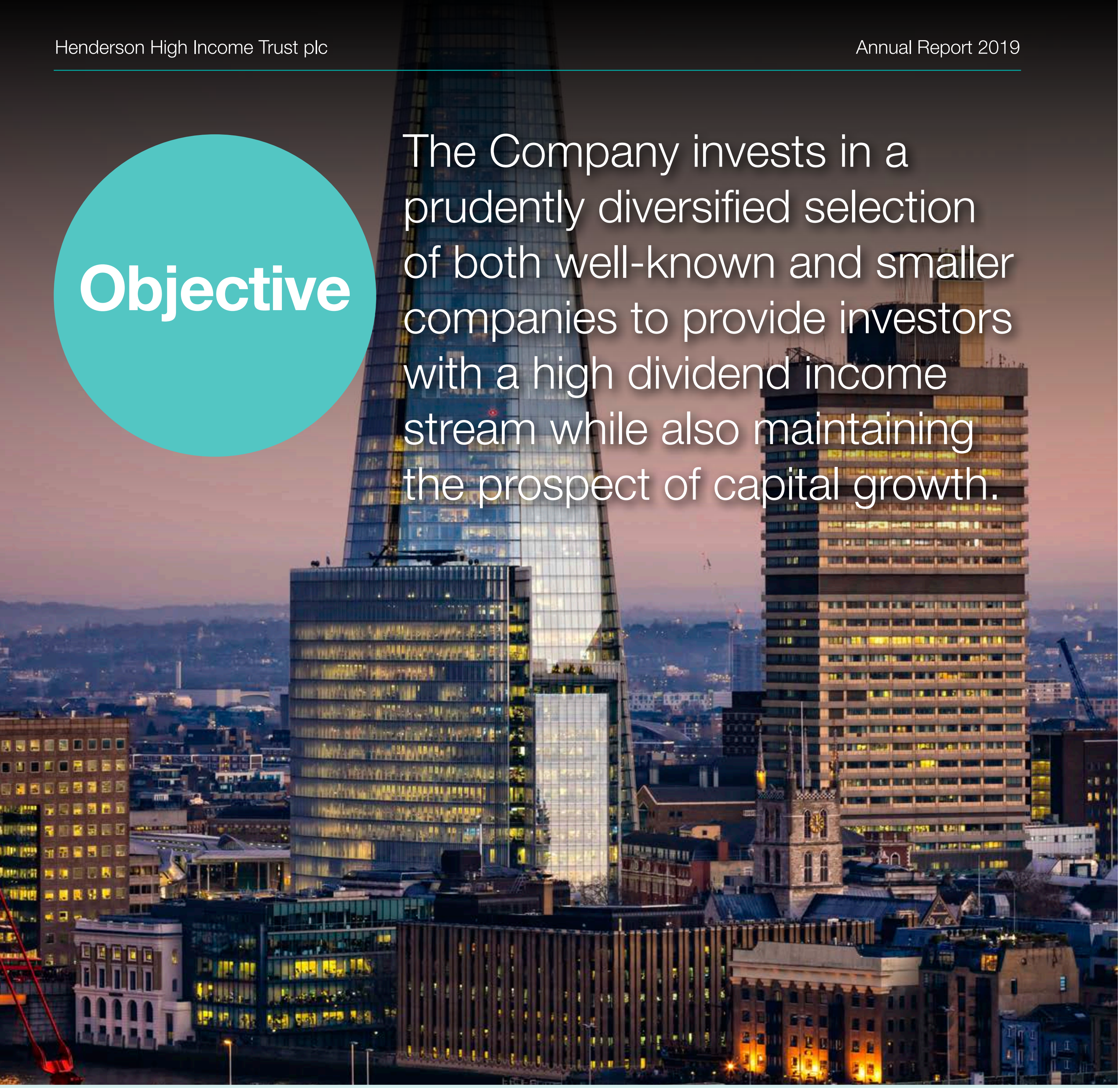
Annual Report 2019

Henderson High Income Trust plc

Seeking superior income generation and long-term capital growth

MANAGED BY
Janus Henderson
INVESTORS

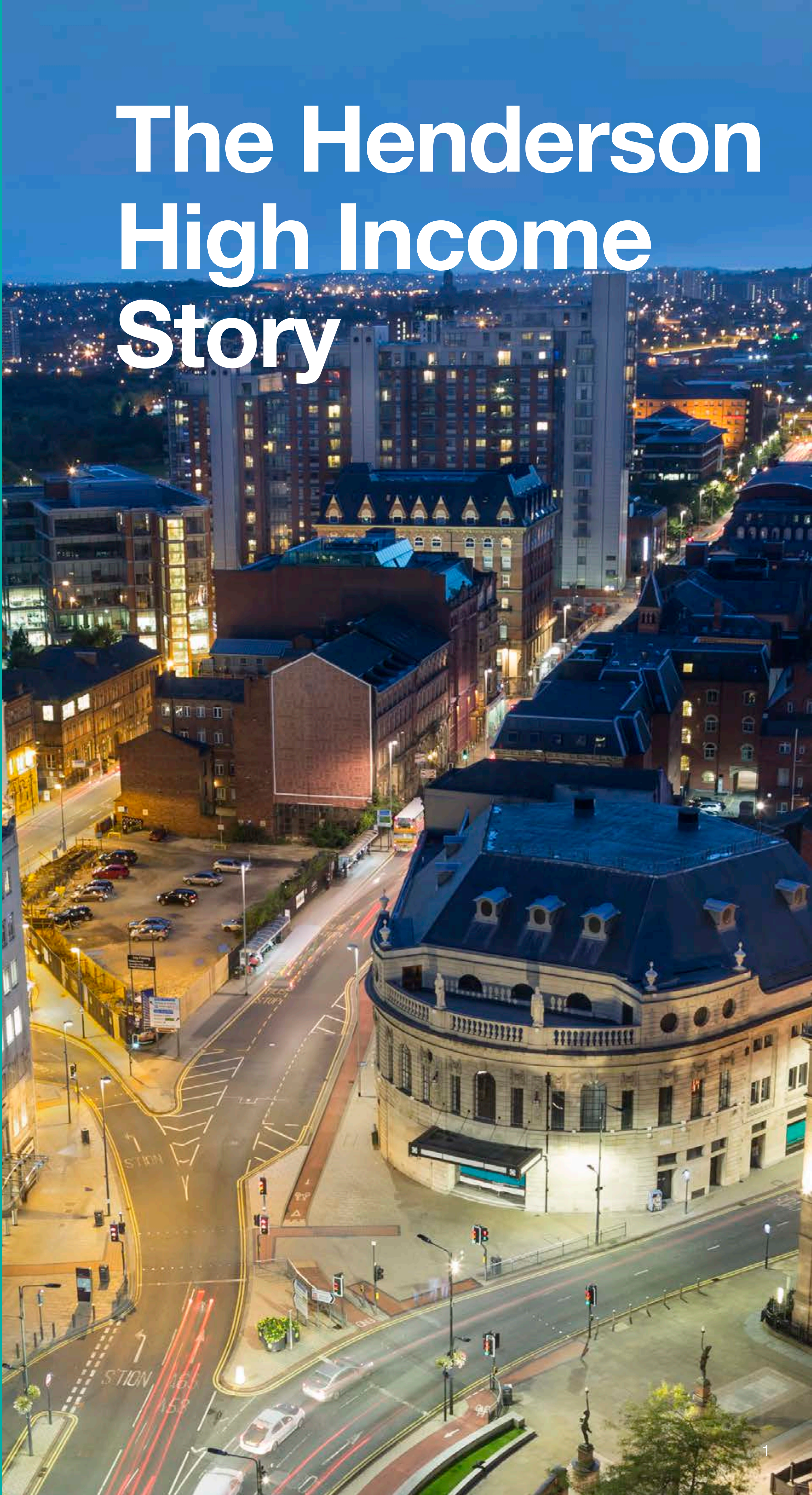
JHI9212/2019



Objective

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth.

The Henderson High Income Story

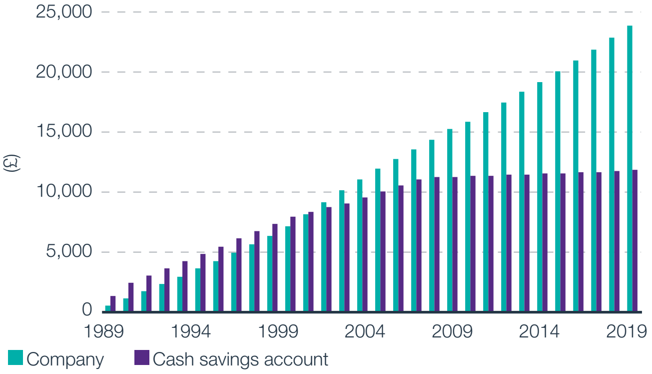


30 Years of Dividends

Income Heritage

Henderson High Income Trust plc (Company) first launched in November 1989 and recently celebrated its 30th anniversary. To mark the event the Company was delighted to be invited by the London Stock Exchange to open its market on 29 November 2019. Over the last 30 years the Company has consistently delivered a high and growing level of dividend by investing in a well-diversified selection of equity and fixed income securities. Over this period an initial investment of £10,000 in the Company's shares at launch has generated total gross dividend income of £24,000, double the interest that could have been earned from a savings account for the same period, based on the Bank of England's base rate.

Cumulative income received from an initial £10,000 investment



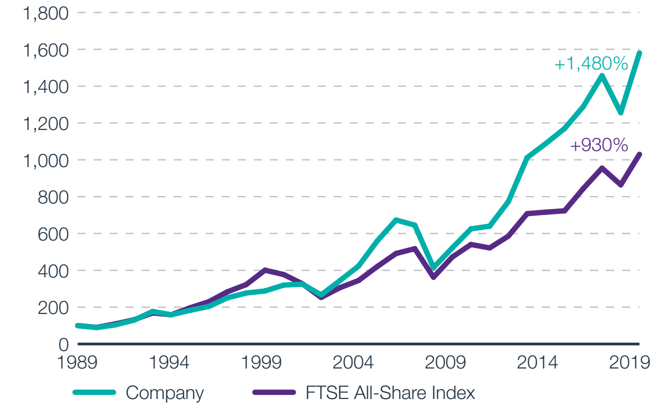
Source: Janus Henderson Investors and Refinitiv DataStream

Strong Total Returns

While the Company has provided an alternative and attractive source of income over the years, the Company has also delivered long-term capital growth, particularly for investors who reinvested their dividends back into the Company's shares. Such is the power of compounding returns that, for these investors, the same £10,000 investment is worth £148,000 thirty years later, based on the Company's net asset value (NAV) total return to 31 December 2019. This far exceeds the comparable total return of a £10,000 investment in the FTSE All-Share Index which would have grown to just £93,000 over the same period.

The world may have changed considerably since the Company was first listed, but the long-term attraction of the Company is as relevant today as it was in 1989, if not more so, in the current low interest rate environment.

The Company's NAV total return



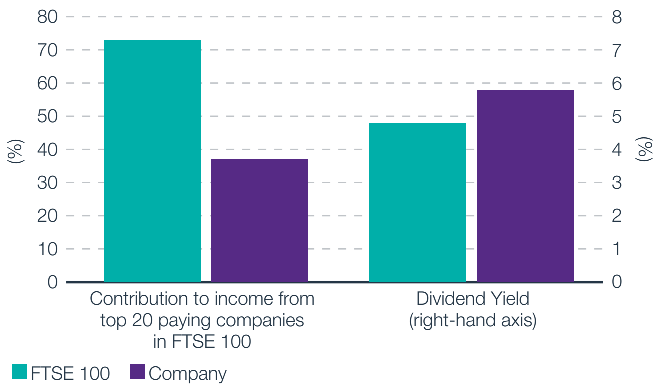
Total return as at 31 December 2019. Data rebased to 100 at 31 December 1989
Source: Henderson High Income Annual Reports and Refinitiv DataStream

Diversification of Income

Challenges for UK Income Investors

Dividend income is becoming increasingly concentrated amongst an ever-smaller number of companies in the UK market. The top 20 dividend payers in the UK generated 74% of the FTSE 100 Index's total income in 2019. This presents a particular challenge for UK income investors, especially if such dividends prove unsustainable as in the current environment. The Company deliberately reduces income concentration by constructing a well-diversified portfolio, ensuring that no single holding in its portfolio contributes more than 5% of the Company's total income, nor a single sector more than 20%. This materially lowers the risk of income concentration for the Company: the top 20 income payers within the FTSE 100 Index only contributed 37% of the Company's total income in 2019, about half the proportion of the FTSE 100 Index's aggregate income.

Contribution to income from the top 20 income paying companies in the FTSE 100 Index



Source: Janus Henderson Investors, Factset and Refinitiv DataStream

Asset Allocation

The Company's ability to allocate a portion of its portfolio to fixed interest securities provides a valuable source of alternative income and differentiates it from most other equity income investment companies. While maintaining a diversified portfolio of equities is fundamental to the Company's investment strategy, the Company can also make use of bonds to diversify further its income streams and potentially to reduce risk. Bond interest paid by companies is usually more sustainable than dividends during times of economic stress as bond holders rank higher as creditors than shareholders on a firm's balance sheet.

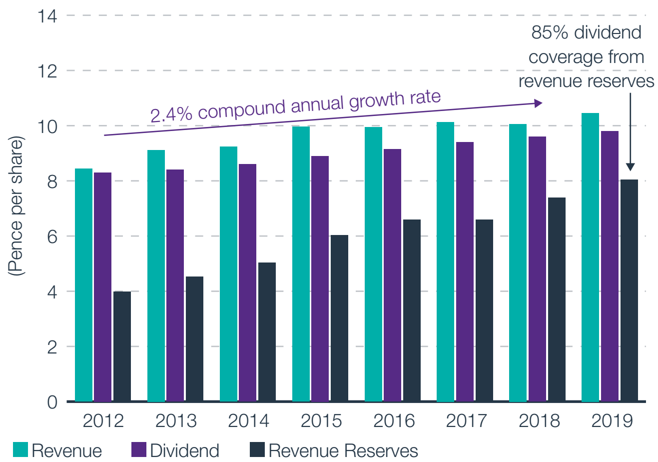
The Company also has the means to diversify its income by:

- investing up to 20% of its gross assets in overseas markets;
- investing to a limited extent in listed investment trusts that specialise in alternative income, such as renewables and infrastructure funds; and
- investing in medium-sized companies: these can constitute a larger proportion of the Company's total assets, given the smaller size of the Company relative to some of its much larger peers.

Revenue Reserves

In contrast to open ended funds, investment trusts have the valuable advantage of being able to retain surplus income and create revenue reserves. They can add to these reserves in the profitable years and pay out of them in the leaner years, thereby smoothing the level of their dividend payments when appropriate. Although the Company's investment process aims to avoid companies that cannot sustain their dividends and its well-diversified portfolio may reduce the impact of dividend cuts on its income, the Company, as an investment trust, can also use its revenue reserves to help support its own dividend in extreme circumstances, such as those we currently face. The Company has been able to grow both its dividends and its revenue reserves in the last few years. It is now in the reassuring position of having reserves that cover 85%, or the equivalent of over 10 months' worth, of the annual dividend as at 31 December 2019.

Growing dividend as well as building reserves



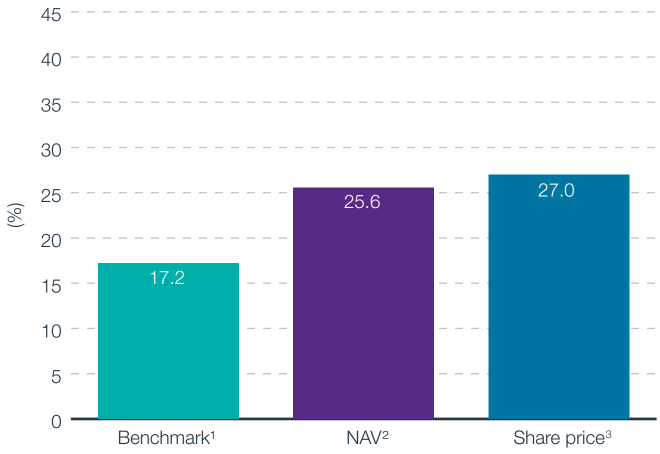
Source: Henderson High Income Annual Reports

Performance Highlights

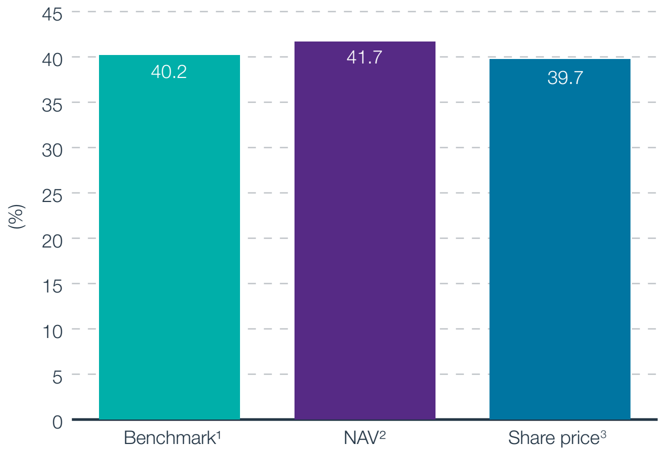
Strategic Report: Performance Highlights

Total return performance to 31 December 2019

One year

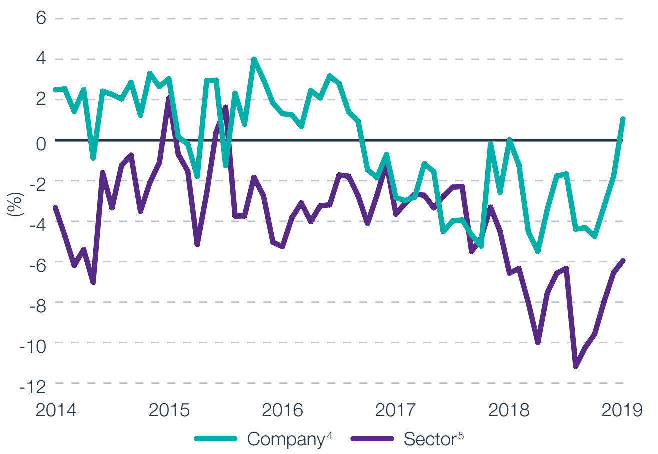


Five years

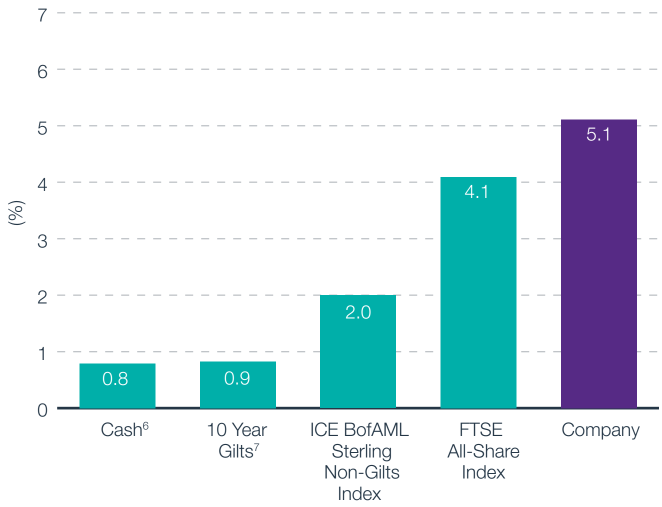


Premium/discount to 31 December 2019

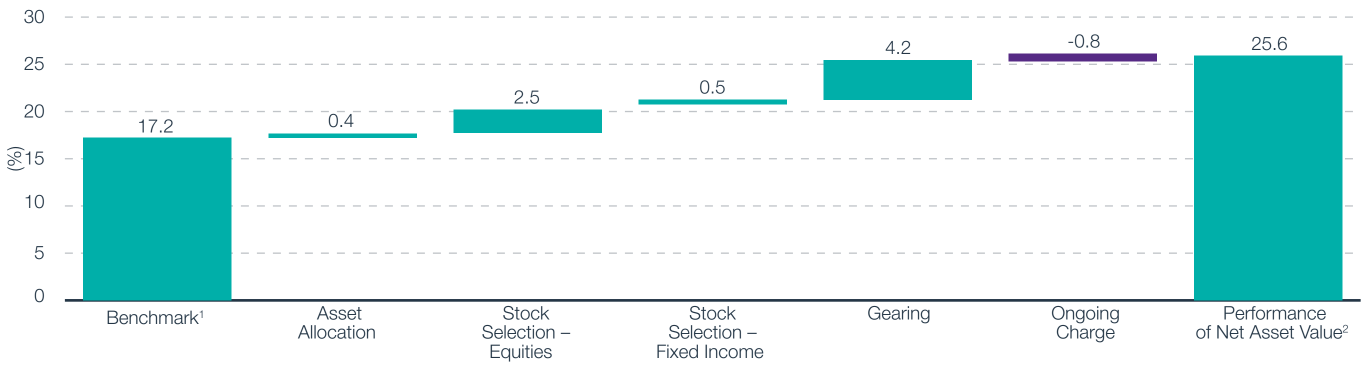
Five years



Income yield as at 31 December 2019



Attribution[8] – explanation of movement in net asset value (total return) in 2019



1 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually
2 Net asset value with debt at fair value per ordinary share total return (including dividends reinvested and excluding transaction costs)
3 Includes dividends reinvested
4 Premium/discount based on net asset value with debt at fair value
5 The AIC Equity and Bond Income sector
6 Cash based on 3 month LIBOR
7 Gross redemption yield
8 Geometric returns

A Glossary of Terms and Alternative Performance Measures can be found on page 82 and pages 83 to 84 respectively

Sources: Morningstar for the AIC, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2019 or for the year-ended 31 December 2019

Strategic Report: Performance Highlights (continued)

NAV per share[1]

2019 **189.76p**

2018 **159.46p**

Mid-market price per share

2019 **191.75p**

2018 **159.50p**

Revenue return per share

2019 **10.59p**

2018 **10.06p**

Net assets

2019 **£251.1m**

2018 **£210.8m**

Dividend for the year

2019 **9.80p**

2018 **9.60p**

Dividend yield[2]

2019 **5.1%**

2018 **6.0%**

Ongoing charge for the year

2019 **0.80%**

2018 **0.80%**

Gearing

2019 **21.5%**

2018 **27.1%**

1 Net asset value with debt at fair value as published by the AIC
2 Based on the dividends paid or announced for the year and the share price at the year-end

A Glossary of Terms and Alternative Performance Measures can be found on page 82 and pages 83 to 84 respectively

Sources: Morningstar for the AIC, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2019 or for the year-ended 31 December 2019

Chairman's Statement

Strategic Report: Chairman's Statement

Margaret Littlejohns
Chairman

Performance

As I write this now, in the midst of the rapid spread of COVID-19 across the globe, I appreciate that these are unsettling times, particularly for some of our more elderly investors and, above all, I hope that each of you is keeping well and managing through this difficult period of self-isolation and social distancing.

