

THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC

Unaudited Results for the Half Year Ended 30 November 2023

“The period under review was a challenging one for the Company, but we do believe that inflation is moderating and expect interest rates to decline during 2024. Our portfolio of quality companies is well positioned to prosper in this environment. The Board is encouraged by the strong performance seen in the final months of the period under review and since the period end.”

Penny Freer
Chair of the Board

INVESTMENT OBJECTIVE

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

PERFORMANCE SUMMARY (for the six months ended 30 November 2023)

- Net asset value (“NAV”) total return¹ of -7.7% compared to a total return from the benchmark² of -0.2%
- Share price³ total return of -5.8%
- Interim dividend⁴ of 7.5p (30 November 2022: 7.0p)

TOTAL RETURN PERFORMANCE (including dividends reinvested)

	6 Months %	1 Year %	3 Years %	5 Years %	10 Years %
NAV ¹	-7.7	-8.9	-13.9	5.0	67.3
Benchmark ²	-0.2	-0.3	7.7	14.4	51.7
Share price ³	-5.8	-9.4	-19.8	6.8	79.6
Average sector NAV ⁵	-3.7	-3.6	1.2	10.4	68.6
Average sector share price ⁶	-3.3	-0.1	6.3	14.7	74.1
FTSE All-Share Index	1.6	1.8	27.3	26.8	63.8

Sources: Morningstar Direct, Janus Henderson, LSEG Datastream

1 Net asset value (“NAV”) per ordinary share total return with income reinvested

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

3 Share price total return using mid-market closing price

4 Interim dividend of 7.5p (30 November 2022: 7.0p) to be paid to shareholders on 5 March 2024

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

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

FINANCIAL SUMMARY

	(Unaudited) 30 November 2023	(Unaudited) 30 November 2022	(Audited) 31 May 2023
Net assets	£609.5m	£689.8m	£675.4m
NAV per ordinary share	815.9p	923.4p	904.1p
Share price per ordinary share	720.0p	823.0p	785.0p
Total return per ordinary share	(69.21p)	(134.00p)	(146.30p)
Revenue return per ordinary share	15.11p	12.54p	29.38p
Dividend per ordinary share	7.5p	7.0p	26.0p
Gearing	13.0%	11.6%	12.6%

CHAIR'S STATEMENT

The Company continued to face significant headwinds during the six months ended 30 November 2023, with performance being disappointing in both relative and absolute terms. The broader UK equity market was affected by continuing concerns surrounding inflation and high interest rates; this and a challenging geopolitical backdrop led to significant market volatility and ultimately a broadly flat performance over the period.

Performance

Your Company's net asset value ("NAV") total return fell by 7.7% during the six months ended 30 November 2023, while the Numis Smaller Companies ex-Investment Companies Index (the "Benchmark") was almost flat, and the AIC UK Smaller Companies sector average NAV declined by 3.7%. Your Company's share price total return fell by 5.8% during the six months. The underperformance during the period was largely due to compressed valuations and deratings in the challenging market environment for smaller UK businesses. Growth stocks continued to remain out of favour.

On a more positive note, it does seem as though October 2023 may have marked a low point of sentiment towards the UK equity market. Since then, we have had a well-received Autumn Statement from the UK Chancellor and the performance in the second quarter showed a marked improvement compared with returns achieved in the first quarter. The longer-term performance record of the Company remains consistently strong, reflecting an unchanged and proven investment strategy adopted by the Fund Manager and his team.

Dividend

Reflecting our confidence in the underlying portfolio and underpinned by performance since the period end, your Board has decided to pay a higher interim dividend of 7.5p per ordinary share (30 November 2022: 7.0p) due to strong income growth, and with a view to balancing interim and final dividends. This will be paid on 5 March 2024 from the Company's revenue account to shareholders on the register at 9 February 2024. The shares will be marked ex-dividend on 8 February 2024.

Share rating and discount

During the period, the Company's shares remained at a discount to NAV, but the discount narrowed from 13.2% at 31 May 2023 to 11.8% at 30 November 2023.

We did not buy back shares during the period and no new shares were issued. The Board regularly reviews this position; we continue to believe that, with the small and mid-cap market returning to favour, an increase in investor confidence in the UK and strong performance by the Company are all likely to be key factors in narrowing the discount.

