

The Henderson Smaller Companies Investment Trust plc

Financial report for the half year ended 30 November 2009



Objective

To maximise shareholders' total returns by investing in smaller companies that are quoted in the United Kingdom.

The benchmark against which performance is measured is the Hoare Govett Smaller Companies Index (excluding investment companies).

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Financial Highlights

	30 November 2009	30 November 2008	31 May 2009
Total net assets	£186 million	£122 million	£156 million
Net asset value per ordinary share	248.1p	156.4p	202.1p
Net asset value per ordinary share on an alternative basis*	240.9p	148.4p	196.9p
Market price per ordinary share	196.0p	94.0p	167.0p
Total return per ordinary share	50.8p	(159.9)p	(115.4)p
Revenue return per ordinary share	2.3p	2.5p	6.3p
Gearing†	11.6%	17.7%	11.4%

*Calculated by deducting from the net assets the debt at its market value.

†Defined here as the total market value of the Group's investments less shareholders' funds as a percentage of shareholders' funds.

Performance

Comparative total return figures for periods ended 30 November 2009:

	6 months %	1 year %	3 years %	5 years %
The Henderson Smaller Companies Investment Trust plc: net asset value per share	27.9	63.3	(21.0)	30.0
The Henderson Smaller Companies Investment Trust plc: share price	20.8	114.5	(25.0)	31.9
Hoare Govett Smaller Companies (excluding investment companies) Index	20.7	60.4	(10.3)	42.9
FTSE SmallCap (excluding investment companies) Index	22.4	58.8	(28.0)	(0.1)
FTSE All-Share Index	19.7	29.3	(4.9)	34.9

Source: Datastream.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- (b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (an indication of important events that have occurred during the first six months of the financial year and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- (c) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

J Dudley Fishburn

Chairman

29 January 2010

Interim Management Report

Results and performance

The results for the half year ended 30 November 2009 are encouraging, with the net asset value per share rising from 202.1p to 248.1p. The net asset value total return for the period was 27.9%. By comparison, the total return of the benchmark index was 20.7%. On 9 October 2009 the Company paid both a final and a special dividend, amounting in total to 5.6p per share, in respect of the year ended 31 May 2009.

Equity markets have recovered strongly since March 2009. The shares of smaller companies have performed particularly well and are now rated in line with those of larger companies. The Manager's attribution of the performance for the period shows that the outperformance was attributable to both stock selection and gearing; other positive factors were the further recovery of VAT on management fees (and the related interest) and share buy-backs. The attribution to stock selection reflects the fact that many of the holdings in the Company's portfolio were unduly marked down in the previous period; the strengths of the underlying businesses are now better appreciated.

The revenue earnings per share were 2.30p (2008: 2.47p); both figures reflect the exceptional write-back of VAT on management fees and the related interest.

Share buy-backs

During the half year a total of 2.3 million shares were bought back and cancelled, representing 3% of the issued share capital as at 31 May 2009. The Board will continue to buy back shares when to do so helps to maintain an orderly market and is in the interests of the shareholders generally.

Investment activity and outlook

The 60 largest companies in the portfolio, which account for 76% of the portfolio by value, are listed on page 12. Almost all the investments were held throughout the period.

The global economic situation remains difficult but there are signs of stabilisation. Corporate

profitability is proving robust, with companies cutting costs to offset lower turnover. After the strong recovery in the period under review, and into the New Year, valuations in the UK market have returned to more normal levels with the FTSE All-Share Index priced at about 13 times forward earnings. However, there remain plenty of excellent investment opportunities.

Risks and uncertainties

The principal risks and uncertainties facing the Company relate to its activity of investing in the shares of smaller companies. Although the Company invests entirely in securities that are quoted on recognised markets, share prices may move rapidly and it may not be possible to realise an investment at the Manager's assessment of its value. The Company is exposed to gearing risk in that its borrowings, £20 million of which are fixed debt, increase the shareholders' exposure to equities. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.

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 or performance of the Company during the period. Details of related party transactions are contained in the annual report and financial statements.