Following the dramatic falls in financial markets, in response to this pandemic, we should try not to forget that 2019 finished on such a positive note for investors. In fact, over the year, the FTSE All-Share Index experienced its best performance since 2013. It was particularly pleasing that for the year of its 30th anniversary, the Company performed so well, both on a relative and absolute basis, delivering a NAV total return of 25.6% for 2019. This is a significant outperformance of its benchmark, at over 8.0%. Over the year the Company's shares moved to a small premium to their NAV (with debt at fair value), finishing the year at a 1.0% premium (2018: 0.0%). This resulted in the Company's shares delivering a total return, including dividends, of 27.0% for the full year.

2019 was a remarkable year for investments in general with most asset classes generating attractive returns in local currency terms, buoyed by the continuing easy monetary policy of the major central banks. These external influences should not, however, detract from the achievement of our Fund Manager, David Smith, who improved upon our benchmark's performance by a substantial margin. He will explain the reasons for this in more detail in his Fund Manager's Report.

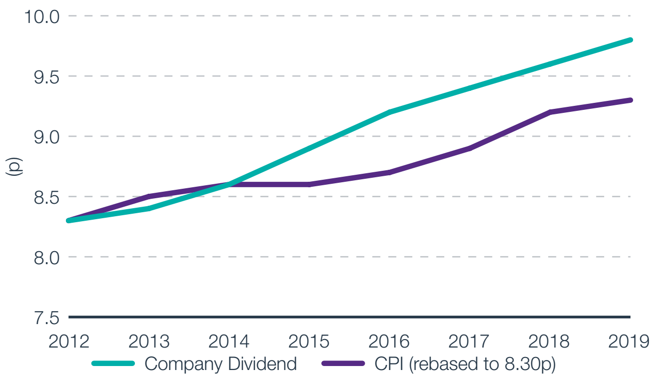
Events have since taken an unexpected and very dramatic change of direction as the COVID-19 pandemic has spread quickly beyond Asia and markets are currently digesting the impact of this simultaneous supply and demand shock upon global growth and the participants in our economies. In these volatile conditions, it is important to remember the long-term benefits of income investing. The Henderson High Income Story (please refer to pages 2 and 3) celebrates the significant milestone of the Company's 30th birthday in 2019 and powerfully demonstrates the superior returns that can be achieved over a long-term horizon. Over the past 30 years the Company has navigated its way through various financial storms ranging from Black Wednesday in 1992 and the Global Financial Crisis of 2007/08, through to the current Brexit negotiations, and has managed throughout to pay regularly a comparatively high level of dividend. A £10,000 investment in Henderson High Income Trust plc at its launch would have generated a total income of £24,000 over this period. By comparison the same £10,000 would only have earned £12,000 interest in a bank account, based on the Bank of England's base rate. If investors had reinvested the Company's dividends in the Company's shares, that £10,000 would be worth about £148,000, based on the Company's NAV total return over the 30 years to the end of 2019. The same £10,000 invested in the FTSE All-Share Index on a total return basis over those 30 years would be worth £93,000, less than two-thirds of the Company's total return over the same period. This certainly shows the advantages of the compounding effects of dividend reinvestment, but also the benefits of gearing and active portfolio management, as practised by the Company.

Dividends

During 2019 the Company's revenues remained healthy and grew by 5.3% with revenue return per ordinary share rising from 10.06p in 2018 to 10.59p in 2019. At the interim stage we were sufficiently confident in the cash generation of the portfolio to increase the Company's third interim dividend for the financial year-ended 31 December 2019 from 2.425p to 2.475p per ordinary share. We announced the fourth interim dividend at the same level, making a total of 9.80p per ordinary share for 2019, representing growth of 2.1% on the previous year. The dividend yield on the Company's share price as at year-end was 5.1%, comfortably higher than the FTSE All-Share Index yield of 4.1%.

We have now steadily increased our annual total dividend for the last seven years and over this period the Company's dividends have grown by more than inflation, as measured by the consumer price index (CPI). Our revenue reserves have now exceeded £10 million and represent nearly 10 months' worth of dividend cover, providing a reassuring cushion for any difficult times ahead.

The Company's dividend growth has been ahead of inflation over 7 years



Source: Henderson High Income Trust plc Annual Reports and Bloomberg

It remains the Board's investment objective to increase the Company's dividend gradually, but it is subject to investment conditions at the time and whether we determine such an increase to be sustainable in the future. We are entering unchartered territory following the recent introduction of government measures, unprecedented in peace times,

Strategic Report: Chairman's Statement (continued)

including building closures, home-working, travel restrictions, self-isolation and social distancing. All these will have an impact on the revenue generation of companies in our portfolio. In such circumstances some of our investee companies may take the decision to preserve cash in preference to maintaining their dividend. We will carefully monitor the level and sustainability of income received by the Company over the coming year and will assess this together with the level of our own revenue reserves to determine the Company's own dividends.

Gearing[1]

Our policy on gearing is provided in our Investment Policy (please refer to page 22). At the end of 2019 we had drawn down approximately £38 million of our £45 million floating rate revolving credit facility with Scotiabank, leaving some £7 million available for future investment opportunities. Investment of this floating rate facility, combined with the long-term fixed rate senior unsecured note of £20 million, helps to generate additional income and increase the Company's total return to shareholders. Our level of gearing had fallen from 27.1% at the end of 2018 to 21.5% at 2019 year-end, partly as an intentional strategy to reduce risk and partly as a result of the increasing capital value of the underlying assets. Nearly 80% of the Company's borrowings have been used to fund bonds within the portfolio, with the average yield providing a profitable margin over the Company's average cost of borrowing. The level of gearing allocated to equities (4.6% as at the end of 2019) was therefore considerably lower than the reported headline gearing figure.

In light of the recent market events, we have recently reduced borrowings further under this flexible facility and will continue to review our level of gearing going forward.

Liquidity Considerations

The issue of portfolio liquidity has been extensively covered by the press during last year and I would like to address this now in the context of this Company. The closed-ended structure of investment trusts, such as the Company's, naturally avoids the need to sell portfolio holdings to meet investor redemptions. Nonetheless, I would like to reassure our investors that the Company's investment portfolio comprises listed securities which are readily realisable and the Fund Manager is not permitted to invest in unquoted securities. Thus, liquidity risk is not considered to be material for the portfolio.

Responsible Investing

Responsible investing is a term that is growing in prominence and relates to how environmental, social and corporate governance (ESG) factors impact a company's long-term sustainability. Analysis of the sustainability of a business' profits has always been at the core of the Company's investment strategy, for which ESG considerations are incorporated. Please refer to the Fund Manager's Report for more detail on how ESG considerations are integrated into the investment process.

The Board believes that voting the Company's shareholdings at general meetings is essential to corporate stewardship and is an effective means of expressing its views on the policies and practices of its investee companies. These voting decisions reflect the provisions of Janus Henderson's Responsible Investment Policy which is publicly available at **www.janushenderson.com** and records the high standards of corporate behaviour that are expected. Ultimately, however, our Fund Manager makes the final decision on any controversial votes, after any necessary consultation with the Board. Janus Henderson will actively engage with those companies that fall below such expectations to encourage improvement over time, but the final sanction is the divestment of those holdings that fail to make an acceptable transition and adapt sufficiently. The Board monitors the process by reviewing on an annual basis a report on the Company's voting pattern. Details of specific votes cast against resolutions in the year under review can be found in the Environmental, Social and Governance Matters section on page 32.

Growth

We continue to believe that it is in the best interests of all our shareholders for the Company to diversify and increase its capital base as this should with time increase the liquidity of the Company's shares and spread the Company's fixed costs over a larger number of shares. As the Company's shares traded at a small discount for most of 2019 until the General Election in December, we did not exercise the authority to allot shares at a premium to NAV, as granted by shareholders at the last AGM. This authority is due to expire at the forthcoming AGM and we are therefore asking shareholders to renew this authority so that the Company can expand further if and when appropriate.

Continuation Vote

The Company's Articles of Association provide that shareholders should have the opportunity every fifth year to vote on whether they wish to continue the life of the Company or to wind it up. Shareholders will, therefore, be asked to vote on this at the forthcoming AGM, as an ordinary resolution, which requires a majority vote in favour to pass.

The Board strongly recommends that you vote in favour so the Company can continue its objective of providing a regular high level of income while maintaining the prospect of capital growth over time. If the resolution fails to pass, the Board would be required to wind up the Company. If you are in any doubt as to what action you should take, please consult your financial advisor. The directors will be voting their own holdings in favour and encourage all other shareholders to do the same.

Succession Planning

The Board is now nearing the end of its five-year succession process to refresh itself so that a younger Board (both in age

1 Please refer to the Alternative Performance Measures on pages 83 and 84

Strategic Report: Chairman's Statement (continued)

and tenure) will be in place when I retire at the 2021 AGM. As part of this process, Richard Cranfield was appointed to the Board on 1 March 2020. Richard is a partner of the law firm Allen & Overy where he is global chairman of the corporate practice and co-head of its financial institutions group. In 2019 he was appointed Chairman of IntegraFin Holdings plc, a FTSE 250 Company that owns Transact, an investment platform provider. More details of his experience and expertise can be found in the Board of Directors section on page 35. Four new directors have now joined the Board since 2016 and their appointments have been phased annually to ensure that the required mix of skills, experience and corporate knowledge is retained during this process of refreshment. This succession plan complies with the new AIC Code of Corporate Governance issued in February 2019 and a formal policy on directors' tenure, including the Chairman's tenure, has recently been established by the Nominations & Remuneration Committee, details of which can be found in the Corporate Governance Report on page 37.

Our plan includes five years of service by me as Chairman (after my eight years as a non-executive director on the Board), with my retirement scheduled for the conclusion of the AGM in 2021, following the Company's continuation vote this year. We will begin our search for a further director in the second half of this year and my successor as Chairman will be determined by the Nominations & Remuneration Committee ahead of my retirement and announced with the release of our 2020 financial results. It is our intention to maintain the number of board members at five but this will temporarily increase to six during this succession period. The Board believes this plan continues to achieve a sensible balance between continuity and reinvigoration and is in the best interests of the Company.

Anthony Newhouse who has served on the Board since July 2008, and more recently as Senior Independent Director, will be retiring from the Board at the forthcoming AGM. Anthony's legal expertise and commercial experience have been of enormous benefit to the Company. On behalf of the Company I would like to thank Anthony for his valuable contribution to the Board's discussions and his wise counsel during his twelve years of service. More personally I would also like to thank him for his unfailing support and advice to me during our many years of working together on the Board. Zoe King will become Senior Independent Director on Anthony's retirement.

AGM

We usually hold our AGM in early May however, in light of the current situation the Board has decided this year to hold the AGM on Tuesday 23 June 2020 at 12 noon. By this date 13 weeks will have passed since the beginning of the UK's "lockdown" and we hope that some of the restrictions will be lifted by then. The AGM is currently scheduled to be held at the offices of Janus Henderson at 201 Bishopsgate, London, EC2M 3AE however it may be necessary to change the venue and/or the date of the AGM, subject to the advice of the public health authorities and the UK government closer to the time. Any changes as to the venue and/or date and time of this year's AGM will be made available on a dedicated section of the Company's website at **www.hendersonhighincome.com** and additionally an announcement will be released to the Stock Exchange.

It is our current intention to live stream the formal business and the usual presentation from the Fund Manager, David Smith, which will be available to view by logging on to **https://www.janushenderson.com/en-gb/investor/investment-trusts-live/** at 12 noon on Tuesday 23 June 2020.

In light of the current situation and respecting that shareholders may not wish to travel to the AGM, this year's voting will be conducted on a poll rather than a show of hands and we therefore encourage all shareholders to submit their votes as early as possible by proxy. Proxy votes can be lodged in advance either through postal voting or the CREST system. For further instructions on proxy voting, please see the proxy form and the notice of meeting sent out to shareholders with this Annual Report. Both these documents are also available on the Company's website.

Prospects and Outlook

Fears over the widespread transmission of COVID-19 and the effectiveness of government actions to contain the virus have weighed heavily on sentiment and market levels, while the decision by Saudi Arabia and Russia to instigate an oil price war in the middle of the crisis sent a fresh deflationary shock through the financial system. Although there will be a significant short-term impact on both global economic growth and company profitability from the disruption caused, governments and central banks are beginning to initiate a coordinated response, both in terms of further monetary and fiscal stimulus, to provide support. Caution is certainly warranted in these uncertain times, not least because of the unknown severity and duration of the impact of the virus over the medium-term but also because of the additional challenges of implementing the UK's withdrawal from the European Union and negotiating related trade agreements during such a period. In addition, markets may be further unsettled in the run up to the US elections in November. However, with interest rates and bond yields at extremely low levels, income generated from other sources will remain a focus for investors and is likely to be sought from equities which have the potential to pay dividends in all but extreme economic conditions.

We are confident that the well-diversified portfolio carefully constructed by David Smith is in a good position to continue to generate a relatively high income stream over the long run. This will continue to be highly valued by our shareholders, many of whom have been long-term holders. We would like to take this opportunity following our thirtieth anniversary to express our appreciation of our shareholders' loyalty and support over many years. We hope that you keep well and that our relationship will strengthen and continue for many more years to come.

Margaret Littlejohns
Chairman
16 April 2020

Fund Manager's Report

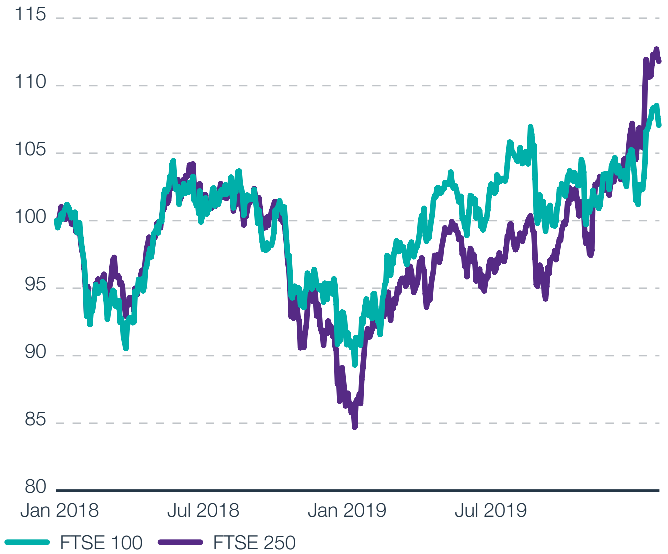
Strategic Report: Fund Manager's Report

David Smith
Fund Manager

Review of Year

Given the outbreak of COVID-19 across the world and the recent market turmoil, it is difficult to remember that 2019 turned out to be a strong year for equity markets, with the FTSE All-Share Index up 19.2% on a total return basis. The US Federal Reserve's decision to reverse its recent interest rate hiking cycle and start cutting rates was taken positively by investors and helped to offset slowing global growth. Markets were further supported later in the year by an initial agreement between the US and China on trade relations, a stabilisation in global manufacturing data and the Conservatives winning a significant majority in the UK's General Election. The Company's NAV rose 25.6%, outperforming the benchmark's rise of 17.2%. Good stock selection within the equity and bond portfolios were positive for performance, while gearing further enhanced returns given the strong market backdrop.

Strong rebound in equity markets in 2019



Source: Refinitiv DataStream
Total return as at 31 December 2019
Indices rebased to 100 at 31 December 2017

UK economic growth slowed to 1.1% in 2019 as Brexit uncertainty and political paralysis weighed on corporate confidence. Despite this, the more domestically focused FTSE 250 Index (+28.9%) significantly outperformed the FTSE 100 Index (+17.3%) which contains a larger proportion of multinational companies. While the UK General Election result in December provided some political clarity and a boost to domestic cyclical companies late in the year, they started to outperform from mid-summer, after Boris Johnson became Prime Minister, in the hope that the Brexit stalemate would be resolved.

The equity portfolio rose by 22.6% during the year, outperforming the FTSE All-Share Index return. The portfolio's holdings in domestic cyclicals, such as housebuilders Galliford Try and Bellway and brick manufacturer Ibstock, benefited performance. The removal of political uncertainty in the UK supported share prices, while Galliford Try was further buoyed by a bid for its Housebuilding and Partnerships divisions from competitor Bovis. The portfolio's positions in utilities, such as Severn Trent and National Grid, also benefited performance. Utilities in recent years had been weighed down by the prospect of renationalisation under a left-wing Labour led government, hence, the General Election result eliminated this risk thereby supporting the share prices.

Merger & Acquisition activity picked up during the year as international investors used weak sterling and low relative valuations as an opportunity to buy UK corporates. Within the portfolio the holdings in Greene King, KCOM and Manx Telecom were all subject to takeovers from foreign investors, which was positive for performance. Elsewhere the portfolio's positions in Phoenix and Intermediate Capital also aided returns. Life insurer Phoenix benefited from investors gaining comfort over the long-term sustainability of the dividend post the acquisition of Standard Life Assurance. Intermediate Capital meanwhile, delivered strong profit growth in the period, driven by good performance and robust net inflows in its fund management division.

The main detractors from returns were the portfolio's holdings in Ted Baker and Imperial Brands. Ted Baker has been particularly disappointing given the very tough retail environment and unprecedented levels of discounting severely impacting profitability. The holding was sold in October following the disappointing interim results with the company subsequently warning on profits again, suspending the dividend and the CEO and Chairman resigning. Imperial Brands warned that profits would be below expectations due to weakness in its vaping products. Despite the disappointing performance, we believe the current valuation does not fairly reflect the strong cash flow the company generates hence the holding has been maintained.

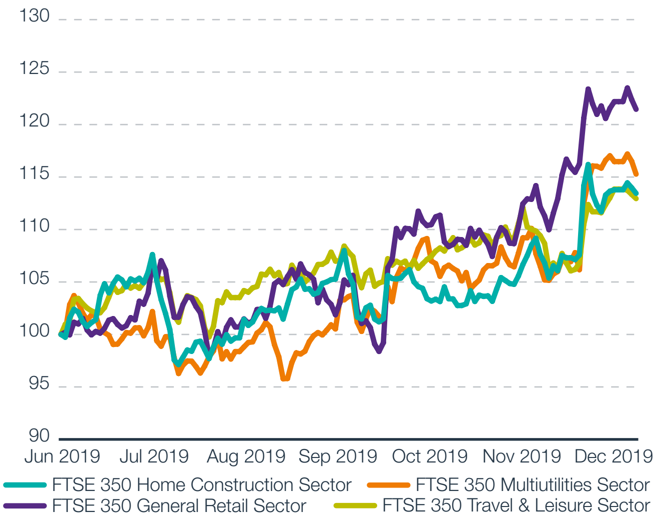
The fixed income portfolio also had a strong year, returning 13.4% on a total return basis, outperforming the 9.5% rise in the ICE BofAML Sterling Non-Gilts Index. The portfolio benefited from both government bond yields falling, with the UK 10-year gilt yield contracting to 0.82% as at the end of December, and credit spreads tightening (both positive for bond prices). It was particularly pleasing that the exposure to US investment grade credit, increased just over twelve months ago, performed well. Elsewhere holdings in Tesco and HCA (private healthcare service provider) aided performance after both had their credit ratings upgraded from high yield to investment grade in the period, which was taken positively by bond investors.

The revenue return over the year was strong at 10.59p per share (2018: 10.06p per share), with the majority of this growth driven by special dividends. Over the year the Company earned

Strategic Report: Fund Manager's Report (continued)

£710,000 in special dividends, significantly up from the previous year, with Rio Tinto, Coca-Cola HBC and International Consolidated Airlines (the holding company of British Airways) all paying supplemental payments to shareholders. Underlying dividend growth from the portfolio was more modest as the dividend cut from Vodafone offset good growth elsewhere from the likes of Intermediate Capital, Hilton Food and Tesco. The Company raised its own full year dividend for the seventh year in succession to 9.80p per ordinary share, an increase of 2.1%, and had over £1 million in retained revenues in the year to 31 December 2019, thus further strengthening the Company's revenue reserves to over £10 million. The outlook for dividends from the UK equity market this year is, however, very uncertain, as measures to slow the spread of COVID-19 cause the economy to contract in the short-term. We have already seen a number of investee companies suspend dividend payments in the first quarter of 2020, however, the Company's diversified equity portfolio, the income generated from its bond holdings and the level of its revenue reserves should all help mitigate this impact.

Domestic cyclicals and utilities performed well in the second half of 2019 especially after the UK's General Election result



Price Return as at 31 December 2019. Indices rebased to 100 at 30 June 2019
Source: Bloomberg

Portfolio Activity

At the start of the year, the allocation to the bond portfolio was increased further, specifically adding to US investment grade corporate bonds, such as cable company Charter Communication and the US dollar denominated bonds issued by Heineken. We also initiated a position in media company Entertainment One and added to our holding in Virgin Media, maintaining the portfolio's focus on non-cyclical businesses that provide a reliable, consistent income stream. Elsewhere we sold our holdings in Lockheed Martin and Iron Mountain, as both bonds had performed well and, therefore, did not offer a compelling enough yield going forwards. The allocation to the bond portfolio finished the year at 15.0% and 18.2% of the gross and net assets respectively.