Outlook

The period under review was a challenging one for the Company, but we do believe that inflation is moderating and expect interest rates to decline during 2024. Our portfolio of quality companies is well positioned to prosper in this environment and we share our Fund Manager's belief that we have the potential to deliver strong total returns as the economic background improves.

The Fund Manager has continued to follow a disciplined and unchanged long-term approach which is focused on bottom-up stock selection through a thorough assessment of a company's market proposition, balance sheet strength and management. The Board is encouraged by the strong performance seen in the final months of the period under review and since the period end. In December 2023 your Company's NAV rose by 12.4% compared with the Benchmark return of 9.4%, while the three-month NAV performance to 31 December 2023 was 12.5% compared with the Benchmark return of 8.3%, all on a total return basis.

The Board remains confident in the Fund Manager's ability to create a portfolio which will benefit from the opportunities that will progressively emerge as conditions continue to improve.

Penny Freer
Chair of the Board
30 January 2024

FUND MANAGER'S REPORT

Market review – six months to 30 November 2023

The broad UK equity market was flat over the period. Market concerns focused around inflation, monetary policy tightening and the potential for a global economic downturn with a consequent corporate-earnings contraction. In the UK, GDP fell by 0.1% over the third quarter following 0.2% growth in the second quarter. There is a reasonable probability the UK economy will enter a technical recession in the fourth quarter of 2023. The UK annual inflation rate fell to a two-year low of 4.6% in October. Central banks across the world, led by the Federal Reserve, European Central Bank and Bank of England, held interest rates over the period, although messaging on their future path remained generally hawkish. However, global economic indicators continued to point to a slowdown in economic activity which supported the building consensus view that the monetary policy tightening cycle was complete. Investor debate is now focused on when, and how quickly, rates will be cut. Sterling gained modestly against the US dollar. Oil prices rose, with the market focusing on the conflict in the Middle East potentially impacting supply, even though the short-term demand picture looks unclear.

Smaller companies underperformed their larger counterparts, with the Numis Smaller Companies ex-Investment Companies Index down 0.2% against a rise in the FTSE All-Share Index of 1.6%.

Fund performance

The Company had a disappointing period in performance terms, falling in absolute terms and underperforming its benchmark. The share price fell by 5.8% and NAV by 7.7% on a total return basis. This compared with the Numis Smaller Companies Index (excluding investment companies) fall of 0.2% in total return terms. The underperformance came from a combination of negative contribution from stock selection, gearing and expenses. Negative contribution from stock selection was a function of the underperformance of growth companies as they de-rated in valuation terms due to rising interest rates and higher bond yields. In addition, negative company-specific issues impacted a number of our larger holdings. We believe these issues are temporary or more than fully reflected in the underlying share price and expect these companies to recover over time.

Gearing

Gearing started the period at 12.6% and ended at 13.0%. Debt facilities are a combination of £30 million 20-year unsecured loan notes at an interest rate of 3.33%, £20m 30-year unsecured loan notes at 2.77% and £85 million short-term bank borrowings. As markets fell, the use of gearing was a negative contributor to performance in the period.

Attribution analysis

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

Top five contributors	6-month return %	Relative contribution %
Playtech*	-31.6	+0.4
Computacenter	+19.7	+0.3
S4 Capital*	-61.9	+0.3
Aston Martin Lagonda*	-20.1	+0.3
Ascential	+22.6	+0.3

Top five detractors	6-month return %	Relative contribution %
Team17	-57.0	-1.1
Impax Asset Management	-34.8	-1.0
Oxford Instruments	-22.5	-0.5
OSB Group	-21.6	-0.5
Deliveroo*	+35.6	-0.5

* In benchmark index but not held by the Company.

Principal contributors

Playtech is a software and services provider to the gaming industry. **Computacenter** is a global supplier of IT equipment and services. **S4 Capital** is a digital advertising and marketing services group. **Aston Martin Lagonda** is a luxury car manufacturer. **Ascential** is a diversified media group.

Principal detractors

Team17 is a computer games developer and publisher. **Impax Asset Management** is an ESG-focused asset manager. **Oxford Instruments** is a manufacturer of advanced scientific equipment. **OSB Group** is a specialist provider of buy-to-let mortgages. **Deliveroo** is an online food delivery platform.