Going concern

The directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. The directors consider this to be the case, notwithstanding the continuation vote to be held at the Annual General Meeting in 2010 and every third year thereafter.

Consolidated Income Statement

for the half year ended 30 November 2009

	Note	(Unaudited) Half year ended 30 November 2009		
		Revenue return £'000	Capital return £'000	Total
Investment income		2,647	–	2,647
Other income	2	606	–	606
Gains/(losses) on investments held at fair value through profit or loss		–	36,204	36,204
Total income/(loss)		3,253	36,204	39,457
Expenses				
Management fees		(303)	–	(303)
Write-back of VAT	2	45	–	45
Other expenses		(209)	–	(209)
Profit/(loss) before finance costs and taxation		2,786	36,204	38,990
Finance costs		(1,060)	–	(1,060)
Profit/(loss) before taxation		1,726	36,204	37,930
Taxation		(1)	–	(1)
Profit/(loss) for the period		1,725	36,204	37,929
Earnings/(loss) per ordinary share	3	2.30p	48.45p	50.75p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of The Henderson Smaller Companies Investment Trust plc, the parent company. There are no minority interests.

Revenue return £'000	(Unaudited) (A) Half year ended 30 November 2008		evenue return £'000	(Unaudited) Year ended 31 May 2009	
	Capital R return £'000	Total £'000		Capital return £'000	Total £'000
3,280	–	3,280	6,271	–	6,271
275	–	275	947	–	947
–	(127,353)	(127,353)	–	(95,301)	(95,301)
<u>3,555</u>	<u>(127,353)</u>	<u>(123,798)</u>	<u>7,218</u>	<u>(95,301)</u>	<u>(88,083)</u>
(419)	–	(419)	(687)	–	(687)
305	–	305	1,150	–	1,150
(187)	–	(187)	(360)	–	(360)
<u>3,254</u>	<u>(127,353)</u>	<u>(124,099)</u>	<u>7,321</u>	<u>(95,301)</u>	<u>(87,980)</u>
(1,309)	–	(1,309)	(2,376)	–	(2,376)
<u>1,945</u>	<u>(127,353)</u>	<u>(125,408)</u>	<u>4,945</u>	<u>(95,301)</u>	<u>(90,356)</u>
(7)	–	(7)	(9)	–	(9)
<u>1,938</u>	<u>(127,353)</u>	<u>(125,415)</u>	<u>4,936</u>	<u>(95,301)</u>	<u>(90,365)</u>
<u>2.47p</u>	<u>(162.40)p</u>	<u>(159.93)p</u>	<u>6.30p</u>	<u>(121.71)p</u>	<u>(115.41)p</u>

Consolidated Statement of Changes in Equity

for the half year ended 30 November 2009

	(Unaudited)				Total £'000
	Half year ended 30 November 2009				
	Called up share capital £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	
Balance at 31 May 2009	19,343	26,078	99,930	10,998	156,349
Buy-backs of ordinary shares	(578)	578	(3,814)	–	(3,814)
Profit for the period	–	–	36,204	1,725	37,929
Ordinary dividend paid	–	–	–	(4,204)	(4,204)
Balance at 30 November 2009	18,765	26,656	132,320	8,519	186,260

	(Unaudited)				Total £'000
	Half year ended 30 November 2008				
	Called up share capital £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	
Balance at 31 May 2008 20,113		25,303	200,986	9,069	255,471
Buy-backs of ordinary shares (613)		613	(5,079)	–	(5,079)
(Loss)/profit for the period	–	–	(127,353)	1,938	(125,415)
Ordinary dividend paid –		–	–	(3,007)	(3,007)
Balance at 30 November 2008	19,500	25,916	68,554	8,000	121,970