Within the equity portfolio we initiated new positions in 3i, Reckitt Benckiser and French pharmaceutical company, Sanofi. 3i is a mid-market private equity company with a growing infrastructure business. The current management team have a strong track record of delivering good returns on investment, even in more anaemic economic conditions, given their disciplined approach. Reckitt Benckiser owns strong global brands, such as Nurofen, Strepsils and Gaviscon, with high market shares in growing categories focused on consumer healthcare. The valuation is attractive for a good quality company with the new CEO's turnaround plan likely to drive profit growth into the longer term. Sanofi is a well-diversified pharmaceutical business that also owns high quality consumer health care and vaccine assets. The new management team are focused on increasing research and development productivity and improving operational efficiencies to drive margins higher, while the valuation remains attractive with the shares trading at a significant discount to the global peer group.

Towards the end of the year, the Company increased the exposure to short cycle industrials, given the belief at the time that the manufacturing slowdown experienced over the last 18 months was stabilising and industrial production could start to recover with help from any truce in the US-China trade war. In this regard, the Company initiated positions in Bodycote and Vesuvius. Bodycote is the largest independent operator that provides heat treatment to industrial metals and alloys to improve material properties such as durability and ductility. The company is well diversified in terms of end customer exposure and has been growing its specialist technologies division which commands high barriers to entry and strong margins. Vesuvius is a good, albeit cyclical, business with global market leadership, strong cash flow and a robust balance sheet. The company manufactures systems which regulate and protect the flow of molten steel and also produces consumables products for the foundry casting process. Both companies' valuations had fallen due to the global industrial slowdown to very attractive levels, and although global manufacturing has undoubtedly been impacted by the spread of COVID-19, these companies should participate fully in any recovery in due course.

During the year we sold out of holdings in ITV, BAE Systems and Barclays. Although ITV has diversified its business towards content production in recent years, the majority of revenues are still derived from advertising which is more volatile, while growth of video streaming services, such as Netflix and Amazon Prime, could intensify the structural pressure on traditional broadcasting. BAE Systems had performed well over the longer term and the valuation had reached a less attractive level given the lack of visibility over margins and cash flow. Barclays' returns continue to disappoint and the current strategy to grow certain areas of the investment bank has high execution risk, will consume capital and constrain cash flow. Although the retail bank is

Strategic Report: Fund Manager's Report (continued)

currently trading well, loan impairments are at historical low levels at a time of subdued UK economic growth while competition in the mortgage market is putting pressure on margins. Following the takeovers of Greene King, KCOM and Manx Telecom we exited each holding during the year.

Responsible Investment Strategy

Responsible investing is the consideration of environmental, social and corporate governance (ESG) factors when evaluating a company's business model and prospects. Business sustainability has always been at the core of the investment strategy for the Company, which includes assessing ESG issues and how these could impact a company over the longer term.

Our approach to responsible investing is to integrate the analysis of ESG factors into the stock selection and monitoring process. While no company is specifically excluded from investment on ESG grounds, we seek to understand how a company is managing ESG risks through its policies and processes and how it is investing and evolving to remain sustainable over the longer term. As with managing a business's operational and financial risks, those companies with good processes for managing ESG risk factors generally outperform. We prefer to actively engage with companies and their management teams and if we believe material ESG policies and processes are not sufficient or improving, or that change is not being embraced, a position will be sold, or no investment will be made.

At Janus Henderson we use a variety of sources to help identify and monitor material ESG risks, including fund manager research and input from the independent Janus Henderson Governance and Responsible Investment Team and third-party data providers, such as Sustainalytics, RepRisk, Climetrics and ISS.

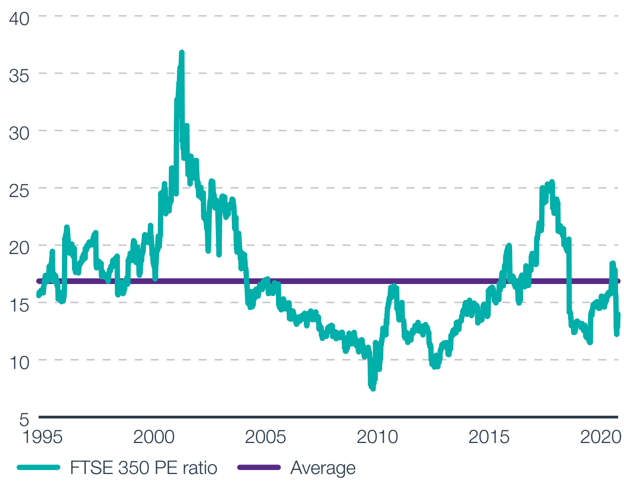
Outlook

After a strong year for equity markets in 2019, this year has started extremely poorly. The spread of COVID-19 across Asia and into Europe and the US has unnerved investors, compounded by the decision by Saudi Arabia and Russia to abandon previous moves to support the oil price. The short-term impact on economic growth from government actions to contain the virus will be significant and most companies will no doubt experience disruption, either through a lack of demand for their products and services or via their supply chains. Volatility is likely to remain elevated not least due to the virus outbreak, but also impacted by negotiations between the UK and EU about future trading relationships, the US presidential elections and any sustained oil price war implemented by Saudi Arabia.

With this uncertain outlook in the first quarter of the year we have reduced borrowings and lowered the Company's exposure to cyclical companies in favour of defensive businesses that have more dependable cash flows. Companies within the portfolio may prioritise conserving cash over paying dividends in the short-term but the Company's well-diversified portfolio and a focus on good quality investments should help reduce the impact of dividend cuts on the Company's income. The level of revenue reserves that the Company has built up over the last decade also provides reassurance.

Although the outlook is particularly uncertain, there is some early evidence from China that factories in most parts of the country are now returning to production, suggesting that the spread of COVID-19 can be managed. Also, governments and central banks globally have announced significant stimulus packages to help support economies while valuations have now fallen to very attractive levels. Although it is still a time to remain cautious, the recent market sell-off has created good opportunities for long-term investors, while the reduction in UK interest rates to just above zero should provide support for equities which generate reasonable dividend yields. These are unprecedented times, but we have confidence in our disciplined investment process, which has produced good performance over the longer term.

UK market valuation now below the long time average



Source: Bloomberg
As at 13 March 2020. PE = Price Earnings Ratio

David Smith
Fund Manager
16 April 2020

Portfolio and Financial Information

Strategic Report: Investment Portfolio

Investments: Fixed Interest

PREFERENCE SHARES	Total 31 December 2019 £'000
General Accident 8.875%	1,192
Middlefield Canadian Income 7%	750
National Westminster Bank 9%	393
Nationwide Building Society 10.625%	2,167
Total Preference Shares	**4,502**
OTHER FIXED INTEREST	
Amazon.com 3.15% 2027 (USA)	480
American Tower Corp 3.6% 2028 (USA)	2,221
Anheuser-Busch 4.75% 2029 (USA)	963
Aramark Services 5% 2028 (USA)	2,227
Arqiva Broadcast Finance 6.75% 2023	1,808
Aviva 6.125% Variable Perpetual	1,099
AXA 5.453% Variable Perpetual (France)	966
Barclays Bank 6.278% Perpetual	855
BUPA Finance 5% 2026	403
Charter Communication 4.908% 2025 (USA)	2,161
Cintas Corp No. 2 3.7% 2027 (USA)	1,392
Comcast Corp 4.15% 2028 (USA)	1,828
Constellation Brands 4.75% 2024 (USA)	749
CPUK Finance 4.875% 2025	2,061
Crown Castle 3.2% 2024 (USA)	2,382
Elanco Animal Health 4.272% 2023 (USA)	1,332
Entertainment One 4.625%	2,424
HBOS 7.881% Perpetual	600
HCA 5% 2024 (USA)	2,401
Heineken 3.5% 2028 (USA)	1,600
McDonald's 3.8% 2028 (USA)	495
Prudential 6.125% 2031	671
RBS Capital Trust 6.425% Perpetual	358
Service Corp Intl 4.625% 2027 (USA)	1,318
Sysco Corp 3.25% 2027 (USA)	2,215
Tesco 5.2% 2057	791
Tesco 5.5% 2033	1,369
Verizon Communications 3.376% 2025 (USA)	292
Verizon Communications 4.016% 2029 (USA)	2,027
Virgin Media 5% 2027	529
Virgin Media 6.25% 2029	1,242
Total Other Fixed Interest	**41,259**
TOTAL FIXED INTEREST	**45,761**

Investments: Equities (including convertibles and investment funds)

OIL & GAS	Total 31 December 2019 £'000
Oil & Gas Producers	
BP	7,929
Royal Dutch Shell	9,882
Total Oil & Gas	**17,811**
BASIC MATERIALS	
Chemicals	
Johnson Matthey	5,172
Victrex	2,724
Mining	
Rio Tinto	6,437
Total Basic Materials	**14,333**
INDUSTRIALS	
Aerospace & Defence	
Senior	1,856
Construction & Materials	
Balfour Beatty[1]	683
Ibstock	2,653
General Industrials	
DS Smith	2,935
Smiths Group	2,940
Vesuvius	2,575
Industrial Engineering	
Bodycote	2,546
Support Services	
Bunzl	3,972
Essentra	2,452
Total Industrials	**22,612**
CONSUMER GOODS	
Automobiles & Parts	
TI Fluid Systems	2,496
Beverages	
Britvic	3,882
Coca-Cola HBC	3,388
Diageo	10,615
Food Producers	
Cranswick	3,350
Hilton Food	5,005
Household Goods & Home Construction	
Bellway	3,245
Galliford Try	3,249
Reckitt Benckiser	1,159
Personal Goods	
Unilever	5,449
Tobacco	
British American Tobacco	8,015
Imperial Brands	5,525
Total Consumer Goods	**55,378**

1 Includes convertibles

Strategic Report: Investment Portfolio (continued)

Investments: Equities (including convertibles and investment funds)

HEALTH CARE	Total 31 December 2019 £'000
Pharmaceuticals & Biotechnology	
AstraZeneca	6,961
GlaxoSmithKline	11,993
Roche (Switzerland)	3,040
Sanofi (France)	3,063
Total Health Care	**25,057**

CONSUMER SERVICES	
Food & Drug Retailers	
Tesco	5,235
General Retailers	
Next	3,349
Media	
Informa	4,388
RELX (Netherlands)	6,417
Travel & Leisure	
Compass	3,843
Go-Ahead	2,876
International Consolidated Airlines	2,288
National Express	3,399
Whitbread	3,497
Total Consumer Services	**35,292**

TELECOMMUNICATIONS	
Fixed Line Telecommunications	
BT	4,145
Mobile Telecommunications	
Vodafone	5,079
Total Telecommunications	**9,224**

UTILITIES	
Electricity	
SSE	3,054
Gas, Water and Multiutilities	
National Grid	6,930
Severn Trent	3,369
United Utilities	2,958
Total Utilities	**16,311**

FINANCIALS	Total 31 December 2019 £'000
Banks	
HSBC	6,138
Lloyds Banking	5,617
Equity Investment Instruments	
Blackstone/GSO Loan Funding (Jersey)	2,287
Greencoat UK Wind	2,283
Tufton Oceanic Assets	1,846
Financial Services	
3i	3,948
Intermediate Capital	3,392
Jupiter Fund Management	2,514
Schroders	3,314
Standard Life Aberdeen	2,793
Life Insurance	
Chesnara	2,459
M&G	2,196
Phoenix	4,779
St.James's Place	3,632
Nonlife Insurance	
Sabre Insurance	2,864
Real Estate Investment Trusts	
Big Yellow	3,614
Hammerson	2,449
Land Securities	2,370
PRS REIT	1,354
Total Financials	**59,849**

TECHNOLOGY	
Software & Computer Services	
Sage	3,436
Total Technology	**3,436**

TOTAL EQUITIES	259,303
TOTAL	305,064

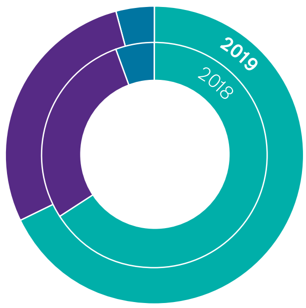
Strategic Report: Investment Portfolio (continued)

Percentage Breakdown of Investments by Sector

	Total 31 December 2019 %	Total 31 December 2018 %
FIXED INTEREST		
Preference shares	1.5	1.4
Other fixed interest	13.5	12.6
Total Fixed Interest	**15.0**	**14.0**
EQUITIES		
Oil & Gas		
Oil & gas producers	5.8	7.0
Total Oil & Gas	**5.8**	**7.0**
Basic Materials		
Chemicals	2.6	2.7
Mining	2.1	2.0
Total Basic Materials	**4.7**	**4.7**
Industrials		
Aerospace & defence	0.6	1.3
Construction & materials	1.1	1.1
General industrials	2.8	2.1
Industrial engineering	0.8	–
Support services	2.1	2.2
Total Industrials	**7.4**	**6.7**
Consumer Goods		
Automobiles & parts	0.8	0.6
Beverages	5.9	6.4
Food producers	2.7	3.7
Household goods & home construction	2.6	1.1
Personal goods	1.8	1.4
Tobacco	4.4	4.8
Total Consumer Goods	**18.2**	**18.0**
Health Care		
Pharmaceuticals & biotechnology	8.2	7.5
Total Health Care	**8.2**	**7.5**
Consumer Services		
Food & drug retailers	1.7	1.6
General retailers	1.1	0.7
Media	3.5	4.5
Travel & leisure	5.3	4.2
Total Consumer Services	**11.6**	**11.0**

	Total 31 December 2019 %	Total 31 December 2018 %
Telecommunications		
Fixed line telecommunications	1.4	2.9
Mobile telecommunications	1.6	2.0
Total Telecommunications	**3.0**	**4.9**
Utilities		
Electricity	1.0	0.8
Gas, water & multiutilities	4.4	4.0
Total Utilities	**5.4**	**4.8**
Financials		
Banks	3.9	5.3
Equity Investment Instruments	2.0	2.6
Financial services	5.2	3.9
Life insurance	4.3	3.6
Nonlife insurance	1.0	1.7
Real Estate Investment Trusts	3.2	3.0
Total Financials	**19.6**	**20.1**
Technology		
Software & computer services	1.1	1.3
Total Technology	**1.1**	**1.3**
TOTAL INVESTMENTS	**100.0**	**100.0**

Distribution of the UK equity portfolio holdings at 31 December



	2019 %	2018 %
Large Companies	67.8	66.1
Medium-sized Companies	28.2	28.5
Small Companies	4.0	5.4

Large Companies = Market Cap of >£5bn
Medium-sized Companies = Market Cap of <£5bn and >£500m
Small Companies = Market Cap of <£500m
Source: Janus Henderson

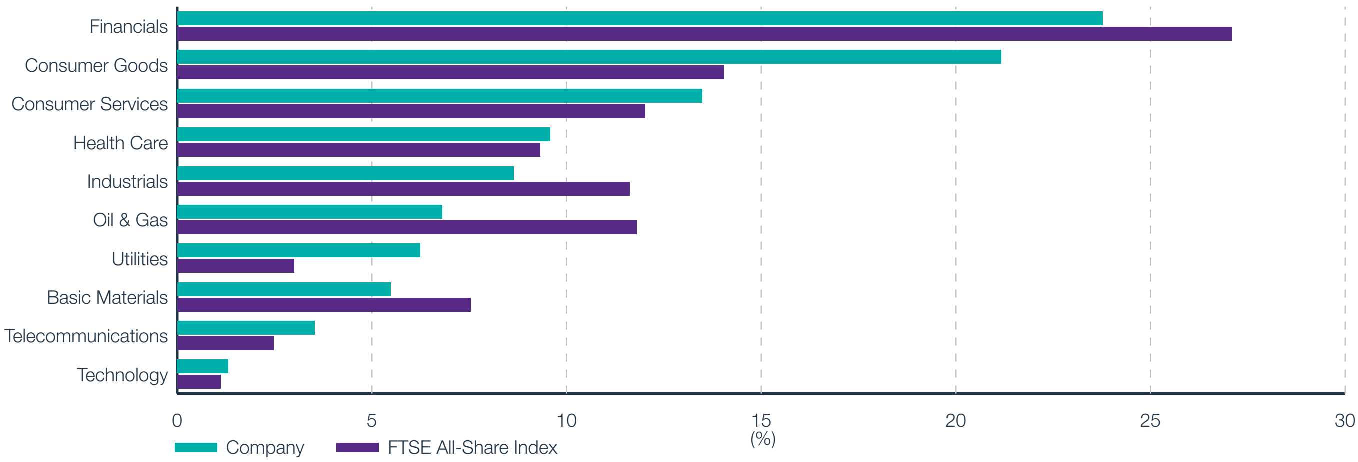
Strategic Report: Portfolio Information

Sector Exposure at 31 December

Excluding cash

Sector	2019 £'000	2019 % of portfolio	2018 £'000	2018 % of portfolio
Preference shares	4,502	1.5	3,841	1.4
Other fixed interest	41,259	13.5	33,762	12.6
Total Fixed Interest	**45,761**	**15.0**	**37,603**	**14.0**
Financials	59,849	19.6	53,954	20.1
Consumer Goods	55,378	18.2	48,166	18.0
Consumer Services	35,292	11.6	29,483	11.0
Health Care	25,057	8.2	20,094	7.5
Industrials	22,612	7.4	17,788	6.7
Oil & Gas	17,811	5.8	18,884	7.0
Utilities	16,311	5.4	12,963	4.8
Basic Materials	14,333	4.7	12,469	4.7
Telecommunications	9,224	3.0	12,987	4.9
Technology	3,436	1.1	3,575	1.3
Total Equities	**259,303**	**85.0**	**230,363**	**86.0**
Total	**305,064**	**100.0**	**267,966**	**100.0**

Equity Portfolio Sector Weightings at 31 December 2019



Ten Largest Investments at 31 December

Position	Company	Sector	2019 £'000	2019 % of portfolio	2018 £'000	2018 % of portfolio
1	GlaxoSmithKline	Health Care	11,993	3.9	9,149	3.4
2	Diageo	Consumer Goods	10,615	3.5	10,687	4.0
3	Royal Dutch Shell	Oil & Gas	9,882	3.2	10,545	3.9
4	British American Tobacco	Consumer Goods	8,015	2.6	6,201	2.3
5	BP	Oil & Gas	7,929	2.6	8,339	3.1
6	Tesco[1]	Consumer Services	7,395	2.4	6,213	2.3
7	AstraZeneca	Health Care	6,961	2.3	8,110	3.0
8	National Grid	Utilities	6,930	2.3	4,937	1.8
9	Rio Tinto	Basic Materials	6,437	2.1	5,363	2.0
10	RELX (Netherlands)	Consumer Services	6,417	2.1	6,086	2.3
Total			**82,574**	**27.0**	**75,630**	**28.1**

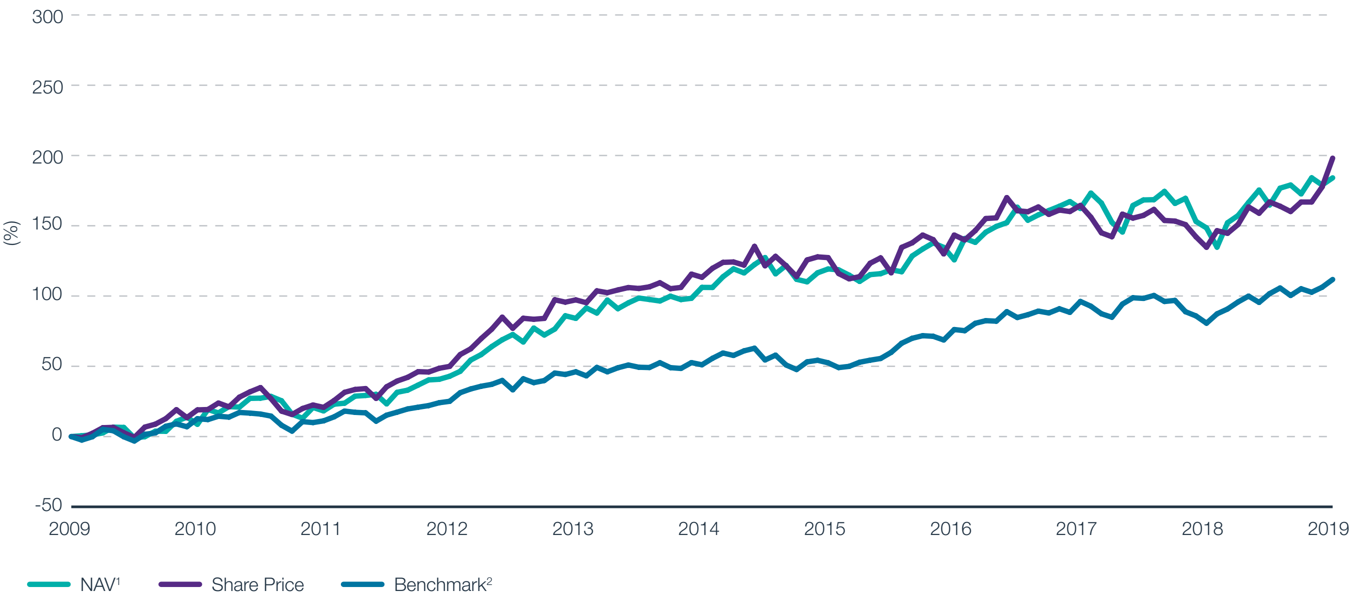
1 Includes fixed interest

Strategic Report: Historical Performance and Financial Information

Total Return Performance to 31 December

	1 year %	3 years %	5 years %	10 years %
NAV[1]	25.6	22.5	41.7	188.2
Share Price	27.0	22.5	39.7	198.1
Benchmark Index[2]	17.2	20.2	40.2	111.8
ICE BofAML Sterling Non-Gilts Index	9.5	12.4	25.2	86.6
FTSE All-Share Index	19.2	22.0	43.8	118.3

Total Return Performance over 10 years to 31 December 2019



Financial Information as at 31 December

	Net assets £m	NAV per ordinary share[3] p	Mid-market price per ordinary share p	Dividends per ordinary share p
2010	112.7	124.7	124.8	6.23[4]
2011	108.9	119.3	118.5	8.30
2012	132.8	135.3	138.3	8.30
2013	175.3	167.7	172.8	8.40
2014	189.0	171.4	177.9	8.60
2015	197.1	175.3	180.5	8.90
2016	207.7	181.3	183.6	9.15
2017	257.2	195.7	190.0	9.40
2018	210.8	159.5	159.5	9.60
2019	**251.1**	**189.8**	**191.8**	**9.80**

1 Net asset value with debt at fair value total return (including dividends reinvested and excluding transaction costs)
2 A composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually. Prior to 31 December 2010 the benchmark was 75% of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index
3 Based on net assets with debt at fair value as published by the AIC
4 Only three interim dividends were paid in respect of the year to 31 December 2010 as the fourth interim dividend was reclassified as the first interim dividend for the year to 31 December 2011 and paid in April 2011. However, the shareholders effectively received the same total dividend of 8.30p per ordinary share during 2010 as in the previous year

Source: Janus Henderson, Morningstar for the AIC, Refinitiv DataStream, Bloomberg and Morningstar Direct

Business Model

Strategic Report: Business Model

Corporate Strategy

The Company's purpose is to deliver consistently to shareholders a high level of income on a regular basis while seeking capital growth over the longer term. To do so, the Company operates as an investment company with a Board of Directors (Board) who delegate investment and operational matters to specialist third-party service providers. Their performance is monitored and challenged by the Board who retain oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for achieving the Company's objectives under section 1158/9 of the Corporation Tax Act 2010 (s.1158/9). The closed-ended nature of the Company enables the Fund Manager to take a longer term view on investments. It also supports a fully invested portfolio as the Company does not have to maintain or create sufficient cash balances to satisfy investor redemptions. Investment trusts have two other significant advantages over other investment fund structures: firstly, the ability to borrow to increase potential returns for shareholders and secondly, the ability to pay dividends out of revenue reserves to support the provision of income, as necessary, to shareholders.