Portfolio activity

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

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

New additions to the portfolio include: **Bloomsbury Publishing**, a leading consumer and educational publisher; and **Hill and Smith**, a provider of fabricated metal products and services. In addition we added to our existing positions in: **Clarkson**, a leading global provider of services to the shipping industry; **Genuit**, a diversified building materials group; and **PageGroup**, a global recruitment consultancy.

To balance the additions to our portfolio, we have disposed of positions in companies which we felt were set for poor price performance or where the valuation had become extended, including the holding in **Safestyle**. Additionally we sold our holdings in **Blanco Technology**, **Ergomed**, **Gresham House** and **Restaurant Group** after these companies received agreed takeover bids.

Market outlook

Whilst inflation has fallen significantly over the last year, it remains elevated against official targets. Central banks led by the US Federal Reserve have, therefore, retained their hawkish stance. However, it is clear we are at the end of the monetary policy tightening cycle and even the Chair of the Federal Reserve conceded that rate cuts were being debated by the committee. What is not clear is the timing of when rates start to fall and the speed of their decrease. In the meantime, the delayed transmission mechanism of rising interest rates and their impact means that economic conditions are likely to remain difficult in the short term. Notwithstanding this, the prospect of a monetary easing cycle is likely to support global equity markets and allow valuation multiples to expand.

Geopolitics remain challenging, with the ongoing conflicts in Ukraine and Gaza and continued tensions between China and the US. The longer-term economic implications of this are material. There is an urgent need to reduce European dependence on Russian oil and gas supplies and a requirement to decrease China's influence on the global supply chain through investment in nearshoring capability. In addition, domestic politics are likely to be an area of volatility with up to half of the global population going to the polls in the coming 12 months in key elections in UK, USA, India, Mexico, South Korea and the EU.

In the corporate sector we are encouraged by the fact that conditions are intrinsically stronger than they were during the Global Financial Crisis of 2008-2009. In particular, balance sheets are more robust. Dividends have recovered strongly and we are seeing an increasing number of companies buying back their own stock.

After an active 2021, the initial public offering ("IPO") market has become considerably quieter as equity market confidence has diminished. There are no signs this is likely to change in the short-term. Merger and acquisition ("M&A") activity has remained robust as acquirors, particularly private equity, look to exploit opportunities thrown up by the recent equity market falls. We expect this to continue in the coming months as UK equity market valuations remain markedly depressed versus other developed markets.

In terms of valuations, the equity market is trading below long-term averages. In addition, smaller companies are trading at a historically high discount to their larger counterparts. A sharp rebound in corporate earnings

following the pandemic-induced shock in 2020 has now faded. Weak economic activity has led to subdued corporate earnings growth in 2023 compounded by rising interest costs and a higher corporate tax burden. These dynamics are unlikely to change in 2024. However, the view that the UK economy is entering a moderate recession is now consensual and the debate is now focused on whether the trough will be deeper than expected.

Although uncertainty remains around short-term economic conditions, we think that the portfolio is well positioned to withstand an economic downturn and exploit any opportunities this would present. The movements in equity markets have thrown up some fantastic buying opportunities. However, it is important to be selective as the strength of franchise, market positioning and balance sheets will likely determine the winners from the losers.

Neil Hermon
Fund Manager
30 January 2024

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Detailed information on these risks is given in the Strategic Report and in the Notes to the Financial Statements in the Company's Annual Report for the year ended 31 May 2023.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