	(Audited)				Total £'000
	Year ended 31 May 2009				
	Called up share capital £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	
Balance at 31 May 2008 20,113		25,303	200,986	9,069	255,471
Buy-backs of ordinary shares (770)		770	(5,750)	–	(5,750)
Buy-back of preference stock (in 2008)	–	5	(5)	–	–
(Loss)/profit for the year	–	–	(95,301)	4,936	(90,365)
Ordinary dividend paid –		–	–	(3,007)	(3,007)
Balance at 31 May 2009	19,343	26,078	99,930	10,998	156,349

Consolidated Balance Sheet

at 30 November 2009

	Note	(Unaudited) 30 November 2009 £'000	(Unaudited) 30 November 2008 £'000	(Audited) 31 May 2009 £'000
Non current assets				
Investments held at fair value through profit or loss		207,906	143,538	174,232
Current assets				
Sales for future settlement		101	161	512
Taxation recoverable		38	29	37
Prepayments and accrued income		443	303	1,450
Cash and cash equivalents		1,162	514	234
Other debtors		–	2,266	855
		1,744	3,273	3,088
Total assets		209,650	146,811	177,320
Current liabilities				
Purchases for future settlement		(198)	(143)	(880)
Accruals		(188)	(191)	(87)
Bank loans and overdrafts		(3,000)	(4,503)	–
		(3,386)	(4,837)	(967)
Total assets less current liabilities		206,264	141,974	176,353
Non current liabilities		(20,004)	(20,004)	(20,004)
Net assets		186,260	121,970	156,349
Equity attributable to equity shareholders				
Called up share capital	5	18,765	19,500	19,343
Capital redemption reserve		26,656	25,916	26,078
Retained earnings:				
Other capital reserves		132,320	68,554	99,930
Revenue reserve		8,519	8,000	10,998
Total equity		186,260	121,970	156,349
Net asset value per ordinary share	6	248.1p	156.4p	202.1p

Consolidated Cash Flow Statement

for the half year ended 30 November 2009

	Note	(Unaudited) Half year ended 30 November 2009 £'000	(Unaudited) Half year ended 30 November 2008 £'000 £'000	(Audited) Year ended 31 May 2009
Net cash inflow from operating activities	7	<u>5,946</u>	<u>16,923</u>	<u>21,819</u>
Net cash inflow before use of financing		5,946	16,923	21,819
Net cash outflow from financing activities		<u>(5,018)</u>	<u>(17,084)</u>	<u>(22,257)</u>
Net increase/(decrease) in cash and cash equivalents		928	(161)	(438)
Cash and cash equivalents at the start of the period		234	672	672
Exchange movements		<u>–</u>	<u>3</u>	<u>–</u>
Cash and cash equivalents at the period end		<u>1,162</u>	<u>514</u>	<u>234</u>

Notes to the Condensed Financial Statements

1. Accounting policies – basis of preparation

The condensed set of financial statements has been prepared using the same accounting policies as are set out in the Company's Report and Financial Statements for the year ended 31 May 2009 and in accordance with IAS 34.

The condensed set of financial statements has not been either audited or reviewed by the Company's auditors.

2. VAT on management fees

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should have been charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgement on the case in favour of the AIC.

Since then HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies in respect of much, but not all, of the period from 1 January 1990 to the point in 2007 from which VAT ceased to be applied to investment management fees. Accordingly, the Manager (Henderson Global Investors Limited) has been able, on behalf of the Company, to reclaim from HMRC the VAT borne, together with simple interest thereon.

An aggregate amount of £2,055,000, in respect of the VAT on investment management fees borne by the Company in the period from October 2000 to October 2006, was written back in the years ended 31 May 2008 and 2009, in accordance with an agreement reached between the Manager and the Company. An aggregate amount of £844,000, in respect of the period from 1 January 1990 to 4 December 1996, was written back in the year ended 31 May 2009 and a further £45,000 has been recognised in the half year ended 30 November 2009. These amounts have been received in full by the Company. The write-backs of VAT have been allocated between revenue return and capital return according to the allocation of the amounts originally paid. The £45,000 recognised in the period has been allocated wholly to the revenue return (half year ended 30 November 2008: £305,000; year ended 31 May 2009: £1,150,000).