The Board is comprised entirely of non-executive directors accountable to shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company.

Status

The Company is an investment company as defined in section 833 of the Companies Act 2006 (Act) and operates as an investment trust in accordance with s.1158/9. The directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority (FCA). The Company is a member of the Association of Investment Companies (AIC). The Company is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

Investment Objective

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth.

Investment Policy

In normal circumstances the Company will invest up to 80% of its gross assets in equities and up to 20% of its gross assets in fixed income (in companies of any size that are either listed in, registered in, or whose principal business is in the UK). Within these limits a maximum of 20% of gross assets may be invested outside of the UK.

No single investment will exceed 15% of total gross assets at the time of investment and no more than 15% of gross assets may be invested in other listed investment companies (including investment trusts) or collective investment schemes.

The Company may from time-to-time use financial instruments known as derivatives for the purpose of efficient portfolio management or to generate additional income while maintaining a level of risk consistent with the risk profile of the Company.

Investment Selection

The selection process seeks to identify companies with strong balance sheets that are capable of paying dividends. There is a focus on well-managed companies whose qualities may have been temporarily overlooked and which offer potential for capital appreciation over the medium term.

Gearing[1]

The Company has an active policy of using appropriate levels of gearing, both in the form of bank and longer term borrowings, with the objective of enhancing income returns and also achieving capital growth over time. A portion of gearing is usually employed with respect to the Company's fixed interest securities to generate additional income.

The Company can borrow up to 40% of gross assets. The drawdown of floating rate borrowings can be in non-sterling currencies, provided that these borrowings do not exceed the market value of non-sterling assets.

The Company has a short-term multi-currency loan facility with Scotiabank for £45 million. It also has a 19-year £20 million fixed rate senior unsecured note with a sterling coupon of 3.67% which will mature in 2034.

Please refer to Borrowings on page 31 for further details about these facilities.

1 Please refer to the Alternative Performance Measures on pages 83 to 84

Strategic Report: Business Model (continued)

Liquidity and Discount Management

The Board's aim is for the Company's share price to reflect closely its underlying NAV, and for the market in its shares to be liquid. The ability of the Company to influence this meaningfully over the longer term is, of course, limited since it is dependent on the market supply of, and demand for the shares. However, the Board considers the issuance and buy-back of the Company's shares where prudent, subject always to the overall impact on the portfolio, the pricing of other comparable investment companies and overall market conditions. The Board believes that flexibility is important and that it is not in shareholders' interests to set specific levels of premium and discount for its issuance and buy-back policy.

Promoting the Company's Success

The Company's purpose is to meet its Investment Objective and Investment Policy (please refer to page 22).

The directors use their skills, experience and knowledge (please refer to the Board of Directors on pages 35 to 36) to select and engage reputable organisations to carry out operations on behalf of the Company. The Board is responsible for effectively monitoring the services provided by the Company's third-party suppliers on an ongoing basis. The principal outsourced arrangement is the investment management service which is provided by Janus Henderson (Manager), in particular the Fund Manager, who is responsible for the management of the portfolio.

The Board has a strong relationship with the Manager, in particular the Fund Manager and the Company Secretary. The culture of the Board is one that promotes integrity and openness which is reciprocated by the Manager. As the Manager holds the overall day-to-day relationship with the Company's other third-party suppliers the Board place reliance on the Manager in this regard. The Board is confident that Janus Henderson has developed and maintains good working relationships with all of the Company's third-party suppliers. The Board receives appropriate information from the Manager in order to assess the third-party suppliers' performance, value for service, approach to ESG issues and their internal controls and risk management frameworks, including information security and business continuity. The Board also meets with representatives of the Depositary and Custodian and meets with other service providers as and when it is deemed necessary.

The directors carry out their duties under section 172 of the Act to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long-term, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

The directors are responsive to the views of shareholders and the Company's wider stakeholders. This has been demonstrated in the year under review by responding promptly to shareholder correspondence, by encouraging shareholders to attend the AGM and the Guernsey Shareholder Event and by engaging Marten & Co to provide sponsored research services to a greater number of shareholders and potential investors.

In the year under review the Board created a stakeholder map and identified the Company's material stakeholders, namely its shareholders, Janus Henderson (in particular the Fund Manager) and the Depositary. This assisted the Board in determining the best means of engaging with the Company's key stakeholders to help inform its decision making. Please refer to the Communicating with Shareholders on pages 32 to 33, Continued Appointment of the Manager on page 38 and Role of the Board on page 37 for more details.

The Board is also responsible for setting the dividend policy which is to pay four quarterly interim dividends per year, as the directors recognise the importance of income to its shareholders (please refer to the Henderson High Income Story on pages 2 and 3). This dividend policy is put to shareholders for approval at each AGM. The Chairman and the rest of the Board would be delighted to engage with shareholders directly. Anyone wishing to get in touch should address correspondence to the registered office, 201 Bishopsgate, London EC2M 3AE c/o the Company Secretary.

For more information about how the Board monitors and manages risk please refer to Managing Risks on page 27 and Note 15 on pages 74 to 78.

The Board invites readers of this report to refer to the Corporate Governance Report (pages 37 to 43), Report of the Audit and Risk Committee (pages 44 to 48), the Directors' Remuneration Report (pages 49 to 51) and the Report of the Directors (page 52) in addition to the Strategic Report to understand more fully the spectrum of responsibilities with which the Board and its Committees are charged. The Schedule of Matters Reserved for the Board as well as the Terms of Reference for each of the Committees of the Board can be found on the Company's website **www.hendersonhighincome.com**.

Strategic Report: Business Model (continued)

Engagement with Key Stakeholders

The Company's key stakeholders are listed below with examples of the way the Board and the Company has interacted with them in the year under review.

Stakeholders	Engagement	Outcome and how this was achieved
Shareholders	The Board communicates with shareholders through the annual and half year reports, fact sheets, press releases and the website. The Board meets with shareholders at the AGM and shareholders are invited to attend online if they cannot attend in person. There is also a Fund Manager presentation and Q&A session before the formal business of the AGM begins. We usually hold our AGM in early May however, in light of the current situation the Board has decided this year to hold the AGM on Tuesday 23 June 2020 at 12 noon. By this date the UK will have been in lockdown for over 12 weeks and we therefore hope that some of the restrictions will be lifted by then. The AGM is currently scheduled to be held at the offices of Janus Henderson at 201 Bishopsgate, London, EC2M 3AE however it may be necessary to change the venue and/or the date of the AGM, subject to the advice of the public health authorities and the UK government closer to the time. Any changes as to the venue and/or date and time of this year's AGM will be made available on a dedicated section of the Company's website and an announcement will be released to the Stock Exchange. It is our current intention to live stream the formal business and the usual presentation from the Fund Manager, David Smith, which will be available to view by logging on to **https://www.janushenderson.com/en-gb/investor/investment-trusts-live/** at 12 noon on Tuesday 23 June 2020. In light of the situation and respecting that shareholders may not wish to travel to the AGM, this year's voting will be conducted on a poll rather than a show of hands and we therefore encourage all shareholders to submit their votes as early as possible by proxy.	Shareholders address questions to the Board at the AGM and afterwards over refreshments. In addition shareholder correspondence is received at the registered office each year. This is immediately shared with the Chairman and responses are provided in a timely manner. All shareholder correspondence is circulated to the Board at the next meeting. The Company's website provides regular content and information to enable shareholders and potential investors to keep up to date with performance. It also offers videos recorded of the Fund Manager to enhance shareholders' understanding of the Company and the portfolio. Shareholders can therefore make well informed decisions about their investments.

Strategic Report: Business Model (continued)

Stakeholders	Engagement	Outcome and how this was achieved
Manager	In addition to receiving reports at each meeting the Board meets with key representatives of the Manager throughout the year to develop strategy e.g. sales and marketing activities, to promote the success of the Company and raise its profile. The Board receives timely and accurate information from the Manager at meetings and engages with the Fund Manager and Company Secretary between meetings.	The regular and ongoing communication with the Manager, both at meetings and between them (predominantly through the Fund Manager and Company Secretary) harnesses a trusting and open relationship. The Company is well managed and the Board places great value on the expertise and experience of the Fund Manager to execute the investment objective and deliver returns for shareholders. Throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager receiving updates in the form of phone calls and emails on matters such as portfolio activity, gearing, covenant levels and foreign currency exposure.
Service Providers	As an investment company all services are outsourced to third-party service providers. The Board considers the Company's key service providers to be the Manager, Depositary, Registrar, Lenders, Auditor and more recently Marten & Co who were appointed in the year under review to provide sponsored research services.	The Board considers at least annually the relationship the Company has with its third-party suppliers. The Board relies on the Manager to provide regular reports on the Company's third-party suppliers performance although the directors remain responsible for assessing each supplier's internal controls and risk management systems, ESG matters, information security and business continuity plans. This is achieved through the assessment of each supplier's assurance report (please refer to the Report of the Audit and Risk Committee on page 46) and feedback from the Manager to identify any issues or concerns. The Secretary contacted all of the Company's key third-party suppliers in the wake of the COVID-19 pandemic to seek clarification that the Company would continue to receive a 'business as usual' service, and to proactively ask whether there may be any service disruption in order for the Manager to work collaboratively with them to find solutions. For example, engagement with the Registrar regarding attendance at the 2020 AGM. The Board has received regular updates from Janus Henderson on its business continuity plans during the COVID-19 crisis and has been reassured by the Manager's resilience while staff are working from home.
Portfolio Holdings	The Board sets the investment objective and discusses stock selection and asset allocation with the Fund Manager regularly. On behalf of the Company the Manager engages with the portfolio holding companies, exercising good stewardship practices in particular with a focus on ESG matters.	The Board utilises the skills and experience of its directors to challenge the Manager, for example, on investment decisions. The Manager has a dedicated Governance and Responsible Investment Team that the Fund Manager can utilise when making investment decisions. Please refer to the Manager section above for details of additional engagement with the Board as a result of the COVID-19 pandemic.

Strategic Report: Business Model (continued)

Stakeholders	Engagement	Outcome and how this was achieved
Lenders	The Company employs gearing to enhance returns to shareholders. The Company confirms compliance with the loan covenants of both its short-term and long-term gearing facilities on a monthly basis.	The Board reviews the Manager's adherence to the loan covenant restrictions (for both the short-term and long-term facilities) on a monthly basis. The loan covenant restrictions are also independently monitored by the Manager's Compliance Team. The Company has a long-standing relationship with its existing short-term lender and has committed to a 19-year senior unsecured note with its long-term lender. This demonstrates both lenders' commitment to the Company and provides comfort that the Company can raise financing to operate effectively as an investment trust. As a result of market volatility the Manager, on behalf of the Board, approached the Company's short-term loan facility lender on behalf of the Board to request an early renewal of the facility that is due to expire on 27 June 2020. Following recent discussions with the lender, the Board anticipates that this facility will be renewed shortly.
Auditors	The Auditor attends at least two Audit and Risk Committee meetings each year. The Board considers a letter of engagement each year for the Auditor and asks shareholders at each AGM to appoint/re-appoint the Auditor depending on where it is in the audit tender cycle.	The current Auditor, PricewaterhouseCoopers LLP (PwC) was appointed for the year-ended 31 December 2016 following an audit tender process. This is the fourth year PwC has been appointed as the External Auditor and the relationship with the Audit Team has developed over that time. The Chairman of the Audit and Risk Committee remains in contact with the Audit Partner throughout the financial year and seeks feedback from the Auditor and those responsible for the preparation of the financial statements from the Manager at the annual and half year stage. The Board considers that the Company's relationship with the Auditor is of great importance as shareholders, potential investors and wider stakeholders place reliance on the audited financial statements. The Secretary and Financial Reporting Manager for Investment Trusts at Janus Henderson have been in regular contact with the Auditor to discuss and amend the disclosures in this Annual Report as a result of the COVID-19 pandemic. The Board has subsequently expanded key sections of the report including those relating to risk management, going concern and viability to ensure transparency and the considerations taken to manage the Company through these unprecedented market events.
The Association of Investment Companies (AIC)	The Company is a member of the AIC which is an organisation that looks after the interests of investment trusts.	The Board chooses to report under the AIC Code of Corporate Governance as this better reflects the unique aspects of an investment trust in the context of good corporate governance. Please refer to Applicable Corporate Governance Codes on page 37. The AIC supports its members by providing regular email updates from regulators and other industry stakeholders as issues unfold. The AIC has created a database of the various public announcements being made by member companies in relation to issues that have arisen from COVID-19 which the Board and the Manager have found to be a useful resource given the associated pace of change.

Strategic Report: Business Model (continued)

Managing Risks

In accordance with the AIC Code and FRC Guidance, the Board has established procedures to identify and manage risk and to determine the principal risks to which the Company is exposed in achieving its long-term objectives. The Company's principal risks are considered to be those that would threaten its business model, future performance, solvency and liquidity. In addition, it is the Board's responsibility to identify emerging risks which it defines as events, trends or uncertainties that are at an early stage of development but could pose a significant threat to the Company's future and require further monitoring and investigation.

Principal Risks

The Board, with the assistance of the Manager, regularly carries out a robust assessment of the principal risks facing the Company and seeks assurance that the risks are appropriately evaluated and that effective mitigating controls are in place, where possible. To aid the process, the Company has drawn up a detailed risk matrix, where the individual risks and the application of any relevant controls are described. Such safeguarding measures may be established by the Board itself: for example, the Board has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, to which the Manager must adhere and report upon monthly. Alternatively, the design and application of controls may be delegated by the Board to the Company's third-party service providers, who report regularly to the Board on the effectiveness of their control environments. Using a colour coded traffic light system, each risk within the matrix is assessed, scored and prioritised according to the severity of its potential impact on the Company and its likelihood of occurrence. The principal risks which have been identified as part of this process, and the steps taken by the Board to mitigate these, are set out in the table overleaf.

The Board does not consider these principal risks to have changed during the course of the reporting period and up to the date of this report with the exception of the 'risks associated with Brexit' that are now considered as an emerging risk. In light of the circumstances, COVID-19 and the oil price war instigated by Russia and Saudi Arabia are specifically referred to in market/financial risks. Additionally, operational and cyber risks have been expanded to include pandemic and epidemic risks and risks relating to terrorism and international conflicts.

Principal Risk	Mitigating Measures
Investment Risk Risk of long-term underperformance of the Company against the benchmark and/or peer group. This could result in the shares of the Company trading at a discount and reduced liquidity in the Company's shares. Risk that insufficient income generation could lead to a cut in the dividend.	Janus Henderson provides the Board with regular investment performance statistics against the benchmark and the peer group. The implementation of investment strategy and results of the investment process for which the Fund Manager is responsible are discussed with Janus Henderson and reviewed at each Board meeting. The premium/discount and the trading volume of the Company's shares are also regularly reviewed, taking account of market conditions. The Fund Manager and the Board maintain close contact with the Company's broker to understand and regulate the supply and demand of shares. The Board reviews the Income Statement and revenue forecasts at each Board meeting and monitors the Company's revenue reserves.

Strategic Report: Business Model (continued)

Principal Risk	Mitigating Measures
Market/Financial Risk Risk that market conditions lead to a fall in the value of the portfolio (magnified by any gearing) and/or a reduction of income. This could result in loss of capital value for shareholders and/or a cut in the dividend payment. There is heightened uncertainty in the markets at this time due to the ongoing impact of COVID-19. There have recently been dramatic falls in the Company's NAV (this has also been seen in the wider market) as a direct result of these circumstances. In addition, there is uncertainty as a result of the recent oil price war instigated by Russia and Saudi Arabia.	The Board reviews the Company's compliance with its loan covenants on a monthly basis and additional covenant testing is undertaken in extreme market conditions to give comfort that the Company can meet its financial liabilities. The portfolio is diverse, containing a sufficient range of investments to ensure that no single investment puts undue risk on the sustainability of the income generated by the portfolio or indeed the capital value. Regard is also given to having a broad mix of companies in the portfolio, as well as a spread across a range of economic sectors. The Board reviews the portfolio on a monthly basis. Janus Henderson operates within investment limits and restrictions set by the Board, including limits for gearing and derivatives. A monthly schedule of current positions against all established limits is reviewed by the Board. Janus Henderson confirms adherence to them each month. Any particularly high risks are highlighted and discussed, and appropriate follow up action is taken where necessary. A detailed analysis of the Company's financial risk management policies and procedures can be found in Note 15 (please refer to pages 74 to 78). The Board reviews the Income Statement and revenue forecasts at each Board meeting and monitors the Company's revenue reserves.
Operational Risks including Cyber Risks, Pandemic and Epidemic Risks and Risks Relating to Terrorism and International Conflicts Risk of loss through inadequate or failed internal procedures, policies, processes, systems or human error. This includes risk of loss to the Company's third-party service providers as a result of inadequate procedures, policies, processes, systems or human error. Risk of financial loss, disruption or damage to the reputation of the Company, the Manager and the Company's other third-party service providers, as a result of failure of information technology systems. Risk of loss as a result of external events outside of the Board's control such as pandemic and/or epidemic risks and risks relating to terrorism and/or international conflicts that disrupt and impact the global economy. This includes the risk of loss to the Company's third-party service providers that are also disrupted and impacted by such events.	The Board receives a quarterly internal control report from the Manager to assist with the ongoing review and monitoring of internal controls and risk management systems it has in place. The Board regularly receives reports from the Manager's Internal Audit, Risk, Compliance, Information Security and Business Continuity Teams. This provides assurance that the Manager has appropriate policies and procedures in place to be able to continue in operation and maintain stability in times of such risks. In particular, the Board asks the Manager to confirm that the Fund Manager can continue to manage the portfolio in these circumstances. The Board makes similar enquiries of its key third-party service providers to gain assurance that they too have appropriate policies and procedures in place to be able to continue in operation and maintain stability in times of such risks. Please refer to the Report of the Audit and Risk Committee on pages 45 to 46 for further details about Internal Control and Risk Management.
Tax, Legal and Regulatory Risk Risk that a breach of, or a change in laws and regulations, could materially affect the viability and appeal of the Company, in particular s.1158/9 which exempts capital gains from being taxed within investment trusts.	Janus Henderson has been contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by Janus Henderson on a quarterly basis, which confirm tax, legal and regulatory compliance.

Strategic Report: Business Model (continued)

Emerging Risks

With the help of the Manager's research resources and using its own market intelligence, the Board continually monitors the changing risk landscape and any emerging and increasing threats to the Company's business model. Such emerging risks could cause disruption for the Company, if ignored, but, if identified, could provide business opportunities. The emerging risks identified below are currently being evaluated and monitored.

Emerging Risk	Mitigating Measures
Risks Associated with Brexit Risk that whatever the implications of the UK's exit from the European Union and any forthcoming trade negotiations and transitional arrangements, the portfolio will be subject to greater market price risk volatility and specific stock risk as a result.	It is difficult to evaluate all of the potential implications on the Company's business and the wider economy. The Board is confident that the Manager and its other key service providers will continue to operate for the foreseeable future whatever the outcome of the trade negotiations and transitional arrangements following the UK's departure from the EU.
Risks Associated with Climate Change Risk that investee companies within the Company's portfolio fail to respond to the pressures of the growing climate emergency and fail to limit their carbon footprint to regulated targets, resulting in reduced investor demand for their shares and falling market values.	Please refer to Environmental, Social and Governance Matters on page 32 for details of how the Board considers the Responsible Investment policies of its service providers, in particular the Manager's Policy.

Viability Statement

The Company seeks to provide superior income generation and long-term capital growth for its shareholders. The Board aims to achieve this by pursuing the Company's business model and strategy through the Investment Objective and Investment Policy (please refer to page 22). The Board will continue to consider and assess how it can adapt the business model and strategy of the Company to ensure its long-term viability in relation to its principal and emerging risks as detailed above.