On behalf of the Board
Penny Freer
Chair of the Board
30 January 2024

INVESTMENT PORTFOLIO

at 30 November 2023

Company	Valuation Portfolio		Company	Valuation Portfolio	
	£'000	%		£'000	%
Bellway	22,137	3.22	Tyman	8,942	1.30
Oxford Instruments	19,775	2.87	Softcat	8,869	1.29
Balfour Beatty	18,862	2.74	Alpha Financial Markets*	8,750	1.27
Mitchells & Butlers	18,321	2.66	Genuit	8,411	1.22
Vesuvius	17,901	2.60	Redde Northgate	8,100	1.18
Paragon Banking	17,125	2.49	GB Group*	8,041	1.17
Ascential	17,119	2.49	Rathbones	7,950	1.16
OSB Group	15,562	2.26	Savills	7,737	1.12
Impax Asset Management*	14,754	2.14	Hollywood Bowl	7,728	1.12
Future	14,254	2.07	Next Fifteen Communications*	7,663	1.11
10 largest	175,810	25.54	40 largest	471,584	68.50
Computacenter	14,175	2.06	Crest Nicholson	7,606	1.11
Watches of Switzerland	13,464	1.96	Midwich*	7,442	1.08
Bytes Technology	11,599	1.69	Burford Capital*	6,988	1.01
Gamma Communications*	11,594	1.68	Trainline	6,702	0.97
IntegraFin	11,313	1.64	Team17*	6,560	0.95
Chemring	11,279	1.64	SigmaRoc*	6,519	0.95
Volution	11,026	1.60	Qinetiq	6,512	0.95
Serco	10,948	1.59	Bridgepoint	6,143	0.89
Moneysupermarket.Com	10,692	1.55	Wickes	6,118	0.89
Just Group	10,545	1.53	Morgan Advanced Materials	6,068	0.88
20 largest	292,445	42.48	50 largest	538,242	78.18
Workspace	10,296	1.50	Hunting	5,850	0.85
Victrex	10,168	1.48	Luceco	5,765	0.84
Serica Energy*	10,010	1.45	SThree	5,366	0.78
Spectris	9,944	1.44	Moonpig	5,202	0.75
Pagegroup	9,830	1.43	Clarkson	5,110	0.74
Renishaw	9,722	1.41	Harworth	5,027	0.73
Foresight	9,696	1.41	JTC	4,428	0.64
Learning Technologies*	9,217	1.34	Harbour Energy	4,416	0.64
RWS Holdings*	9,090	1.32	Wilmington	4,401	0.64
Bodycote	8,975	1.30	Videndum	4,322	0.63
30 largest	389,393	56.56	60 largest	588,129	85.42
			Remaining 38	100,361	14.58
			Total	688,490	100.00
				=====	=====

* Quoted on the Alternative Investment Market ("AIM")

STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Half-year ended 30 November 2023			(Unaudited) Half-year ended 30 November 2022			(Audited) Year ended 31 May 2023		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	12,414	-	12,414	10,553	-	10,553	24,295	-	24,295
Other income	105	-	105	23	-	23	95	-	95
Losses on investments held at fair value through profit or loss	-	(60,810)	(60,810)	-	(107,690)	(107,690)	-	(127,252)	(127,252)
Total income/(loss)	12,519	(60,810)	(48,291)	10,576	(107,690)	(97,114)	24,390	(127,252)	(102,862)
Expenses									
Management fees (note 3)	(334)	(780)	(1,114)	(362)	(844)	(1,206)	(710)	(1,657)	(2,367)
Other expenses	(301)	-	(301)	(365)	-	(365)	(731)	-	(731)
Profit/(loss) before finance costs and taxation	11,884	(61,590)	(49,706)	9,849	(108,534)	(98,685)	22,949	(128,909)	(105,960)
Finance costs	(601)	(1,401)	(2,002)	(476)	(931)	(1,407)	(997)	(2,325)	(3,322)
Profit/(loss) before taxation	11,283	(62,991)	(51,708)	9,373	(109,465)	(100,092)	21,952	(131,234)	(109,282)
Taxation	5	-	5	(5)	-	(5)	(5)	-	(5)
Profit/(loss) for the period and total comprehensive income	11,288	(62,991)	(51,703)	9,368	(109,465)	(100,097)	21,947	(131,234)	(109,287)
Earnings per ordinary share (note 4)	15.11p	(84.32p)	(69.21p)	12.54p	(146.54p)	(134.00p)	29.38p	(175.68p)	(146.30p)

The total columns of this statement represent the Statement of Comprehensive Income, prepared in accordance with UK adopted International Accounting Standards.