The Company has also received from the Manager the interest paid by HMRC on the amounts of VAT recovered. Interest of £749,000 was recognised in the year ended 31 May 2009 (half year ended 30 November 2008: £200,000) and a further £236,000 has been recognised in the half year ended 30 November 2009. These amounts are included in other income.

Notes to the Condensed Financial Statements

continued

3. Earnings/(loss) per ordinary share

The earnings per ordinary share figure is based on the net profit for the half year of £37,929,000 (half year ended 30 November 2008: losses of £125,415,000; year ended 31 May 2009: losses of £90,365,000) and on 74,729,664 (half year ended 30 November 2008: 78,418,478; year ended 31 May 2009: 78,298,336) 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 2009 £'000	(Unaudited) (A 30 November 2008 £'000	(Unaudited) (A 31 May 2009 £'000
Net revenue profit	1,725	1,938	4,936
Net capital profit/(loss)	36,204	(127,353)	(95,301)
Net total profit/(loss)	37,929	(125,415)	(90,365)
Weighted average number of ordinary shares in issue during the period	74,729,664	78,418,478	78,298,336
	Pence	Pence	Pence
Revenue profit per ordinary share	2.30	2.47	6.30
Capital profit/(loss) per ordinary share	48.45	(162.40)	(121.71)
Total profit/(loss) per ordinary share	50.75	(159.93)	(115.41)

4. Dividends

The Company has not declared an interim dividend (2008: nil).

The final dividend of 3.00p per ordinary share and the special dividend of 2.60p per ordinary share, paid in respect of the year ended 31 May 2009, have been recognised as distributions in the period.

5. Called up share capital

At 30 November 2009 there were 75,060,296 ordinary shares in issue (30 November 2008: 77,997,046; 31 May 2009: 77,370,296). During the half year ended 30 November 2009 the Company bought 2,310,000 of its own issued ordinary shares in the market for cancellation (half year ended 30 November 2008: 2,451,984; year ended 31 May 2009: 3,078,734). The cost of the share buy-backs, including stamp duty, amounted to £3,814,000 (half year ended 30 November 2008: £5,079,000; year ended 31 May 2009: £5,750,000).

Notes to the Condensed Financial Statements

continued

6. Net asset value per share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £186,260,000 (30 November 2008: £121,970,000; 31 May 2009: £156,349,000) and on 75,060,296 (30 November 2008: 77,997,046; 31 May 2009: 77,370,296) ordinary shares, being the number of ordinary shares in issue at the period end.

7. Reconciliation of the profit/(loss) before taxation to the net cash inflow from operating activities

	(Unaudited) Half year ended 30 November 2009 £'000	(Unaudited) Half year ended 30 November 2008 £'000	(Audited) Year ended 31 May 2009 £'000
Profit/(loss) before taxation	37,930	(125,408)	(90,356)
(Profit)/losses on investments held at fair value through profit or loss	(36,204)	127,353	95,301
Decrease in purchases for future settlement creditor	(682)	(1,464)	(443)
Decrease/(increase) in sales for future settlement debtor	411	(92)	(727)
Net sales of investments	2,529	15,926	17,286
Decrease in other receivables	1,007	1,147	893
Decrease/(increase) in other debtors	855	(518)	–
Increase/(decrease) in accruals	101	(8)	(112)
Taxation on investment income	(1)	(13)	(23)
	<u>5,946</u>	<u>16,923</u>	<u>21,819</u>

8. Transaction costs

Purchase transaction costs for the half year ended 30 November 2009 were £60,000 (half year ended 30 November 2008: £48,000; year ended 31 May 2009: £126,000). These comprise mainly stamp duty and commission. Sale transaction costs for the half year ended 30 November 2009 were £35,000 (half year ended 30 November 2008: £30,000; year ended 31 May 2009: £55,000).

9. Comparative information

The financial information contained in this half-yearly 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 2009 and 30 November 2008 has not been audited.

The information for the year ended 31 May 2009 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and contained no statement under either section 498(2) or section 498(3) of the Companies Act 2006.