In assessing the viability of the Company, the Board also considers the prospects of the Company including the liquidity of the portfolio (which is mainly invested in readily realisable listed securities), the level of borrowings (which are restricted), the closed-ended nature as an investment company (therefore there are limited liquidity issues arising from unexpected redemptions) and a low ongoing charge (0.80% for the year-ended 31 December 2019: (2018: same)). Long-term borrowing is in place in the form of the 3.67% senior unsecured note which matures in July 2034 (the value of this long-term borrowing is relatively small in comparison to the value of net assets at 7.9% as at 31 December 2019). Furthermore, the Company retains title to all assets held by the Custodian (under the terms of the formal agreement with the Depositary), cash is held with approved banks and revenue and expenditure forecasts are reviewed at each Board meeting. The Fund Manager provides an additional stress tested, conservative revenue forecast once a year to assist the Board with its dividend decision making. The Company's revenue reserves have grown in the last few years and there is now approximately 10 months' annual dividend cover which gives additional comfort for any difficult years that may arise.

The Board believes it is appropriate to assess the Company's viability over a five-year period in recognition of its long-term horizon and taking account of the Company's current position and the assessment factors detailed above.

The directors recognise that there is a continuation vote due to take place at the AGM in 2020. The Board has received feedback from the Fund Manager, the Janus Henderson Investment Trust Sales Team and the Company's broker from meetings held with shareholders so far this year. That feedback suggests that the shareholders are supportive of the Company continuing in operation for a further five-year period and beyond. In normal circumstances there is a good level of underlying demand for the Company's shares in the market. Notwithstanding the uncertainty caused by the current COVID-19 pandemic, the Company's above average dividend yield should remain attractive to investors, particularly given the current low level of interest rates. There has been a growing trend in the diversity of shareholders on the Company's share register and in 2019 a significant number of professional investors bought shares. The Board therefore feels confident that shareholders remain supportive of the Company going forward and the current situation serves to highlight the advantages of holding an investment trust. The directors firmly support the continuation of the Company and expect that it will continue to exist for the foreseeable future, at least for the period of this assessment.

When assessing the viability of the Company over the next five years the directors considered 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 NAV and share price. There is heightened uncertainty in the markets at this

Strategic Report: Business Model (continued)

time due to the ongoing impact of COVID-19. There have recently been dramatic falls in the Company's NAV (this has also been seen in the wider market) as a direct result of these circumstances. In addition, there is also uncertainty in the market with the recent oil price war instigated by Russia and Saudi Arabia. The Board has commissioned and reviewed additional loan covenant testing to better understand the implications to the Company and the actions that the Fund Manager is taking in these extreme market conditions.

The directors do not envisage any change in strategy or investment objective, or any events that would prevent the Company from continuing to operate over the next five years as the Company's assets are liquid, its commitments are limited, and the Company intends to continue to operate as an investment trust. The Board takes comfort in the robustness of the Company's position, performance, liquidity and the well-diversified portfolio as well as the Fund Manager's monitoring and is assured that the Company is well equipped to navigate a substantial global financial crisis. The Board therefore has a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the next five-year period.

Fee Arrangements with the Manager

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive. The Company has appointed Henderson Investment Funds Limited (HIFL) to act as its Alternative Investment Fund Manager (AIFM) in accordance with an agreement which has been effective from July 2014 and is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited, which acts as Manager. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson. Both entities are authorised and regulated by the FCA. References to Janus Henderson and the Manager within this report refer to the services provided by both entities.

The Fund Management Team is led by David Smith, a Fund Manager on the Global Equity Income Team at Janus Henderson, a position he has held since 2008. David has been the Company's Fund Manager since July 2015.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of the Manager, by BNP Paribas Securities Services. Henderson Secretarial Services Limited acts as the Corporate Secretary.

The investment management agreement with Janus Henderson to provide the services referred to above is reviewed annually by the Management Engagement Committee and provides for both a base management fee and a performance fee which is measured over a single financial year.

Management Fee

The base management fee is charged at 0.50% of adjusted average gross assets under £250 million; a reduced management fee of 0.45% is applied to average adjusted gross assets above £250 million. This average value is calculated by using the values on the last day of each of the two calendar years preceding the reporting year.

Average adjusted gross assets are gross assets less current liabilities and less any Janus Henderson managed funds or Janus Henderson Group plc shares within the portfolio. Any debt used for investment purposes, including that recorded in current liabilities, is not deducted from gross assets.

The base management fee is payable quarterly in arrears.

In addition, a supplemental base management fee is paid on any new funds in relation to share issues in the year they were raised, at the pro-rata annual rate. For the following year any funds raised are added to prior year assets for the purposes of calculating the base management fee.

Performance Fee

Performance is measured by calculating the difference between the annual percentage change in net asset value per ordinary share and the benchmark equivalent.

The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return). A 1.0% hurdle is deducted from any relative outperformance before any performance fee can be paid.

A performance fee of 15.0% is awarded on this relative excess performance less the 1.0% hurdle and applied to the current year's average adjusted quarterly gross assets. The performance fee is subject to a cap of 0.40% of average adjusted gross assets in any one year calculated on a quarterly basis to determine the average.

Any unrewarded outperformance above this cap is carried forward for a maximum of three years but may only be used to offset any underperformance and cannot in itself earn a performance fee. Any underperformance relative to the benchmark will be carried forward and no performance fee will be payable until positive performance exceeds any past negative performance. The fees have been structured in this way so that shareholders will only pay a relatively low base management fee in any years of individual or cumulative underperformance.

Strategic Report: Business Model (continued)

Borrowings

At the start of the year under review the Company had a committed loan facility with Scotiabank of £42 million. In February 2019 this was increased to £45 million to allow the Manager a greater degree of flexibility to accommodate foreign currency fluctuations. This facility is due to expire on 27 June 2020 and the Board is in the process of renewing the facility before the expiry date. In addition, the Company has a 19-year £20 million fixed rate senior unsecured note with a sterling coupon of 3.67% which will mature on 8 July 2034. Gearing as at 31 December 2019 was 21.5%.

Please refer to the Financial Calendar on page 87 for details of the interest repayments on the senior unsecured note.

Measuring Performance

In order to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Board takes into account the following key performance indicators (KPIs):

KPI	Action
Dividend per share	The Board places a high level of importance on maintaining the Company's quarterly interim dividend payments. The aim is to maintain a suitable asset allocation that will permit a sustainable high level of dividend distributions to shareholders with the potential to grow in the longer term. The Board reviews the Company's revenue account at every Board meeting, along with the appropriateness of its dividend payments (please refer to Note 10 on page 72). The Board also compares the yield on the Company's shares to other relevant sectors of the AIC. Shareholders must, however, recognise that dividend payments can never be guaranteed, and that circumstances could arise when it would be necessary to reduce or pass a dividend payment. The Board may from time-to-time decide to utilise some of the Company's reserves for dividends. Equally, there may be instances when the level of payment must be increased in order to comply with s.1158/9 which requires an investment trust not to retain more than 15% of its total income. Where such instances would result in a payment going beyond the Board's policy, one-off 'special dividend' payments could be announced and paid.
NAV per share	At each Board meeting, the Board reviews the performance of the portfolio as well as the NAV per share (with debt at par value and fair value) and share price of the Company. The Board also compares the performance of the Company against its benchmark. The Board has determined that this measure be used to calculate whether a performance fee is payable to Janus Henderson. Please refer to the adjacent page for further details about the Fee Arrangements with the Manager.
Premium/Discount to NAV	At each Board meeting, the Board monitors the level of the Company's premium or discount to NAV per share and reviews the average premium or discount for other relevant sectors of the AIC. The Company publishes two NAVs per share on a daily basis through the official newswire of the London Stock Exchange; one with debt at par (calculated in accordance with the AIC formula) and the other with debt at fair value.
Ongoing Charge	The Board regularly reviews the ongoing charge and monitors all Company expenses. For the year-ended 31 December 2019 the ongoing charge (excluding performance fee) was 0.80% (2018: same). There was no performance fee payable in the year under review (2018: same).

The charts and data in Performance Highlights (pages 5 to 6) and Historical Performance and Financial Information (page 20) show how the Company has performed against these KPIs.

Strategic Report: Business Model (continued)

Environmental, Social and Governance (ESG) Matters

Climate Change, Responsible Ownership and the Stewardship Code

The Board has considered the implications of climate change related risks (please refer to Emerging Risks on page 29).

As an investment company that outsources all services to third-party suppliers the Board makes every effort to understand its service providers' ESG policies (including climate change) in particular those of the Manager. Janus Henderson are a signatory to the UN Principles of Responsible Investment and the UK Stewardship Code published in 2020 and seek to protect and enhance value for shareholders through active management, integration of ESG factors into decision making, voting and company engagement.

The Board will continue to consider and assess how it can adapt the business model and strategy of the Company to ensure its long-term viability in response to climate change and wider ESG matters.

Voting

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

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's Responsible Investment policy, so investee companies are made aware of the Manager's expectations in this respect. In order to retain oversight of the process, the Board receives an annual report on how the Manager has voted the shares held in the Company's equity portfolio.

The Board reviews the Manager's Responsible Investment policy each year. It is available to view at **www.janushenderson.com** The Board remains satisfied that the Manager understands the risks of climate change to its business, strategy and product mix and where relevant it is adapting to ensure long-term viability. The Board will continue to monitor and review the ESG policies of the Manager and its key third-party service providers in the year-ending 31 December 2020 as it expects all companies to evolve their policies as ESG reporting develops.

In the period under review, investee companies held 79 general meetings. The shares held in the Company's equity portfolio were voted in respect of 98.7% of these meetings. 1.3% of the shares held were not voted due to voting impediments. The level of governance in leading global companies is generally of a high standard in terms of best practice which has meant that support in favour of the resolutions proposed by management was warranted. However, out of the 79 meetings held there were 4 where the Manager voted against at least one resolution, following discussion between the Fund Manager and Janus Henderson's Governance & Responsible Investment Team. On occasion, the Manager takes voting decisions after consultation with the Chairman on behalf of the Board.

In terms of the 4 resolutions not supported, these covered two predominant themes relating to executive remuneration policies and director re-election.

The Environment

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

Business Ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Communicating with Shareholders

The Board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. Unlike trading companies, this often takes the form of meetings with the Fund Manager rather than members of the Board. Shareholders are able to meet with the Fund Manager throughout the year and the Manager provides information on the Company and videos featuring the Fund Manager on the Company's website, via various social media channels and through its HGI platform (please refer to Corporate Information on page 87). Feedback from all meetings between the Fund Manager and shareholders is shared with the Board. The Chairman, and Senior Independent Director, or other members of the Board are available to meet with shareholders where they wish to do so.

The Annual Report and half-year results are circulated to shareholders wishing to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet which is available on the website. The Fund Manager provides presentations to shareholders and analysts following the publication of the annual financial results.

Strategic Report: Business Model (continued)

Please refer to the Chairman' Statement on page 10 for further details about this year's AGM.

The Chairman and the rest of the Board would be delighted to engage with shareholders directly. Anyone wishing to get in touch should address correspondence to the registered office, 201 Bishopsgate, London EC2M 3AE c/o the Company Secretary. The Senior Independent Director (please refer to the Board of Directors on pages 35 to 36) is also available to shareholders if they have concerns that have not been addressed through the normal channels.

Board Diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Nominations and Remuneration Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The prime responsibility, however, is the strength of the Board and the overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit. Currently the Board comprises six directors, four males and two females. When Anthony Newhouse retires from the Board at the conclusion of the 2020 AGM the Board will comprise of three males and two females which meets the requirement of the Hampton-Alexander Review (minimum 33% female representation).

The Board recognises the benefits of diversity and therefore takes an interest in the diversity initiatives in place at its other service providers and in particular, the Manager. Janus Henderson fosters and maintains an environment that values the unique talents and contributions of every individual. The Manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients, investors and shareholders.

The Board is supportive of developing talent and recognises the challenges all organisations face to ensure there is a sufficient pipeline of talent. To assist Janus Henderson in this regard the Board invites selected junior members of the Janus Henderson Global Equity Income Team and Investment Trust Secretariat Team to its meetings to gain experience and exposure to the boardroom.

For and on behalf of the Board

Margaret Littlejohns
Chairman
16 April 2020

Governance

Board of Directors

Directors

The directors appointed to the Board at the date of this report are set out below. The Notice of Meeting that has been sent to shareholders with this report, sets out the specific reasons why each director's contribution is, and continues to be, important to the Company's long-term sustainable success. The Notice of Meeting is also available from the 'Documents' section on the Company's website **www.hendersonhighincome.com**.

The Nominations and Remuneration Committee is responsible for ensuring that on appointment each director receives a letter of appointment that sets out, amongst other matters, what is expected of them in terms of time commitment. The annual board evaluation also considers the time commitment of the directors (please refer to page 39 for more details). The Board considers that each director appointed as at the date of this report allocates sufficient time to the Company to perform his/her responsibilities effectively.

Margaret Littlejohns (Chairman)

Date of Appointment: 1 July 2008 (appointed Chairman of the Board on 3 May 2016)

Committees: Margaret is Chairman of the Management Engagement Committee and Nominations and Remuneration Committee and a Member of the Audit and Risk Committee.

Skills and Experience: Margaret spent the early part of her career with Citigroup, gaining 18 years' experience in both the commercial and investment banking divisions, latterly specialising in derivatives and market risk management. Between 2004 and 2006 she co-founded two start-up ventures providing self-storage facilities to domestic and business customers in the Midlands, acting as Finance Director and Company Secretary until the businesses were successfully sold to a regional operator in 2016. She was previously a non-executive director and Chairman of the Audit Committee of JPMorgan Mid Cap Investment Trust plc until October 2019.

Current External Appointments: Margaret is a non-executive director of Foresight VCT plc and in 2018 she was appointed to the board of UK Commercial Property REIT Ltd, where she also serves as Chair of the Risk Committee. She is also a Trustee of The Lymphoma Research Trust and a Member of the Development Committee of Southern Housing Group.

Richard Cranfield

Date of Appointment: 1 March 2020

Committees: Richard is a Member of the Audit and Risk Committee, Management Engagement Committee and Nominations and Remuneration Committee.

Skills and Experience: Richard has been with Allen & Overy since he joined them from university in 1978. In 2000, Richard was appointed Global Head of Corporate and in 2010 took a step back from management to focus on client relationships. In June 2019, Richard was appointed to the board of IntegraFin Holdings plc and became Chair in October 2019. IntegraFin Holdings plc is a FTSE 250 company, the ultimate owner of the investment platform provider Transact.

Current External Appointments: Richard is a Partner in law firm Allen & Overy LLP, where he is Global Chairman of the Corporate Practice and Co-Head of its Financial Institutions Group. He is also Chairman of IntegraFin Holdings plc.

Zoe King (Senior Independent Director)

Date of Appointment: 1 April 2016

Committees: Zoe is a Member of the Audit and Risk Committee, Management Engagement Committee and Nominations and Remuneration Committee.

Skills and Experience: Zoe was formerly Vice President at Merrill Lynch Mercury Asset Management and a Fund Manager at Foreign & Colonial Investment Management. She graduated from Oxford University in 1994.

Current External Appointments: Zoe is a Director of Smith & Williamson Investment Management Limited, specialising in the management of private client portfolios. She also acts as an Independent Adviser to the Dunhill Medical Trust Investment Committee and is a Member of the Trinity College Oxford Investment Committee, the Carvetian Capital Fund Investment Committee and the Stramongate S.A. Shareholder Advisory Committee.

From left to right (back) David Smith (Fund Manager), Hannah Gibson (Company Secretary), Richard Cranfield, Zoe King and Jeremy Rigg. From left to right (front) Margaret Littlejohns (Chairman of the Board) and Jonathan Silver (Chairman of the Audit and Risk Committee)

Anthony Newhouse

Date of Appointment: 1 July 2008

Committees: Anthony is a Member of the Audit and Risk Committee, Management Engagement Committee and Nominations and Remuneration Committee.

Skills and Experience: Anthony is a solicitor who joined Slaughter and May in 1976 and became partner in 1984 until he retired in 2008. He began his career in the City in banking. He had a wide-based domestic and international corporate finance practice, advising many UK listed and other corporate entities. Anthony has subsequently been a Member of the PwC Advisory Board, and a Visiting Professor at the London Metropolitan University Business School.

Current External Appointments: Anthony is currently an Honorary Treasurer of the Royal Philharmonic Society.

Jeremy Rigg

Date of Appointment: 1 April 2018

Committees: Jeremy is a Member of the Audit and Risk Committee, Management Engagement Committee and Nominations and Remuneration Committee.

Skills and Experience: Jeremy is an independent investment consultant. He was a Director of Schroder Investment Management (UK) Ltd and a Senior Investment Manager at Investec Asset Management Limited. In 2004, he was a Founding Partner of Origin Asset Management LLP, a boutique equity investment manager which grew successfully and was acquired by Principal Global Investors Limited in 2011. Jeremy graduated from St Andrews University in 1989.

Current External Appointments: Jeremy is a Director of Moorland Green Properties Limited.

Jonathan Silver (Chairman of the Audit and Risk Committee)

Date of Appointment: 2 January 2019

Committees: Jonathan is Chairman of the Audit and Risk Committee and a Member of the Management Engagement Committee and Nominations and Remuneration Committee.

Skills and Experience: Jonathan is a Member of the Institute of Chartered Accountants of Scotland. He has held various senior financial positions throughout his career, including 21 years as Chief Financial Officer on the main Board of Laird plc from 1994 until 2015.

Current External Appointments: Jonathan is a non-executive director and Chairman of the Audit Committee of Spirent Communications plc, a position he has held since 2015. He is also the Chairman of the Audit Committee at Invesco Income and Growth Trust plc, having been appointed in 2007. Since 2017 Jonathan has been a non-executive director of East and North Hertfordshire NHS Trust.

All directors are Members of the Insider Committee that meets when required in accordance with the Market Abuse Regulations. Anthony Newhouse remains as the Company's Senior Independent Director until the conclusion of the AGM in 2020. Following the AGM Zoe King will become the Company's Senior Independent Director.

Corporate Governance Report

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (UK Code) have been applied. The AIC Code of Corporate Governance (AIC Code) has been endorsed by the Financial Reporting Council. This enables boards to report against the AIC Code and still meet their obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

Closed-ended investment companies have particular factors which have an impact on their governance arrangements and the AIC Code adopts the principles and provisions of the UK Code to make them relevant for investment companies.

The Board has therefore chosen to report under the AIC Code for the following reason, the day-to-day activities (such as portfolio management, administration, accounting and company secretarial) are outsourced to external service providers. The proper oversight of these relationships is crucial to achieving good corporate governance and therefore the Board considers the Manager to be the Company's most important stakeholder. The Company is governed entirely by a board of non-executive directors therefore the Company has no executive directors or senior management remuneration packages.

The Company has complied with the principles and provisions of the AIC Code in the year under review with the exception of establishing a separate Remuneration Committee. However, with effect from 1 February 2020 the Board has expanded the Nominations Committee responsibilities to include remuneration. The Committee was subsequently renamed the Nominations and Remuneration Committee.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

The Board

Role of the Board

The Board is responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by its service providers within the established control framework.

The Board meets formally at least six times a year, with additional Board or Committee meetings arranged when required. The directors have regular contact with the Manager between formal meetings. The Board has a formal Schedule of Matters Reserved for its decisions (which is available at **www.hendersonhighincome.com**) which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, contracts, communications, board membership and other appointments, delegation of authority, remuneration and other matters.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. It has adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice 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.

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a Depositary, who in turn appoints the Custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a Registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their control systems in relation to the affairs of the Company. The Board and its Committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives from the Depositary and Custodian to discuss amongst other matters performance, service levels, their value for money, and their approach to ESG matters, information security and business continuity plans.

In addition, the Chairman is able 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 are then reported to the Board as necessary.

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 the Manager attend each Board meeting enabling the directors to probe further on matters of interest or concern. The directors have access to the advice and services of the Company Secretary, who has been appointed by Henderson Secretarial Services Limited. The Company Secretary is responsible to the Board for ensuring compliance both with Board and Committee procedures and Terms of Reference and applicable rules and regulations. 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

Corporate Governance Report (continued)

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 Board in line with the audited procedures in place. Any correspondence is provided to the full Board at the next meeting. Any urgent or important correspondence would be circulated promptly at the request of the Chairman.

Janus Henderson has arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters. These arrangements are reviewed at least annually by the Audit and Risk Committee.

Audit and Risk Committee

Please refer to the Report of the Audit and Risk Committee on pages 44 to 48.

Management Engagement Committee

The Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company, to consider whether their continuing appointment is in the interests of the Company and its long-term sustainable success.

Membership

All directors are members of the Committee. The Chairman of the Board is the Chairman of the Committee.

Meetings

The Committee met once during the year. The Committee has not engaged any service providers to provide advice to the Company during the period.

Role and Responsibilities

In discharging its duties over the course of the period, the Committee considered:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the closed-ended sector, the share price, level of premium/discount and gearing;
- the management of the portfolio's risk profile and the use of gearing;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its closed-ended competitors and other, similar sized investment companies;
- the key clauses of the investment management agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the Company's Broker (JPMorgan Cazenove), Depositary (HSBC Securities Services), Registrar (Computershare), Marketing and Research Provider (Marten & Co) and Accountants (BNP Paribas Securities Services).

Continued Appointment of the Manager

The Board monitors investment performance at each meeting, and receives updates in respect of professional sales and marketing activities carried out by the Manager for the Company twice a year. In addition, it receives a formal recommendation from the Committee in respect of the continued appropriateness of the terms of the investment management agreement at least annually.

The Committee's evaluation of the Manager included consideration of the quality of the team involved in all aspects of servicing the Company, including company secretarial, administration, sales and marketing and included a review of the stability of the management group and its business priorities. Following completion of the review, the Committee recommended to the Board that the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole and its long-term sustainable success.