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

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

STATEMENT OF CHANGES IN EQUITY

Half-year ended 30 November 2023 (unaudited)	Share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Total equity at 1 June 2023	18,676	26,745	612,810	17,156	675,387
Total comprehensive income: (Loss)/profit for the period	-	-	(62,991)	11,288	(51,703)
Transactions with owners recorded directly to equity: Ordinary dividend paid	-	-	-	(14,193)	(14,193)
Total equity at 30 November 2023	18,676	26,745	549,819	14,251	609,491

Half-year ended 30 November 2022 (unaudited)	Share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Total equity at 1 June 2022	18,676	26,745	744,044	13,134	802,599
Total comprehensive income: (Loss)/profit for the period	-	-	(109,465)	9,368	(100,097)
Transactions with owners, recorded directly to equity: Ordinary dividend paid	-	-	-	(12,699)	(12,699)
Total equity at 30 November 2022	18,676	26,745	634,579	9,803	689,803

Year ended 31 May 2023 (audited)	Share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total equity £'000
Total equity at 1 June 2022	18,676	26,745	744,044	13,134	802,599
Total comprehensive income: (Loss)/profit for the year	-	-	(131,234)	21,947	(109,287)
Transactions with owners, recorded directly to equity: Ordinary dividend paid	-	-	-	(17,925)	(17,925)
Total equity at 31 May 2023	18,676	26,745	612,810	17,156	675,387

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

BALANCE SHEET

	(Unaudited) Half-year ended 30 November 2023 £'000	(Unaudited) Half-year ended 30 November 2022 £'000	(Audited) Year ended 31 May 2023 £'000
Non-current assets			
Investments held at fair value through profit or loss	688,490	769,864	760,156
	-----	-----	-----
Current assets			
Securities sold for future settlement	274	-	506
Prepayments and accrued income	2,367	1,047	2,681
Cash and cash equivalents	11,891	2,192	13,338
	-----	-----	-----
	14,532	3,239	16,525
	-----	-----	-----
Total assets	703,022	773,103	776,681
	-----	-----	-----
Current liabilities			
Securities purchased for future settlement	(2,528)	(634)	-
Accruals and deferred income	(882)	(810)	(851)
Bank loans	(40,344)	(32,092)	(50,672)
	-----	-----	-----
	(43,754)	(33,536)	(51,523)
	-----	-----	-----
Total assets less current liabilities	659,268	739,567	725,158
	-----	-----	-----
Non-current liabilities	(49,777)	(49,764)	(49,771)
	-----	-----	-----
Net assets	609,491	689,803	675,387
	=====	=====	=====
Equity attributable to equity shareholders			
Called-up share capital (note 6)	18,676	18,676	18,676
Capital redemption reserve	26,745	26,745	26,745
Retained earnings:			
Capital reserves (note 7)	549,819	634,579	612,810
Revenue reserve	14,251	9,803	17,156
	-----	-----	-----
Total equity	609,491	689,803	675,387
	=====	=====	=====
Net asset value per ordinary share (note 8)	815.9p	923.4p	904.1p
	=====	=====	=====

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

STATEMENT OF CASH FLOWS

	(Unaudited) Half-year ended 30 November 2023 £'000	(Unaudited) Half-year ended 30 November 2022 £'000	(Audited) Year ended 31 May 2023 £'000
Loss before taxation	(51,708)	(100,092)	(109,282)
Add back interest payable	2,002	1,330	3,322
Losses on investments held at fair value through profit or loss	60,810	107,690	127,252
Purchases of investments	(32,066)	(62,139)	(109,395)
Sales of investments	42,922	76,981	114,384
Decrease/(increase) in receivables	39	(11)	(38)
Decrease in amounts due from brokers	232	1,899	1,394
Decrease/(increase) in accrued income	279	1,296	(316)
Decrease in payables	(36)	(88)	(66)
Increase/(decrease) in amounts due to brokers	2,528	(1,447)	(2,081)
Overseas withholding tax	-	(5)	-
	-----	-----	-----
Net cash inflow from operating activities before interest	25,002	25,414	25,174
	-----	-----	-----
Interest paid	(1,928)	(1,338)	(3,303)
	-----	-----	-----
Net cash inflow from operating activities	23,074	24,076	21,871
	=====	=====	=====
Financing activities			
Equity dividends paid	(14,193)	(12,699)	(17,928)
(Drawdown)/repayment of bank loans	(10,328)	(18,176)	404
	-----	-----	-----
Net cash outflow from financing activities	(24,521)	(30,875)	(17,524)
	-----	-----	-----
(Decrease)/increase in cash and cash equivalents	(1,447)	(6,799)	4,347
Cash and cash equivalents at the start of the period	13,338	8,991	8,991
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Cash and cash equivalents at the period end	11,891	2,192	13,338
	=====	=====	=====

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

The Henderson Smaller Companies Investment Trust plc (the “Company”) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. These condensed financial statements comprise the unaudited results of the Company for the half-year ended 30 November 2023. They have been prepared on a going concern basis and in accordance with UK-adopted International Accounting Standards and with the Statement of Recommended Practice for Investment Trusts (‘SORP’) dated July 2022, where the SORP is consistent with the requirements of UK adopted International Accounting Standards. For the period under review the Company’s accounting policies have not varied from those described in the Annual Report for the year ended 31 May 2023. These financial statements have not been audited or reviewed by the Company’s auditor.