Investment Portfolio

at 30 November 2009

	Valuation at 30 November 2009 £'000	% of portfolio		Valuation at 30 November 2009 £'000	% of portfolio
Informa	7,215	3.47	Shaftesbury	2,212	1.06
WSP	6,187	2.98	Capital & Regional	2,131	1.02
Intermediate Capital	4,751	2.29	CSR	2,131	1.02
Spectris	4,648	2.24	Greene King	2,006	0.96
W S Atkins	4,634	2.23	Babcock International	1,992	0.96
Bellway	4,549	2.19	*RWS Holdings	1,969	0.95
Victrex	4,438	2.13	Debenhams	1,963	0.94
Carillion	4,362	2.10	Aveva Group	1,940	0.93
Croda	4,020	1.93	Big Yellow	1,940	0.93
Interserve	3,626	1.74	Keller Group	1,906	0.92
<i>10 largest</i>	48,430	23.30	<i>40 largest</i>	125,908	60.55
Domino Printing	3,563	1.71	Halfords	1,893	0.91
Balfour Beatty	3,460	1.66	Chime Communications	1,890	0.91
Premier Oil	3,446	1.66	Persimmon	1,861	0.90
Chemring 3,248		1.56	Spirent Communications	1,857	0.89
Northgate	3,226	1.55	BSS Group	1,847	0.89
Melrose	3,161	1.52	Mouchel 1,845		0.89
Rotork	3,094	1.49	EAGA	1,822	0.88
Charter 3,007		1.45	Euromoney Institutional		
Paragon 2,946		1.42	Investor	1,753	0.84
VT Group	2,830	1.36	Oxford Instruments	1,666	0.80
<i>20 largest</i>	80,411	38.68	NCC Group	1,628	0.78
LSL Property Services	2,743	1.32	<i>50 largest</i>	143,970	69.24
Phoenix	2,720	1.31	Senior	1,620	0.78
Ultra Electronic 2,668		1.28	Psion	1,602	0.77
Restaurant Group	2,572	1.24	Aberdeen Asset Management	1,568	0.75
Costain 2,547		1.23	Chloride	1,517	0.73
Grainger	2,531	1.22	International Ferro Metals	1,516	0.73
Synergy Healthcare	2,508	1.21	SIG	1,509	0.73
Fidessa	2,471	1.19	Meggitt	1,508	0.73
Bluebay Asset Management	2,317	1.11	ITE Group	1,497	0.72
Laird	2,230	1.07	Anite	1,435	0.69
<i>30 largest</i>	105,718	50.86	Care UK	1,432	0.69
			<i>60 largest</i>	159,174	76.56

*quoted on the Alternative Investment Market

Directors and other Information

Directors

Dudley Fishburn (Chairman)
Sally Davis
James Nelson
Keith Percy
Mary Ann Sieghart

Manager

Henderson Global Investors Limited, represented since November 2002 by Neil Hermon.

Henderson Global Investors Limited is authorised and regulated by the Financial Services Authority.

Company Secretary

Henderson Secretarial Services Limited, represented by Geoffrey Rice ACIS

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Registered Number

Registered in England and Wales as an investment company No. 25526

Registrar

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Slaughter and May
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Website

Details of the Company's share price and net asset value, together with other information about the Company, can be found on the Henderson website. The address is **www.hendersonsmallercompanies.com** or **www.itshenderson.com**

ISIN/SEDOL number

The SEDOL (Stock Exchange Daily Official List) number of the Company's shares is 9065060.

Halifax Share Dealing Limited ("HSDL")

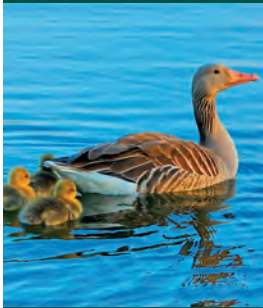
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The logo for The Association of Investment Companies (aic) consists of the lowercase letters 'aic' in a bold, sans-serif font.

The Association of
Investment Companies



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is managed by



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