The Committee also:

- assesses the Company's third-party service providers in their role as stakeholders and whether there is an appropriate level of engagement with them;
- considers the appointment and remuneration of the Company's third-party service providers and alternative suppliers where necessary;
- considers any points of conflict which may arise between the providers of services to the Company; and
- considers the appointment and removal of the Company Secretary.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee was established on 1 February 2020. The Committee advises the Board on the composition of the Board and its Committees, on making appointments to the Board and ensuring suitable succession plans are in place for the directors and Fund Manager. It also has responsibility for setting the Remuneration Policy (please refer to page 49) for the independent non-executive directors including the

Corporate Governance Report (continued)

Chairman of the Board and the Chairman of the Audit and Risk Committee.

The following report covers the financial year 1 January 2019 to 31 December 2019 and therefore all the matters and decisions referred to were made by the previous Nominations Committee.

Membership

All directors are members of the Committee. The Chairman of the Board is the Chairman of the Committee but would not chair meetings when the Committee is dealing with the Chairman's succession.

Meetings

The Committee met five times during the year under review.

Role and Responsibilities

One of the principal roles of the Committee is to lead the process for appointments to the Board, evaluating the balance of skills, knowledge, experience and diversity on the Board, and, in light of this evaluation, prepare a job description of the role and capabilities required for a particular appointment. When identifying suitable candidates for appointment the Committee may use open advertising or the services of external advisers to facilitate the search. In the year under review Tyzack Partners was engaged to assist the Committee with the recruitment of a new non-executive director. Tyzack Partners did not provide any other services to the Company and is considered independent.

The Committee considered the potential candidates on merit from a wide range of backgrounds, and against objective criteria and with due regard for the benefits of diversity on the Board (including gender, social and ethnic backgrounds, cognitive and personal strengths), taking care that the potential candidates had enough time available to devote to the position. After a two-stage interview process the Committee recommended the appointment of Richard Cranfield to the Board with effect from 1 March 2020 to replace Anthony Newhouse who will be retiring from the Board at the conclusion of the 2020 AGM. Please refer to the Board of Directors on page 35 for his biographical details.

The Committee also considered the appointment of the Company's Senior Independent Director. After careful consideration the Committee recommended to the Board that Zoe King should succeed Anthony Newhouse as the Senior Independent Director at the conclusion of the 2020 AGM. Zoe has the longest standing tenure on the Board, notwithstanding the Chairman's tenure, and therefore has the deepest knowledge and experience of the Company which made her the strongest candidate for the position.

The Chairman led the review of the Board performance evaluation process in respect of the year-ended 31 December 2019. The evaluation was conducted by way of a questionnaire circulated to each individual director in advance and followed up with a one-to-one interview with the Chairman. The evaluation addressed board composition including knowledge, skills, diversity, experience, independence and time commitment of the directors. The feedback from the evaluation was resoundingly positive. Each director made a valuable contribution to the board and its discussions and all directors remained independent in character and judgment. There was a good balance of skills and experience and the Board's existing succession plan was progressing well.

The Board and Committee meetings were considered to be constructive and collaborative in nature. The quality of the papers provided was high and any queries were dealt with promptly by Janus Henderson. There was a strong relationship between the Board and the Manager, in particular with the Fund Manager and the Company Secretary. The culture of the Board promoted integrity and openness which was reciprocated by the Manager. The Board was confident that Janus Henderson had developed and maintained good working relationships with the Company's third-party suppliers and that they received appropriate information from the Manager in order to assess the third-party suppliers' performance, value for service, approach to ESG issues and their internal controls and risk management frameworks, including information security and business continuity.

The Committee discussed the appropriateness and relevance of the Committees of the Board and debated whether there was a sufficient amount of focus and attention on pertinent topics such as directors' remuneration and the internal controls and risk management systems in place at the Manager and the Company's third-party suppliers. This discussion prompted the establishment of the Nominations and Remuneration Committee and the Audit and Risk Committee with effect from 1 February 2020.

The Senior Independent Director conducted one-to-one interviews with the individual directors to appraise the Chairman's performance. He concluded that the directors were of the view that the Chairman continued to effectively lead the Company and demonstrated objective judgment throughout her tenure to promote a culture of openness and debate. She facilitated constructive board relations and the effective contribution of all of the non-executive directors, for example by openly asking each director for their input when making board decisions which created a clear and transparent atmosphere for discussion and debate. By working alongside the Company Secretary and the Fund Manager, the Chairman ensured that the Board was provided with accurate, timely and clear information.

The Committee also considered the Chairman's independence (please refer to Directors' Independence on page 41).

It was therefore agreed that the Chairman's performance continued to meet expectations and that her continued appointment was in the best interest of the Company and its long-term sustainable success.

Corporate Governance Report (continued)

In the year under review the Committee has also been responsible for:

- keeping under review the leadership needs of the Company, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- determining and disclosing a policy on the tenure of the Chairman and the tenure of directors (please refer to Policy on Tenure below); and
- ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, service and involvement outside of Board meetings.

The Committee also makes recommendations to the Board concerning:

- membership of the Audit and Risk Committee, and any other Board Committees as appropriate, in consultation with the Chairman of those Committees;
- the appointment of the Chairmen of the Board Committees and Chairman of the Board;
- the re-appointment of directors under the provisions of the AIC Code, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-appointed for a term beyond six years); and
- any matters relating to the continuation in office of any director at any time.

The additional role and responsibilities of the recently established Nominations and Remuneration Committee are:

- setting the Remuneration Policy for the non-executive directors including the Chairman of the Board and the Chairman of the Audit and Risk Committee (subject to the Remuneration Policy being approved by the shareholders at every third AGM or if there are any material changes proposed);
- in determining the Remuneration Policy, it will take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code;
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy at least annually;
- obtaining reliable, up-to-date information about remuneration in other companies of comparable scale and complexity;
- recommending and monitoring the level of remuneration for the non-executive directors; and
- agreeing the policy for authorising claims for expenses for the non-executive directors.

Arrangements with Directors

Board Composition

The Articles of Association provide that the total number of directors shall not be less than two nor more than ten in number. The Board currently consists of six non-executive directors but will revert to five at the conclusion of the 2020 AGM. All of them served throughout the year under review with the exception of Richard Cranfield who was appointed to the Board on 1 March 2020. The biographies of the directors holding office at the date of this report, which are set out on pages 35 and 36, demonstrate the breadth of investment, commercial, legal, financial and other professional experience relevant to their positions as directors.

Directors' Appointment and Retirement

The Board may appoint directors to the Board and any director so appointed must stand for appointment by the shareholders at the first AGM following their appointment, in accordance with the Articles of Association.

In keeping with the provisions of the AIC Code, all directors will retire at the upcoming AGM and, being eligible, have all stated that they will offer themselves for re-appointment with the exception of Anthony Newhouse, who will retire from the Board at the conclusion of the AGM.

Under the Articles of Association, shareholders may remove a director before the end of his or her term by passing an ordinary resolution at a general meeting.

Policy on Tenure

In the year under review the Board has set a formal policy on directors' tenure. Following the Chairman's retirement in 2021, no director is expected to serve for more than nine years unless particular circumstances warrant it, for example to facilitate effective succession planning, maintain continuity in post (particularly in regard to the Chairman) or promote diversity. In these exceptional cases an explanation for such a decision will be given to shareholders.

As an investment company the Board is comprised entirely of independent non-executive directors. In practice this means that the Chairman of the Board assumes executive functions in the absence of a CEO, and therefore there may be occasions when the Board may decide to extend the tenure of the Chairman for the sake of continuity and/or historical knowledge of the Company. This may be so particularly if an existing non-executive director is appointed as Chairman of the Board.

At the Nominations Committee Meeting held in January 2020 the Senior Independent Director confirmed that, having taken soundings from all Committee members, the Board was supportive of the Chairman continuing in post until the conclusion of the 2021 AGM where she would stand down, and it was further agreed that her successor would be determined in the second half of 2020 when the search for

Corporate Governance Report (continued)

a new director would also commence. This will conclude the final phase of the Board's five-year succession plan whereby one longer serving director has retired each year. On the Chairman's retirement the Board will have been completely refreshed in an orderly manner while achieving a sensible balance between continuity and reinvigoration.

Directors' Independence

The independence of the directors is determined with reference to the AIC Code. The Committee considers the independence of each director at least annually by reviewing the directors' other appointments and commitments, as well as their tenure of service and any connection they may have with the Manager. The Board does not believe that length of service on the Board necessarily compromises a director's independence nor that it should necessarily disqualify a director from seeking re-appointment.

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

Following evaluation, the Committee determined that all directors continued to be independent in character and judgment. The Committee believed that the individual director's skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders. In particular, the Committee is satisfied that the Chairman remained independent notwithstanding that she had been appointed as a non-executive director in 2008 and had therefore served on the Board for a period in excess of nine years. Furthermore, she had no relationships that may create a conflict of interest with the shareholders such as, being an ex-employee of the Manager, a professional advisor that has provided services to the Manager or the Board or serving on any other boards managed by Janus Henderson. The Committee believes that directors with more than nine years' service can still form part of an independent majority and in certain circumstances their experience and continuing service may be beneficial to investment company boards.

Directors' Professional Development

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including compliance and risk management, accounting, sales and marketing, and other administrative services provided by the Manager.

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. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively. Furthermore, no conflicts of interest have been identified that would allow third-parties to influence or compromise the individual director's independent judgment.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the directors. Under the Company's Articles of Association and subject to the provisions of UK legislation, a qualifying third-party provision indemnity may be provided to 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. No indemnity was given during the year or up to the date of this report.

Board Attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the 2019 AGM with the exception of Richard Cranfield who was appointed to the Board on 1 March 2020. The Insider Committee did not meet.

	Board	AC	NC	MEC
Number of Meetings	**6**	**3**	**5**	**1**
Margaret Littlejohns	6	3	5	1
Zoe King	6	3	5	1
Anthony Newhouse	6	3	5	1
Jeremy Rigg	6	3	5	1
Jonathan Silver	6	3	5	1
Janet Walker[1]	3/3	1/1	2/2	0/0

1 Retired from the Board on 8 May 2019
AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee

A Committee of the Board also met during the year under review to approve the annual results.

Corporate Governance Report (continued)

Committees of the Board

Board of Directors

Comprises independent non-executive directors

Chairman: Margaret Littlejohns

Non-executive oversight of the Company's operations; selection and appointment of service providers

Audit and Risk Committee

Chairman: Jonathan Silver

Purpose: Ensure the integrity of the financial reporting, evaluate the effectiveness of the systems of internal control and risk management, and oversee the relationship with the external auditors.

Management Engagement Committee

Chairman: Margaret Littlejohns

Purpose: Formally evaluate the overall performance of the Manager and other third-party service providers engaged by the Company and consider whether their continuing appointment is in the interests of shareholders.

Nominations and Remuneration Committee

Chairman: Margaret Littlejohns

Purpose: Advise on the composition of the Board and its Committees, in making appointments to the Board and ensuring suitable succession plans are in place. It also has responsibility for setting the Remuneration Policy and setting remuneration levels for the non-executive directors.

Contractually engages third-party service providers

Company's operations carried out by specialised third-party service providers

Janus Henderson
Fund Management: Led by David Smith as Fund Manager
Sales, Marketing, Company Secretary
Alternative Investment Fund Manager: Henderson Investment Funds Limited

HSBC Securities Services
Depositary and Custodian

Computershare Investor Services PLC
Registrar

JPMorgan Cazenove
Corporate Broker

The Terms of Reference for each of the Committees of the Board are kept under regular review and are available on the website: **www.hendersonhighincome.com**.

Please refer to page 38 for further details about the Management Engagement Committee and pages 38 to 40 for further details about the Nominations and Remuneration Committee. Please refer to pages 44 to 48 for further details about the Audit and Risk Committee.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities.

The Company's principal third-party service providers are the Manager (Janus Henderson); the Depositary/Custodian (HSBC) and the accountants (BNP Paribas Securities Services).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports (usually ISAE3402) from each organisation. This reporting is supplemented by the view of the Manager's Enterprise Risk Team regarding the control environments in operation at the providers.

The Company's secondary providers report regularly to the Board. A failing in their services is deemed to have a minimal impact on the Company's value and therefore less stringent reporting is required.

The Management Engagement Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit and Risk Committee evaluates the performance of the statutory auditor on completion of each audit cycle.

Board of Directors

(comprised entirely of non-executive directors)

Principal third-party service providers

The directors

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Risk Team;
- receive reporting from their Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate the performance on an annual basis.

Janus Henderson (Investment management, company secretarial, sales, marketing, PR and administration)

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

HSBC (Depositary/ Custodian)

Reporting
- Depositary's Report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (bi-annually)

BNP Paribas Securities Services (Accounting services engaged by the Manager)

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

Secondary third-party service providers

The directors

- receive regular reporting on their activities at meetings; and
- formally evaluate their performance on an annual basis.

Computershare (Registrar)

JPMorgan Cazenove (Corporate Broker)

Marten & Co (Sponsored Research)

PricewaterhouseCoopers LLP has been appointed as the Company's Statutory Auditor.

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
16 April 2020

Report of the Audit and Risk Committee

The Audit and Risk Committee was established on 1 February 2020 and the Terms of Reference of the previous Audit Committee were expanded to include additional internal control and risk management responsibilities. The following report covers the period 1 January 2019 to 31 December 2019.

Membership

All directors are members of the Committee, including the Chairman of the Board. Taking account of the size of the Board as a whole, the absence of any executive directors and the collaborative manner in which the Board and its Committees work, it was not considered practical or constructive to exclude the Chairman from being a member of the Committee. The Chairman of the Board was determined to be independent at the time of her appointment. This is in accordance with the AIC Code.

The Committee is chaired by Jonathan Silver, who is considered by the Board to have recent and relevant financial experience.

Meetings

The Committee met three times in the year under review. The Company's Auditors, the Fund Manager and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager (including the Global Head of Enterprise Risk, Head of Compliance, Head of Internal Audit, Head of Business Continuity and Chief Information Security Officer) and BNP Paribas Securities Services (BNP) may also be invited to attend meetings if deemed necessary by the Committee.

Role and Responsibilities

The role of the Committee is to assist the Board with reviewing the Company's financial reporting and monitoring and reviewing the internal controls and risk management systems, in place at the Manager and the Company's other third-party service providers. The Committee also makes recommendations to the Board on the appointment, re-appointment and removal of the Company's External Auditor. The Committee formally reports to the Board after each meeting and its responsibilities are set out in formal Terms of Reference which are regularly reviewed.

In the year under review the Committee has been responsible for:

Financial Reporting

- monitoring the integrity of the financial statements of the Company, including its annual and half year reports, and any formal announcements relating to its financial performance;
- reviewing the significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, half year reports and related formal statements and challenged the Manager where necessary on the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;
- reviewing the methods used to account for significant or unusual transactions where different approaches are possible;
- reviewing whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the External Auditor;
- reviewing the clarity and completeness of disclosures in the Company's financial statements and the context in which these statements are made;
- reviewing all material information presented with the Annual Report insofar as it relates to the audit and risk management;
- reviewing the Company's statement on Internal Control and Risk Management and Internal Audit Function (please refer to pages 45 to 46) prior to endorsement by the Board;
- reviewing the policies and processes used for identifying and assessing business risks and the management of those risks by the Company and other narrative statements made in the Annual Report and half year reports including the Viability Statement (please refer to pages 29 to 30);
- ensuring that the information presented in the Annual 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; and
- advising the Board with details of any significant issues considered in relation to the financial statements and how these were addressed.

Internal Controls and Risk Management Systems

- keeping under review the adequacy and effectiveness of the Company's internal controls and risk management systems, including a review of the Company's key third-party supplier's assurance reports;
- keeping under review the Company's risk map including consideration of the principal and emerging risks;
- monitoring and reviewing the remit and effectiveness of the Manager's Internal Audit, Compliance, Risk, Information Security and Business Continuity functions in the context of the Manager's overall risk management systems;

Report of the Audit and Risk Committee (continued)

- monitoring and reviewing the remit and effectiveness of the overall risk management systems of the Company's key third-party suppliers;
- meeting with representatives of the Manager's Risk and Internal Audit Teams, at the half year and full year reporting stage and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising; and
- meeting with representatives of the Manager's Compliance, Information Security and Business Continuity Teams at least annually and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising.

External Audit

- overseeing the relationship with the External Auditor including (but not limited to):
  - consideration of their remuneration, whether for audit or non-audit services, and ensuring that the level of fees is sufficient to enable an adequate audit to be carried out and make recommendations to the Board on fees;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity (please refer to Effectiveness and Independence of the External Auditor on page 48) taking into account relevant professional and regulatory requirements and the relationship with the Auditor as a whole, including the provision of any non-audit services (please refer to the Policy on Non-Audit Services in the adjacent column);
  - considering the need to include the risk of the withdrawal of the Auditor from the market in the Board's risk evaluation and planning; and
  - meeting regularly with the External Auditor and at least once a year, without representatives of the Manager being present, to discuss the Auditors' remit and any issues arising from the audit.
- reviewing the findings of the audit with the External Auditor, including any accounting and audit judgments.

Compliance, Whistleblowing and Fraud

- reviewing the adequacy and security of the Manager's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters to ensure that they are comfortable that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- reviewing the Manager's procedures for detecting fraud; and
- monitoring and reviewing confirmations from the Manager and the Company's third-party suppliers of their adherence to the UK Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015.

Appointment and Tenure of the Auditors

Regulations currently in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process during the year-ended 31 December 2016 and PricewaterhouseCoopers LLP (PwC) have been appointed as Auditors since then. The Auditor is required to rotate partners every five years, and this is the fourth year the current Audit Partner, Richard McGuire, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the Auditor, the Committee envisages carrying out an audit tender process in respect of the year-ending 31 December 2026 at the latest.

Policy on Non-Audit Services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the Auditor. The policy sets out that the Company's Auditor will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their Independence, effectiveness and objectivity. In addition, the provision of any non-audit services by the Auditor is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit and Risk Committee, or the Chairman of the Committee, following due consideration of the proposed services. The policy is available on the Company's website.

There were no fees paid or payable to the Auditor for non-audit services in the year under review (2018: £nil).

Internal Control and Risk Management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Committee supports the Board in the continuous monitoring of the Company's internal control and risk management framework and that of its key service providers. Please refer to the System of Internal Controls on page 43.

The Committee has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's Guidance on Risk Management, Internal Control and Related

Report of the Audit and Risk Committee (continued)

Business and Financial Reporting published in September 2014. The system was in operation throughout the year under review 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 which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular 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;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Management Engagement Committee conducts a formal evaluation of the overall level of services from third-party providers at least annually (please refer to Management Engagement Committee on page 38);
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers; and
- the Board receives quarterly internal controls reports from the Manager and a quarterly report from the Depositary.

The Committee reviews the assurance reports of Janus Henderson, BNP, HSBC Securities Services (Custodian and Depositary) and Computershare (Registrar) that report on the effectiveness of the control environment in operation at these key service providers. These reports are produced at least annually and are subsequently reviewed by the Committee.

The Committee also meets with the Manager's Head of Internal Audit at the full year and half year stage to obtain comfort that the high standards of internal control and the risk management systems in place at the Manager are satisfactory. In particular, the Committee asks questions relating specifically to areas of the Manager's business that directly affect or may indirectly affect investment trusts. In the year under review the Committee has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant. The Committee is therefore satisfied that the internal control and risk management systems in place at the Manager and its key service providers are effective.

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 is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from specific second and third-line of defence teams at the Manager.

The Manager's Risk Team supports the Committee in considering the independently audited assurance reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit Team provides regular reporting to the Board on the operations at the Manager and presents to the Committee at the full year and half year reporting stage. The Committee therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Disclosure of Information to Auditors

Each of the directors who were members of the Board at the date of approval of this report confirms that to the best of their knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's Auditor is unaware of, and they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Audit for the Year-Ended 31 December 2019

In the year under review PwC challenged both the Manager's and the Board's judgments and exercised professional scepticism. The audit team required detailed evidence of all metrics, numbers and disclosures made within the Annual Report to support a robust assessment and evaluation of the financial information contained therein. The Committee is satisfied that the Annual Report for the year-ended 31 December 2019, 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.

Report of the Audit and Risk Committee (continued)

In relation to the Annual Report for the year-ended 31 December 2019 the following significant issues were considered and addressed by the Committee:

Significant issues and audit matters	How it was addressed
Valuation and Ownership of the Company's Investments	The directors have appointed Janus Henderson, who outsource some of the administration and accounting services to BNP, 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 is verified by reconciliation to the Custodian's records and the directors have received quarterly reports from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation of investments.
Recognition of Income	Income received is accounted for in line with the Company's accounting policies (as set out in Note 1f on page 67) and is reviewed by the Committee at each meeting. The Board reviews the revenue forecast at every meeting in support of the Company's future dividend. In respect of special dividends where there is a requirement to allocate between revenue and capital, the Committee reviews the rationale provided by Janus Henderson and approves the relevant treatment.
Compliance with Section 1158 of the Corporation Tax Act 2010	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.
Maintaining Internal Controls	The Committee receives regular reports on internal controls from Janus Henderson (Manager), BNP (Administrator), Computershare (Registrar) and HSBC Securities Services (Depositary), and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The Committee reviewed the service auditors' qualification in respect of the Manager's assurance report for the period 1 October 2018 to 30 September 2019. A number of exceptions resulted in the qualification of two control objectives relating to the restriction of access to systems and data. The Committee is satisfied that the Manager is taking appropriate action to address the issues identified in the report. The Committee is also satisfied that none of the exceptions identified in the report directly impact the Company or the Janus Henderson managed investment trusts more widely.
Correct Calculation of the Performance Fee	The year-end performance fee calculation is prepared by BNP and reviewed by Janus Henderson. It is reviewed in depth by the Audit and Risk Committee, all with reference to the investment management agreement. No performance fee was payable for the year under review (2018: £nil).