2. **Going concern**

The assets of the Company consist of securities that are readily realisable and, accordingly, the directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The directors have further considered the global economic and geopolitical environment, including the ongoing war in Ukraine and conflict in the Middle East, the impact of these on supply chains and the possible impact of climate change risk on the value of the portfolio. The assessment incorporated cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants, and an assessment of the liquidity of the portfolio. The directors have concluded that they are able to meet their financial obligations, including the repayment of the bank loan, as they fall due for a period of at least twelve months from the date of issuance. Having assessed these factors, the principal risks and other matters discussed in connection with the Viability Statement in the Annual Report for the year ended 31 May 2023, the directors confirm that the financial statements have been prepared on a going concern basis.

The Company’s shareholders are asked every three years to vote for the continuation of the Company. The last continuation vote took place at the AGM on 30 September 2022 and was passed by a substantial majority of shareholders. The next continuation vote will take place at the AGM in 2025.

3. **Expenses**

Expenses, finance costs and taxation include provision for a performance fee when the relevant criteria have been met. There was no performance fee provision for the six months to 30 November 2023 (30 November 2022 £nil; 31 May 2023: £nil). Any provision for a performance fee is charged 100% to capital. The actual performance fee, if any, payable to Janus Henderson for the year to 31 May 2024 will depend on outperformance over the full financial year, subject to a cap on the total fees paid to Janus Henderson of 0.9% of the average value of the net assets of the Company during the year. No performance fee is payable if on the last day of the accounting year the Company’s share price or net asset value (“NAV”) is lower than the share price and NAV at the preceding year end. Details of the performance fee arrangements are set out in the Annual Report for the year ended 31 May 2023.

4. **Earnings per ordinary share**

The earnings per ordinary share figure is based on the net loss for the half-year ended 30 November 2023 of £51,703,000 (half-year ended 30 November 2022: net loss of £100,097,000; year ended 31 May 2023: net loss of £109,287,000) and on 74,701,796 (half-year ended 30 November 2022: 74,701,796; year ended 31 May 2023: 74,701,796) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

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

	(Unaudited) 30 November 2023 £'000	(Unaudited) 30 November 2022 £'000	(Audited) 31 May 2023 £'000
Net revenue profit	11,288	9,368	21,947
Net capital loss	(62,991)	(109,465)	(131,234)
	-----	-----	-----
Net total loss	(51,703)	(100,097)	(109,287)
	=====	=====	=====
Weighted average number of ordinary shares in issue during the period	74,701,796	74,701,796	74,701,796
	Pence	Pence	Pence
Revenue earnings per ordinary share	15.11	12.54	29.38
Capital loss per ordinary share	(84.32)	(146.54)	(175.68)
	-----	-----	-----
Total loss per ordinary share	(69.21)	(134.00)	(146.30)
	=====	=====	=====

5. Dividends

The Board has declared an interim dividend of 7.5p (30 November 2022: 7.0p) to be paid on 5 March 2024 to shareholders on the register at the close of business on 9 February 2024. The ex-dividend date will be 8 February 2024. No provision has been made for the interim dividend in these condensed financial statements.

The final dividend of 19.0p per ordinary share, paid on 9 October 2023, in respect of the year ended 31 May 2023, has been recognised as a distribution in the period.

6. Share capital

At 30 November 2023 there were 74,701,796 ordinary shares in issue (30 November 2022: 74,701,796; 31 May 2023: 74,701,796). During the half-year ended 30 November 2023 the Company did not buy back or issue any shares (half-year ended 30 November 2022: nil; year ended 31 May 2023: nil). No shares have been bought back or issued since the period end.