Significant Issues Identified Post Year-End

The Committee has considered the post year-end impact of the COVID-19 pandemic on the Annual Report and financial statements. The impact of COVID-19 on the Company's net assets and share price are considered non-adjusting subsequent events and disclosure has been made of the impact in Note 22 on page 80. The Committee has also taken a significant amount of time to ensure that the Annual Report, as a whole, reflects the performance for the year under review, but also fairly presents sufficient information to shareholders on the events subsequent to the year-end, including those that impact on the going concern and longer term viability of the Company. The Committee has followed guidance issued by the FCA and the FRC in respect of announcing its year-end results during the current market environment and has been in close communication with PwC throughout in respect of this matter. This has resulted in a delay to the publication of the Annual Report this year.

Report of the Audit and Risk Committee (continued)

Effectiveness and Independence of the External Auditor

The Committee monitors the Auditors' independence, effectiveness and objectivity through three aspects of its work: approval of the Policy on Non-Audit Services (please refer to page 45); assessing the appropriateness of the fees paid to the Auditor for all work undertaken by them and by reviewing the information and assurances provided by the Auditor on their compliance with the relevant ethical standards.

For the year-ended 31 December 2019 PwC confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

PwC has confirmed to the Committee that its policy on independence which stipulates that all of its partners and staff involved with the audit of the Company are not permitted to have any direct or materially indirect interest in the Company. Adherence to this policy of independence is reaffirmed in writing by each member of professional staff involved in the Company's audit annually at PwC.

Due to the relatively recent appointment of PwC as the Company's auditor, this being the fourth year Richard McGuire has been Audit Partner and the fact that PwC does not provide any non-audit services to the Company, the Committee is satisfied that auditor independence and objectivity are safeguarded.

The Committee's process for evaluating the effectiveness of the external audit comprises two components: firstly, consideration is given to the findings of the FRC's Audit Quality Inspection Report (AQIR) and secondly, a post-audit assessment is carried out, led by the Committee Chairman.

In the year under review the Audit Partner discussed the findings of the latest AQIR on PwC with the Committee. The Committee challenged PwC on the issues identified in the AQIR published in July 2019 which pointed to weaknesses in long-term contracts, leases and other deficiencies (albeit these did not directly impact investment trusts). The Committee was reassured that the drive for quality at PwC as a result of the increased regulatory expectations would benefit all companies.

In assessing the effectiveness of the audit process, the Committee discussed the service provided by PwC with Janus Henderson's Financial Reporting Manager for Investment Trusts and the Company Secretary, who have the most hands-on involvement in the audit each year. The Committee also reviewed and assessed the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting for the Committee, benchmarking PwC's performance against their recent experience with other firms gained through their other commitments. The Committee also met privately with the Audit Partner to discuss how the audit operated from his perspective.

Overall the Committee considers that the audit quality for the year-ended 31 December 2019 has been high and that the Manager alongside PwC have worked together to enhance and improve reporting to shareholders.

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by PwC and therefore recommended their continuing appointment to the Board. PwC has indicated its willingness to continue in office. Accordingly, resolutions re-appointing PwC as Auditor to the Company and authorising the Board to determine their remuneration will be proposed at the upcoming AGM.

Jonathan Silver
Chairman of the Audit and Risk Committee
16 April 2020

Directors' Remuneration Report

Report on Implementation

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (Regulations). The report also meets the relevant requirements of the Companies Act 2006 (Act) and the Listing Rules of the FCA 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 Directors' Remuneration Report will be proposed at the AGM in 2020.

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 directors' remuneration. The Board has not established a Remuneration Committee to consider matters relating to the directors' remuneration in the year under review. With effect from 1 February 2020 the Board established a separate Nominations and Remuneration Committee with delegated responsibility for determining the Remuneration Policy (please see below) and setting remuneration for the Chairman of the Board, the Chairman of the Audit and Risk Committee and the independent non-executive directors in accordance with the Articles of Association.

The Board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration (although the directors review annually the fees paid to the boards of directors of other comparable investment companies).

Remuneration Policy

Shareholders last approved the Remuneration Policy at the AGM in 2017. In accordance with section 439A of the Act, shareholders will be asked to approve the Remuneration Policy at the 2020 AGM. The Remuneration Policy has been enhanced to meet the requirements of The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. Further details can be found in the Notice of Meeting that has been sent to shareholders with this report. It is also available on the website: **www.hendersonhighincome.com**.

In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code. The objective of the Remuneration Policy is to attract, retain and motivate non-executive directors of the quality required to manage the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Board obtains up-to-date information about remuneration in other companies of comparable scale and complexity in order to avoid and manage conflicts of interest in determining remuneration levels. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success.

Directors are remunerated in the form of fees, payable quarterly in arrears to the directors personally. In accordance with the Company's Articles of Association the aggregate remuneration of the directors may not exceed £250,000 per annum.

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 and Risk Committee, who are paid a higher fee in recognition of their additional responsibilities. From time-to-time the Board may approve one-off payments to directors for specific work undertaken in addition to their regular responsibilities. Any feedback from shareholders would be taken into account when setting remuneration levels. 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.

Annual Statement

As Chairman of the Board, Margaret Littlejohns reports that directors' fees were increased on 1 July 2019 (please refer to Directors' Remuneration on page 50). The increases were made after consideration of the fees paid by other investment trusts in the sector of an equivalent size, as well as taking account of available independent fee research from Trust Associates. The Board also considered the increases in the Retail Price Index and Consumer Price Index over the preceding twelve month period. These increases were to ensure that the directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new directors.

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' Remuneration Report (continued)

Directors' Interests in Shares (Audited)

	Ordinary shares of 5p	
	31 December 2019	1 January 2019
Beneficial:		
Margaret Littlejohns	25,139	25,139
Jonathan Silver[1]	15,000	N/A
Zoe King	9,000	9,000
Anthony Newhouse	20,000	20,000
Jeremy Rigg	10,000	10,000
Janet Walker[2]	N/A	6,000

1 Appointed to the Board on 2 January 2019
2 Retired from the Board on 8 May 2019

There have been no changes in the interests of the directors since the year-end to the date of this Annual Report.

Richard Cranfield was appointed as a director on 1 March 2020 and has therefore not been included in the adjacent table or the table below as he was not a serving director in the year under review.

No director is required to hold shares of the Company by way of qualification.

Directors' Remuneration (Audited)

The total salary and fees paid to the directors who served during the years-ended 31 December 2019 and 31 December 2018 was as follows:

	Year-ended 31 December 2019 Total salary and fees £	Year-ended 31 December 2018 Total salary and fees £	Change %[6]
Margaret Littlejohns[1]	36,375	35,625	2.1
Jonathan Silver[2]	27,330	–	–
Zoe King	24,250	23,750	2.1
Anthony Newhouse	24,250	23,750	2.1
Jeremy Rigg[3]	24,250	17,875	–
Janet Walker[4]	10,207	28,500	–
Andrew Bell[5]	–	8,393	–
Total	**146,662**	**137,893**	**–**

Notes:
1 Chairman of the Board
2 Appointed to the Board on 2 January 2019. Appointed as Chairman of the Audit and Risk Committee on 8 May 2019
3 Appointed to the on Board on 1 April 2018
4 Retired from the Board on 8 May 2019
5 Retired from the Board on 9 May 2018
6 In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 this column shows the annual percentage change over the preceding financial year and the relevant financial year in respect of each director that has served for a minimum of two financial years. The Board will publish this annual percentage change cumulatively each year going forward until there is an annual percentage change over the five financial years preceding the relevant financial year to meet the legislative requirements

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

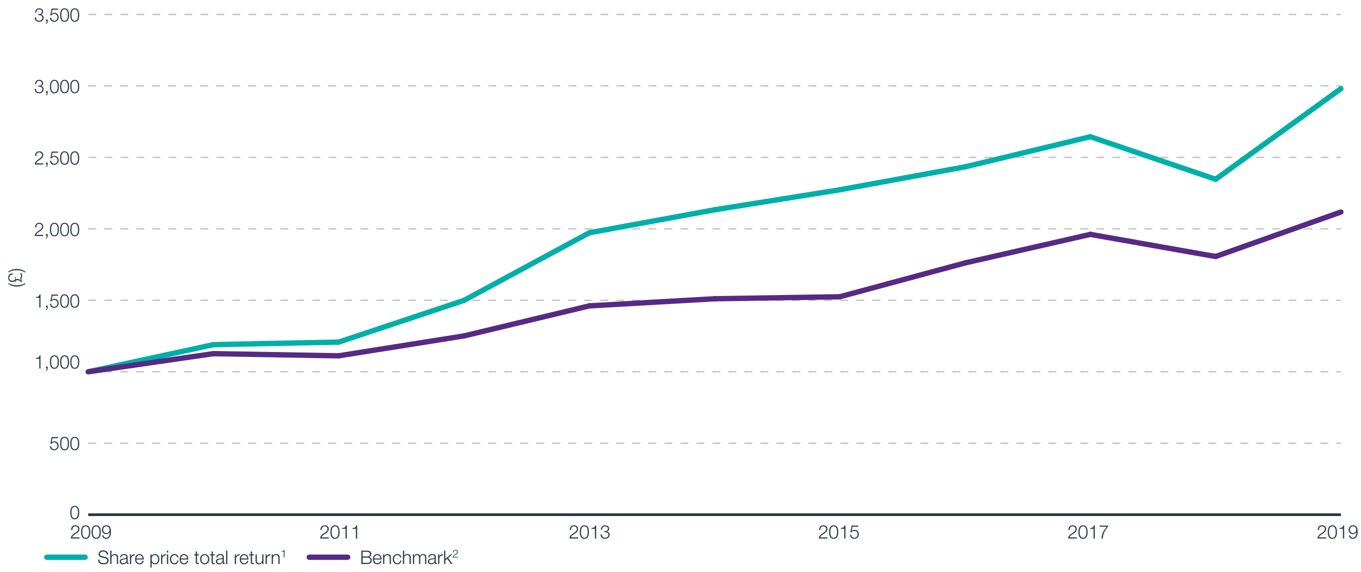
No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors or third parties specified by any of them.

From 1 July 2019 the fees were as follows (previous rates given in brackets): Chairman of the Board £36,750 (£36,000) per annum, Chairman of the Audit and Risk Committee £29,400 (£28,800) per annum and directors £24,500 (£24,000) per annum.

Directors' Remuneration Report (continued)

Performance

The Company's performance has been measured against the benchmark for the ten-year period ended 31 December 2019 on a total return basis in sterling terms. The graph compares the mid-market price of the Company's ordinary shares with the benchmark over the same period, assuming a notional investment of £1,000 on 31 December 2009 and the reinvestment of all dividends.



1 The share price total return is sourced from the AIC except the 2009 returns which are from Morningstar

2 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually. Prior to 31 December 2010 the benchmark was 75% of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index

Source: AIC Report

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 paid to shareholders by way of dividends. There were no share buybacks or other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay in the year under review or prior year.

	2019 £	2018 £	Change £
Total remuneration paid to directors	146,662	137,893	8,769
Ordinary dividends paid during the year	12,538,137	12,280,945	257,192

Statement of Voting at AGM

In relation to the resolution at the 2017 AGM seeking approval of the Remuneration Policy as set out in the Directors' Remuneration Report 17,173,055 (97.3%) proxy votes were received in favour, 256,846 (1.4%) proxy votes were received against, 227,490 (1.3%) proxy votes were discretionary and 180,154 proxy votes were withheld. The percentage of votes excludes votes withheld.

In relation to the resolution at the 2019 AGM seeking approval of the Directors' Remuneration Report 11,478,693 (96.7%) proxy votes were received in favour, 128,304 (1.1%) proxy votes were received against, 262,881 (2.2%) proxy votes were discretionary and 282,104 proxy votes were withheld. The percentage of votes excludes votes withheld.

For and on behalf of the Board

Margaret Littlejohns
Chairman
16 April 2020

Report of the Directors

The directors who are listed on pages 35 and 36 present their report and financial statements for the year-ended 31 December 2019.

The Corporate Governance Report (pages 37 to 43), the Report of the Audit and Risk Committee (pages 44 to 48), the Statement of Directors' Responsibilities (page 53), the Glossary (page 82), the Alternative Performance Measures (pages 83 to 84) and General Shareholder Information (pages 85 to 86) all form part of the Report of the Directors.

Duration of the Company

Please refer to the Continuation Vote on page 9.

Share Capital

The Company's share capital comprises ordinary shares with a nominal value of 5p. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to 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 and capital 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 holding of ordinary shares.

At the beginning of the year, there were 128,596,278 ordinary shares in issue. During the year and in the period to the date of this report, no shares were issued or bought back. Therefore the number of ordinary shares in issue with voting rights remains unchanged.

The Company will seek authority from its shareholders at the 2020 AGM to renew its authority to allot shares up to 10% of the issued share capital. Please refer to the Notice of Meeting that has been sent to shareholders with this report for further details. This is also available on the website at **www.hendersonhighincome.com**.

Holdings in the Company's Shares

In accordance with the Disclosure Guidance and Transparency Rules there were no declarations of interest in the voting rights of the Company in the year under review.

No changes have been notified in the period 1 January 2020 to the date of this report.

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. The only amounts paid to them were in respect of remuneration for which there were no outstanding amounts payable at the year-end. Directors' interests in shares are disclosed in the Directors' Remuneration Report on page 50. 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 marketing services) there have been no material transactions with the Manager affecting the financial position or performance 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 21 on page 80.

The directors confirm that in accordance with Listing Rule 9.8.4(7) there are no further disclosures that need to be made in this regard.

Greenhouse Gas Emissions

Please refer to The Environment on page 32.

Update Statement

In relation to the resolution at the 2019 AGM seeking the re-appointment of Anthony Newhouse as a director 9,206,131 (76.1%) proxy votes were received in favour, 2,587,566 (21.4%) proxy votes were received against, 305,387 (2.5%) proxy votes were discretionary and 55,424 proxy votes were withheld. The percentage of votes excludes votes withheld.

The Board committed at the time to make every effort to engage with shareholders who voted against this resolution to understand and discuss their concerns. The Chairman of the Board subsequently wrote to the largest shareholder behind the vote (following an analysis of the votes received) to ask for their feedback on the Board's succession plans but did not receive a response. Nevertheless, the Board issued an interim action statement on 25 July 2019 and confirms that Anthony Newhouse will retire as a director at the conclusion of the 2020 AGM as part of the Board's existing succession plan. There has been no additional feedback from any shareholders with regards to succession planning. The Board has now published a Policy on Tenure on pages 40 and 41 as a matter of good governance.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
16 April 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, including 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 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 United Kingdom and 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 profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 the going concern basis (please refer to Note 1c on page 67) 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.

Having taken advice from the Audit and Risk Committee, the directors consider that the Annual Report and financial statements taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Statement of Directors' Responsibilities

Each of the directors, who are listed on pages 35 and 36 confirms that, to the best of his or her knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 and applicable law) 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

Margaret Littlejohns
Chairman
16 April 2020

Financial Statements

Independent Auditors' Report to the Members of Henderson High Income Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, Henderson High Income Trust Plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared 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 Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £2.5m (2018: £2.1m), based on 1% of net asset value.

- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.

- Valuation and existence of investments
- Income from investments
- Performance fee
- Consideration of the impact of COVID-19
- Ability to continue as a going concern (Continuation Vote)

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the entity and industry, we identified that the principal risks of non-compliance with laws and regulations related to the ongoing qualification as an Investment Trust under the Corporation Tax Act 2010 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net asset value of the Company. We performed the following procedures in response to those risks:

- Discussions with management, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Identifying and testing journal entries, in particular any journal posted as part of the financial year end close process.

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. Also, 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 or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to page 47 (Report of the Audit and Risk Committee), page 67 (Accounting Policies) and page 73 (Notes to the Financial Statements). The investment portfolio at the year end comprised listed equity investments and fixed interest investments valued at £305 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the Financial Statements.	We tested the valuation of the listed equity investments and fixed interest investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No material misstatements were identified.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Income from investments
Refer to page 47 (Report of the Audit and Risk Committee), page 67 (Accounting Policies) and page 70 (Notes to the Financial Statements).

Income from investments comprised dividend income and fixed interest income. We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.

We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Income Statement for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"), as incorrect application could indicate a misstatement in income recognition.
</td><td>
We assessed the accounting policy for investment income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income from investments had been accounted for in accordance with this stated accounting policy.

We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy.

Dividend income
We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data.

To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded.

We tested occurrence by tracing a sample of dividends received to bank statements.

We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions.

Our procedures did not identify any material misstatements.

Fixed interest income
We tested fixed interest income by recalculating the expected coupon interest and amortisation, using the opening and closing portfolios and coupon rates and maturity dates. We also agreed a sample of coupon rates and maturity dates to independent third party sources.

To test for completeness, for a sample of investment holdings in the portfolio, we tested that all fixed interest income earned by investment holdings had been recorded.

We tested occurrence by testing that all fixed interest income recorded in the year had been earned and by tracing a sample of fixed interest income received to bank statements.

Our procedures did not identify any material misstatements.
</td></tr>
<tr><td>
Performance fee
Refer to page 47 (Report of the Audit and Risk Committee), page 68 (Accounting Policies) and page 70 (Notes to the Financial Statements).

We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the Company and the Manager. Based on the calculation performed by the Manager, no performance fee is payable for the year.
</td><td>
We tested the calculation of the performance fee to ensure that it complied with the methodology as set out in the Investment Management Agreement, and agreed the inputs to the calculation, including the net asset value and benchmark data, to independent third-party sources, where applicable.

Based on our testing, we agreed that no performance fee is payable.
</td></tr>
</table>

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of COVID-19 Refer to the Chairman's Statement (pages 8 to 10), Principal Risks (pages 27 and 28), Viability Statement (pages 29 and 30), the Report of the Audit and Risk Committee (page 47), the Going Concern Statement (page 67) and Subsequent Events note (page 80), which disclose the impact of the COVID-19 coronavirus pandemic. From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020. The impact of the COVID-19 pandemic has been treated as a non-adjusting event as it is indicative of conditions that arose after the end of the reporting period. Subsequent to the year-end, the net asset value of the Company has decreased by 23.5% and the Company's share price has decreased by 27.4% as at 9 April 2020. The directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that notwithstanding the significant market fall and the related uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the COVID-19 pandemic.	We evaluated the directors' assessment of the impact of the COVID-19 pandemic on the Company by: • Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19. • Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by: • Testing note 22 'Subsequent Events' in the financial statements by agreeing the post-year end Net Asset Value and Company share price to supporting evidence. • Reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. We agree that the directors' conclusion that the impact of COVID-19 should be treated as a non-adjusting event after the end of the reporting period and are satisfied that it has been appropriately disclosed as such in the financial statements. We obtained and evaluated the directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by: • Obtaining evidence to support the key assumptions driving the directors' assessment and progress of the renewal of the loan facility. This included reviewing the directors' assessment of the Company's financial position, including the liquidity of its assets, should the loan need to be repaid, and updated loan covenant analysis, as well as their review of the operational resilience of the Company and oversight of key third party service providers. Our conclusions relating to going concern are set out in the 'Going Concern' section below.
Ability to continue as a going concern (Continuation Vote) Refer to the Chairman's Statement (page 9), the Viability Statement (pages 29 and 30), the Report of the Audit and Risk Committee (page 47) and the Going Concern Statement (page 67). A continuation vote is due to take place at the 2020 AGM, which, if passed, will allow the Company to continue as an investment trust for a further five years. As such, the directors have considered and assessed the potential impact on the ability of the Company to continue as a going concern.	We have reviewed the directors' assessment of going concern in relation to the passing of the continuation vote. We have challenged the directors on their assessment which includes, but is not limited to, the following in support of the vote: • The stability and diversity of the Company's shareholder register and the type of shareholder on the register; • The Company has a positive long-term performance track record, and the significant decline in its portfolio valuation as part of the COVID-19 market uncertainty following the year end has not deviated significantly from the benchmark; • The demand for the Company's shares over the last three years represented by its share price discount or premium to net asset value; and • The feedback that the Manager has received from a sample of shareholders. Our conclusions relating to going concern are set out in the 'Going Concern' section below.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£2.5m (2018: £2.1m).
How we determined it	1% of net asset value.
Rationale for benchmark applied	We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £126,000 (2018: £105,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of 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 as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Report of the Directors and Corporate Governance Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

Corporate Governance Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Report (on pages 37 to 43) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Report with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 27 of 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 disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 29 and 30 of 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 High Income Trust plc (continued)

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules).

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 53, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 47 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 53, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 14 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2016 to 31 December 2019.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 April 2020

Income Statement

Notes		Year-ended 31 December 2019 Revenue return £'000	Year-ended 31 December 2019 Capital return £'000	Year-ended 31 December 2019 Total £'000	Year-ended 31 December 2018 Revenue return £'000	Year-ended 31 December 2018 Capital return £'000	Year-ended 31 December 2018 Total £'000
2	Gains/(losses) on investments held at fair value through profit or loss	–	41,212	41,212	–	(45,211)	(45,211)
3	Income from investments held at fair value through profit or loss	15,041	–	15,041	14,329	–	14,329
4	Other interest receivable and similar income	6	–	6	35	–	35
	Gross revenue and capital gains/(losses)	**15,047**	**41,212**	**56,259**	**14,364**	**(45,211)**	**(30,847)**
5	Management and performance fees	(575)	(864)	(1,439)	(590)	(885)	(1,475)
6	Other administrative expenses	(405)	–	(405)	(429)	–	(429)
	Net return before finance costs and taxation	**14,067**	**40,348**	**54,415**	**13,345**	**(46,096)**	**(32,751)**
7	Finance costs	(385)	(1,156)	(1,541)	(338)	(1,015)	(1,353)
	Net return before taxation	**13,682**	**39,192**	**52,874**	**13,007**	**(47,111)**	**(34,104)**
8	Taxation on net return	(63)	–	(63)	(71)	–	(71)
	Net return after taxation	**13,619**	**39,192**	**52,811**	**12,936**	**(47,111)**	**(34,175)**
9	Return/(loss) per ordinary share	10.59p	30.48p	41.07p	10.06p	(36.63p)	(26.57p)

The total columns of this statement represent the Income Statement of the Company. All capital and revenue items derive from continuing operations. No operations were acquired or discontinued during the year. The Company has no other comprehensive income other than those items recognised in the Income Statement.