7. Capital reserves

Capital reserves include the capital reserve arising on investments sold of £538,498,000 (30 November 2022: £553,853,000; 31 May 2023: £542,034,000) and the capital reserve arising on revaluation of investments held of £11,321,000 (30 November 2022: £80,726,000; 31 May 2023 £70,776,000). The Company's capital reserve arising on investments sold (i.e. realised capital profits) and revenue reserve may be distributed by way of a dividend.

8. Net asset value ("NAV") per ordinary share

The NAV per ordinary share is based on the net assets attributable to the equity shareholders of £609,491,000 (30 November 2022: £689,803,000; 31 May 2023: £675,387,000) and on 74,701,796 (30 November 2022: 74,701,796; 31 May 2023: 74,701,796) ordinary shares, being the number of ordinary shares in issue at the period end.

9. Transaction costs

Purchase transaction costs for the half-year ended 30 November 2023 were £115,000 (half-year ended 30 November 2022: £284,000; year ended 31 May 2023: £479,000). These comprise mainly stamp duty and commission. Sale transaction costs for the half-year ended 30 November 2023 were £18,000 (half-year ended 30 November 2022: £37,000; year ended 31 May 2023: £53,000).

10. **Financial instruments**

The investments are held at fair value through profit or loss. All the net current liabilities are held in the balance sheet at a reasonable approximation of fair value. At 30 November 2023 the fair value of the Preference stock was £4,000 (30 November 2022: £4,000; 31 May 2023: £4,000). The fair value of the Preference stock is estimated using the prices quoted on the exchange on which the investment trades. The Preference stock is carried in the Balance Sheet at par.

The unsecured loan notes are carried in the Balance Sheet at par less the issue costs which are amortised over the life of the notes. In order to comply with fair value accounting disclosures only, the fair value of the unsecured loan notes has been estimated to be £35,875,000 (30 November 2022: £40,316,000; 31 May 2023: £36,068,000) and is categorised as Level 3 in the fair value hierarchy as described below. However, for the purpose of the daily NAV announcements, the unsecured loan notes are valued at par in the fair value NAV because they are not traded and the directors have assessed that par value is the most appropriate value to be applied for this purpose.

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

Fair value hierarchy

The table below sets out the fair value measurements using the IFRS 13 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset, as follows:

Level 1: valued using quoted prices in active markets for identical assets.

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices.

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

As at 30 November 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	688,490	-	-	688,490
	-----	-----	-----	-----
	688,490	-	-	688,490
	=====	=====	=====	=====
As at 30 November 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	769,864	-	-	769,864
	-----	-----	-----	-----
	769,864	-	-	769,864
	=====	=====	=====	=====
As at 31 May 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	760,156	-	-	760,156
	-----	-----	-----	-----
	760,156	-	-	760,156
	=====	=====	=====	=====

The valuation techniques used by the Company are explained in the accounting policies note 1(c) of the Annual Report for the year ended 31 May 2023.

11. **Related-party transactions**

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position of the Company during the period. Details of related-party transactions are contained in the Annual Report for the year ended 31 May 2023.

12. **Comparative information**

The financial information contained in this half-year financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 30 November 2023 and 30 November 2022 has not been audited.

The information for the year ended 31 May 2023 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The report of the auditor on those accounts was unqualified and contained no statement under either section 498(2) or section 498(3) of the Companies Act 2006.

13. **General information**

The Henderson Smaller Companies Investment Trust plc is registered in England and Wales.

Company Number: 00025526.

Registered Office: 201 Bishopsgate, London EC2M 3AE

London Stock Exchange (TIDM) Code: HSL

SEDOL Number: 0906506

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

Legal Entity Identifier (LEI): 213800NE2NCQ67M2M998

Directors and Corporate Secretary

The directors of the Company are Penny Freer (Chair of the Board), Kevin Carter (Senior Independent Director), Alexandra Mackesy (Chair of the Audit and Risk Committee), Victoria Sant, Michael Warren and Yen Mei Lim. The Corporate Secretary is Janus Henderson Secretarial Services UK Limited, represented by Johana Woodruff, FCG.

Website

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

14. **Financial report for the half year ended 30 November 2023**

The half-year report will shortly be available on the Company's website or from the Company's registered office. An abbreviated version, the 'Update', will be circulated to shareholders in February 2024 and will be available from the Corporate Secretary at the Company's registered office, 201 Bishopsgate, London EC2M 3AE.

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