The notes on pages 67 to 80 form part of these financial statements

Statement of Changes in Equity

Notes	Year-ended 31 December 2019	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2019	6,430	126,783	26,302	41,707	9,566	210,788
	Net return after taxation	–	–	–	39,192	13,619	52,811
10	Dividends paid	–	–	–	–	(12,511)	(12,511)
	At 31 December 2019	**6,430**	**126,783**	**26,302**	**80,899**	**10,674**	**251,088**

	Year-ended 31 December 2018	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2018	6,430	126,783	26,302	88,818	8,910	257,243
	Net return after taxation	–	–	–	(47,111)	12,936	(34,175)
10	Dividends paid	–	–	–	–	(12,280)	(12,280)
	At 31 December 2018	**6,430**	**126,783**	**26,302**	**41,707**	**9,566**	**210,788**

The notes on pages 67 to 80 form part of these financial statements

Statement of Financial Position

Notes		At 31 December 2019 £'000	At 31 December 2018 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	305,064	267,966
	Current assets		
12	Debtors	2,069	1,767
	Cash at bank and in hand	2,701	2,581
		4,770	**4,348**
13	**Creditors: amounts falling due within one year**	(38,917)	(41,705)
	Net current liabilities	**(34,147)**	**(37,357)**
	Total assets less current liabilities	**270,917**	**230,609**
14	**Creditors: amounts falling due after more than one year**	(19,829)	(19,821)
	Net assets	**251,088**	**210,788**
	Capital and reserves		
16	Called up share capital	6,430	6,430
17	Share premium account	126,783	126,783
17	Capital redemption reserve	26,302	26,302
17	Other capital reserves	80,899	41,707
17	Revenue reserve	10,674	9,566
	Total shareholders' funds	**251,088**	**210,788**
18	**Net asset value per ordinary share (basic and diluted)**	195.25p	163.91p

The financial statements and corresponding notes on pages 67 to 80 were approved by the Board of Directors on 16 April 2020 and signed on its behalf by:

Margaret Littlejohns
Chairman

The notes on pages 67 to 80 form part of these financial statements

Statement of Cash Flows

	Year-ended 31 December 2019 £'000	Year-ended 31 December 2018 £'000
Cash flows from operating activities		
Net return before taxation	52,874	(34,104)
Add back: finance costs	1,541	1,353
Less: (gains)/losses on investments held at fair value through profit or loss	(41,212)	45,211
Withholding tax on dividends deducted at source	(63)	(71)
Taxation recovered	–	21
Increase in prepayments and accrued income	(302)	(108)
(Decrease)/increase in accruals and deferred income	(287)	37
Net cash inflow from operating activities[1]	**12,551**	**12,339**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	59,656	56,765
Purchases of investments held at fair value through profit or loss	(56,240)	(58,316)
Net cash inflow/(outflow) from investing activities	**3,416**	**(1,551)**
Cash inflow/(outflow) from financing activities		
Equity dividends paid	(12,511)	(12,280)
(Repayment)/drawdown of loans	(1,847)	4,159
Interest paid	(1,533)	(1,346)
Net cash flow from financing activities	**(15,891)**	**(9,467)**
Net increase in cash and cash equivalents	76	1,321
Cash and cash equivalents at beginning of year	2,581	1,245
Exchange movements	44	15
Cash and cash equivalents at end of year	**2,701**	**2,581**
Comprising:		
Cash at bank	**2,701**	**2,581**

1 Cash inflow from dividends was £13,117,000 (2018: £13,006,000) and cash inflow from interest was £1,674,000 (2018: £1,383,000)

The notes on pages 67 to 80 form part of these financial statements

Notes to the Financial Statements

1 Accounting Policies

a) Basis of Accounting

The Company is a registered investment company as defined in section 833 of the Companies Act 2006. It operates in England and Wales and is registered at 201 Bishopsgate, London EC2M 3AE.

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 (SORP). The new provisions of the SORP have an impact on the disclosure of investment holdings gains/losses and additional wording has been included in Note 11 on page 73.

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 at fair value of investments.

In applying FRS 102, financial instruments have been accounted for in accordance with sections 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

b) Significant Judgments and Estimates

The decision to allocate special dividends as income or capital is a judgement but not deemed to be material. The allocation of expenses as income or capital is not material but has an impact on distributable reserves. Other than these exceptions the directors do not believe that any accounting judgments or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

c) 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 Company's shareholders are asked every five years to vote for the continuation of the Company. An ordinary resolution to this effect will be put to shareholders at the AGM in 2020 and the Board has no reason to believe that this resolution will not be passed. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, and the status of the negotiation of the renewal of the Scotiabank facility, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. In coming to this conclusion, the directors also considered the post year-end impact of COVID-19 on the Company's NAV and share price which are set out in Note 22 on page 80.

d) Valuation of Investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's directors. Accordingly, upon initial recognition the investments are included initially at fair value, which is taken to be their cost. Subsequently, the investments are valued at fair value, which is deemed to be the bid market prices or the last traded price depending on the convention of the exchange on which the investment is quoted.

All fair value movements in investments are taken to the Income Statement. In accordance with the SORP, the Company's profit and loss account is split between revenue and capital returns columns as can be seen in the Income Statement. Fair value movements on investments are taken to the capital column in the Income Statement.

e) Capital Gains and Losses

Profits less disposal of investments and investment holding gains and losses are taken to the capital column in the Income Statement and transferred to other capital reserves.

f) Income

Dividends receivable on equity shares are taken to the revenue return of the Income Statement 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 with no fixed maturity date is recognised on a time-apportioned basis. Income from other fixed interest securities is recognised so as to reflect the effective interest rate on these securities.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

g) Expenses

All expenses and finance costs are accounted for on an accruals basis. The Board's expectation is that over the long-term three quarters of the Company's investment returns will be in the form of capital gains. The directors have determined that the proportion of the annual management fees that relates to the maintenance or enhancement of the valuation of investments is 80%. On this basis, the Company charges to capital 60% of total management fees (i.e. 75% of 80%) and 75% of its finance costs. The balance of the management fees is charged to revenue. All performance fees are charged to capital. Expenses which are incidental to the acquisition of an investment are charged to the Income Statement and included within gains/losses on investments. Expenses which are incidental to the disposal of an investment are deducted from sale proceeds and go to the Income Statement indirectly.

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 tax rate of corporation tax for the accounting period.

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's applicable rate of tax for the year. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns on 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 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 been reversed by the Statement of Financial Position date, other than those differences regarded as permanent. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

i) 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 the Company is listed in the UK with a predominantly UK shareholder base.

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rate.

Assets and liabilities denominated in overseas currencies at the Statement of Financial Position date are translated into sterling at the exchange rate ruling at that date. Differences arising from translation at this rate of exchange are included within the Income Statement as a capital item and then transferred to capital reserves.

j) Borrowings

Interest-bearing bank loans, overdrafts and the senior unsecured note are recorded as proceeds received, net of direct issue costs.

They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement, using the effective interest 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.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

k) Derivative Financial Instruments

The Company does not use derivative financial instruments for speculative purposes.

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure) and futures contracts on indices appropriate to sections of the portfolio (one purpose for which may be to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Janus Henderson's expectations for the relevant share prices and to generate additional return for shareholders. The use of financial derivatives is governed by the Company's polices as approved by the Board.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Income Statement. There were no derivatives held during the year (2018: nil).

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as a capital return such that the total return reflects the overall change in the fair value of the option.

l) Dividends Payable to Shareholders

Interim dividends payable to shareholders are recognised in the financial statements when they are paid. The Company does not pay a final dividend.

Statement of Changes in Equity on page 64 and Note 10 on page 72.

m) Capital and Reserves

Share capital represents the nominal value of 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 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 other of these components:

Capital reserve arising on investments sold

- gains and losses on disposals of investments;
- realised foreign exchange differences of a capital nature;
- cost of repurchasing ordinary share capital; and
- other capital charges and credits charged to this account in accordance with the above policies.

Capital reserve arising on investments held

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

n) Distributable Reserves

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend.

Notes to the Financial Statements (continued)

2 Gains/(Losses) on Investments Held at Fair Value through Profit or Loss

	2019 £'000	2018 £'000
Gains on the sale of investments based on historical cost	2,003	1,800
Revaluation gains/(losses) recognised in previous years	1,459	(4,515)
Gains/(losses) on investments sold in the year based on carrying value at previous Statement of Financial Position date	**3,462**	**(2,715)**
Net movement on revaluation of investments	37,077	(42,148)
Effective yield movement	(25)	(17)
Exchange gains/(losses)	698	(331)
	41,212	**(45,211)**

3 Income from Investments Held at Fair Value through Profit or Loss

	2019 £'000	2018 £'000
UK dividend income – listed	10,791	10,708
UK dividend income – special dividends	358	312
	11,149	**11,020**
Interest income – listed	1,768	1,291
Overseas and other dividend income – listed	1,772	2,018
Overseas and other dividend income – special dividends	352	–
	3,892	**3,309**
	15,041	**14,329**

4 Other Interest Receivable and Similar Income

	2019 £'000	2018 £'000
Deposit interest	3	3
Underwriting commission	3	32
	6	**35**

5 Management and Performance Fees

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	575	864	1,439	590	885	1,475
Performance fee	–	–	–	–	–	–
Total fee	**575**	**864**	**1,439**	**590**	**885**	**1,475**

A summary of the terms of the investment management agreement is given in Fee Arrangements with the Manager on page 30. An explanation of the split between revenue and capital is contained in Note 1g on page 68. No performance fee was earned during the year (2018: £nil).

Notes to the Financial Statements (continued)

6 Other Administrative Expenses

	2019 £'000	2018 £'000
Directors' fees (please refer to the Directors' Remuneration Report on page 50)	147	138
Auditors' remuneration – for audit services	41	35
Depositary fees	25	27
Registrar fees	22	22
Sales and marketing expenses payable to the Manager	61	66
Other expenses	109	141
	405	**429**

7 Finance Costs

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Interest on bank loans repayable within one year and on bank overdrafts	200	599	799	153	459	612
Interest on senior unsecured note	185	557	742	185	556	741
	385	**1,156**	**1,541**	**338**	**1,015**	**1,353**

8 Taxation on Net Return

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Overseas withholding tax	63	–	63	71	–	71
Total tax charge for the year	**63**	**–**	**63**	**71**	**–**	**71**

a) Factors Affecting Tax Charge For Year

The UK corporation tax rate is 19.0% (2018: applicable rate 19.0%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return before taxation	**13,682**	**39,192**	**52,874**	13,007	(47,111)	(34,104)
Corporation tax of 19.0% (2018: 19.0%)	2,599	7,447	10,046	2,471	(8,951)	(6,480)
Effects of:						
– UK dividends	(2,121)	–	(2,121)	(2,094)	–	(2,094)
– Non-taxable overseas dividends	(309)	–	(309)	(323)	–	(323)
– Utilised excess management expenses	(169)	384	215	(54)	361	307
– Irrecoverable overseas withholding tax	63	–	63	71	–	71
– (Gains)/losses on investments held at fair value	–	(7,831)	(7,831)	–	8,590	8,590
Total tax charge for the year	**63**	**–**	**63**	**71**	**–**	**71**

The Company is an investment trust and therefore its capital gains are not taxable.

b) Factors That May Affect Future Tax Charges

No provision for deferred taxation has been made in the current or prior financial 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 £3,128,000 (2018: £2,937,000) based on a prospective corporation tax rate of 17.0% (2018: 17.0%). These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

9 Total Return/(Loss) per Ordinary Share

The return per ordinary share figure is based on the gain attributable to the ordinary shares of £52,811,000 (2018 loss: £34,175,000) and on the 128,596,278 weighted average number of ordinary shares in issue during the year (2018: 128,596,278).

The Company had no securities in issue that could dilute the return per ordinary share.

The return per ordinary share can be analysed between revenue and capital as shown below:

	2019 £'000	2018 £'000
Net revenue return	13,619	12,936
Net capital return	39,192	(47,111)
Total return	**52,811**	**(34,175)**
Weighted average number of ordinary shares	**128,596,278**	**128,596,278**
Revenue return per ordinary share	10.59p	10.06p
Capital return/(loss) per ordinary share	30.48p	(36.63p)
Total return/(loss) per ordinary share	**41.07p**	**(26.57p)**

10 Dividends Paid on Ordinary Shares

	Payment date	**2019 £'000**	2018 £'000
Fourth interim dividend (2.375p) for the year-ended 31 December 2017	26 January 2018	–	3,054
First interim dividend (2.375p) for the year-ended 31 December 2018	27 April 2018	–	3,054
Second interim dividend (2.375p) for the year-ended 31 December 2018	27 July 2018	–	3,054
Third interim dividend (2.425p) for the year-ended 31 December 2018	26 October 2018	–	3,118
Fourth interim dividend (2.425p) for the year-ended 31 December 2018	25 January 2019	3,118	–
First interim dividend (2.425p) for the year-ended 31 December 2019	26 April 2019	3,118	–
Second interim dividend (2.425p) for the year-ended 31 December 2019	26 July 2019	3,118	–
Third interim dividend (2.475p) for the year-ended 31 December 2019	25 October 2019	3,183	–
Unclaimed dividends		(26)	–
		12,511	**12,280**

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:

	2019 £'000	2018 £'000
Revenue available for distribution by way of dividend for the year	13,619	12,936
First interim dividend of 2.425p (2018: 2.375p)	(3,118)	(3,054)
Second interim dividend of 2.425p (2018: 2.375p)	(3,118)	(3,054)
Third interim dividend of 2.475p (2018: 2.425p)	(3,183)	(3,118)
Fourth interim dividend 2.475p (2018: 2.425p)	(3,183)	(3,118)
	1,017	**592**

All dividends have been paid or will be paid out of revenue profits.

Notes to the Financial Statements (continued)

11 Investments Held at Fair Value through Profit or Loss

	2019 £'000	2018 £'000
Valuation at 1 January	267,966	311,295
Investment holding gains at 1 January	(18,742)	(65,423)
Cost at 1 January	**249,224**	**245,872**
Purchases at cost	56,240	58,239
Sales at cost	(57,653)	(54,887)
Cost at 31 December	**247,811**	**249,224**
Investment holding gains at 31 December	57,253	18,742
Valuation of investments at 31 December	**305,064**	**267,966**

Total transaction costs amounted to £192,000 (2018: £168,000) of which purchase transaction costs for the year-ended 31 December 2019 were £174,000 (2018: £149,000). Sale transaction costs for the year-ended 31 December 2019 were £18,000 (2018: £19,000). These comprise mainly stamp duty (purchases only) and commissions.

The Company received £59,681,000 (2018: £56,748,000) from investments sold in the year. The book cost of these investments when they were purchased was £57,653,000 (2018: £54,887,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12 Debtors

	2019 £'000	2018 £'000
Taxation recoverable	136	79
Prepayments and accrued income	1,933	1,688
	2,069	**1,767**

13 Creditors: Amounts Falling Due Within One Year

	2019 £'000	2018 £'000
Bank loans and overdrafts	37,967	40,468
Accruals and deferred income	950	1,237
	38,917	**41,705**

The Company has a two year multi-currency loan facility of £45 million with Scotiabank (2018: £42 million). On 20 February 2019 the Company increased the facility by £3 million. The facility will expire on 27 June 2020 and the Board is currently in the process of renewing this facility before the expiry date. At 31 December 2019 the Company had multi-currency loans under the Scotiabank facility amounting to £37,967,000, repayable in January and February 2020 (2018: £40,468,000, repayable in January, February and March 2019). The average interest rate payable on these loans was 1.80% (2018: 2.01%). Please refer to the Financial Calendar on page 87 for the senior unsecured note interest payment dates.

14 Creditors: Amounts Falling Due After More Than One Year

	2019 £'000	2018 £'000
Senior unsecured note	19,829	19,821
	19,829	**19,821**

On 8 July 2015 the Company issued £20 million (nominal) 3.67% senior unsecured note due 2034, net of issue costs totalling £204,000. The issue costs will be amortised over the life of the senior unsecured note by way of an effective interest rate method. The fair value methodology of the senior unsecured note is detailed in Note 15.4 on page 77.

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 Investment Policy (please refer to page 22). 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 are: market risk (comprising market price risk, currency risk and interest rate risk), credit risk, liquidity risk and gearing. Details of these risks and of the directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board receives regular financial and other reporting to enable it to measure these risks.

The Board and Janus Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Listed securities, exchange-traded derivatives and over the counter (OTC) derivatives contracts are processed, confirmed and reconciled using automated systems linked to counterparties and clearing houses;
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, third-party software applications; and
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services).

Janus Henderson Risk, Compliance and Operations Teams have access to and use a variety of in-house and third-party databases and applications for independent monitoring, risk measurement and compliance purposes.

15.1 Market Risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see Note 15.1.1) below, interest rate risk (see Note 15.1.2) below and other price risk (see Note 15.1.3) on page 75, in particular the risk of fluctuations in prices of securities. The Board reviews and agrees policies for managing these risks and agrees investment guidelines and restrictions for managing the portfolio; these have remained substantially unchanged from those applying in the previous year. The Fund Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. This risk is mitigated through diversification of investments in the portfolio.

15.1.1 Currency Risk

A proportion of the Company's assets and income is denominated in currencies other than sterling (the Company's functional currency and the one in which it reports its results). Therefore, movements in exchange rates may affect the sterling value of these items. This may be partially offset by borrowing in foreign currencies. The Board regularly reviews currency risk; currently it is not deemed to be material given the level of foreign currency borrowing.

15.1.2 Interest Rate Risk

Interest rate movements may affect:

- the fair value of investments in fixed interest securities;
- the level of income receivable from interest-bearing securities 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 of 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 multi-currency loan facility. The Company generally does not hold significant cash balances; short-term borrowings are used when required. The Company finances part of its activities through borrowings at levels approved by the Board. Derivative contracts may sometimes be used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure at 31 December 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 re-set; and
- fixed interest rates: when the financial instrument is due for repayment. These dates are shown on page 87.

Please refer to the Financial Calendar on page 87 for the senior unsecured note interest repayment dates.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

	2019 Within one year £'000	2019 More than one year £'000	2019 Total £'000	2018 Within one year £'000	2018 More than one year £'000	2018 Total £'000
Exposure to floating interest rates:						
Cash at bank	2,701	–	2,701	2,581	–	2,581
Creditors – within one year:						
Borrowings under multi-currency loan facility	(38,001)	–	(38,001)	(40,524)	–	(40,524)
	(35,300)	**–**	**(35,300)**	**(37,943)**	**–**	**(37,943)**
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	–	45,761	45,761	–	37,603	37,603
Creditors – more than one year:						
Senior unsecured note[1]	(742)	(30,268)	(31,010)	(741)	(31,003)	(31,744)
Total exposure to interest rates	**(36,042)**	**15,493**	**(20,549)**	**(38,684)**	**6,600**	**(32,084)**

1 The above figures show interest payable over the remaining term of the senior unsecured note. The figures in the 'more than one year' column also include the capital to be repaid. Details of the interest repayment dates are set out in the Financial Calendar on page 87.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR or its foreign currency equivalent (2018: same);
- interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan. The weighted average interest rate of these was 1.80% at 31 December 2019 (2018: 2.01%);
- interest paid on the senior unsecured note is at a rate of 3.67%; and
- the nominal interest rates on the investments held at fair value through profit and loss are shown above. The weighted average interest rate on these investments is 4.74% (2018: 4.85%).

Interest rate risk sensitivity

The Company is primarily exposed to interest rate risk through its loan facility with Scotiabank, and its fixed interest investment portfolio. The sensitivity of each exposure is as follows:

- loan sensitivity: borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year-end were £37,967,000 (2018: £40,468,000) (see Note 13 on page 73) and if that level of borrowings were maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total return after taxation by approximately £380,000 (2018: £405,000);
- senior unsecured note: the senior unsecured note is at a fixed rate of interest so will not be impacted by any changes in LIBOR or short-term interest rates; and
- fixed interest investment sensitivity: the Company's fixed interest portfolio at the year-end was valued at £45,761,000 (2018: £37,603,000), and it has a modified duration (interest rate sensitivity) of approximately 8.5 years (2018: 6.9 years). A 100 basis points change in short-term interest rates (up or down) which is mirrored by an equivalent change in long-term interest rates, would be expected to decrease or increase this portfolio's value by approximately £4,576,000 (2018: £2,595,000), all other factors being equal.

15.1.3 Other Price Risk

Other price risks (changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of quoted and unquoted investments.

Management of the risk

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

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 31 December 2019 the Company had no open positions (2018: no open positions).

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 16 to 18. The majority of the investments are in UK companies. Accordingly, there is a concentration of exposure to the UK, particularly to financials (please refer to page 19). 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.

Other price risk sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the equity shareholders' funds to an increase or decrease in the fair values of the Company's investments. The level of change used in the table below is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each Statement of Financial Position date, with all other variables held constant.

	2019		2018	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – net return after tax				
Revenue return	(49)	49	(43)	43
Capital return	30,402	(30,402)	26,706	(26,706)
Net return after tax for the year	**30,353**	**(30,353)**	**26,663**	**(26,663)**
Equity shareholders' funds	**30,353**	**(30,353)**	**26,663**	**(26,663)**

15.2 Liquidity Risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. At the start of the year under review the Company had a committed loan facility with Scotiabank of £42 million. In February 2019 this was increased to £45 million to allow the Manager a greater degree of flexibility to accommodate foreign currency fluctuations. This facility is due to expire on 27 June 2020 and the Board is currently in the process of renewing the facility before the expiry date. It also has an overdraft facility with the Custodian, the extent of which is determined by the Custodian on a regular basis by reference to the value of securities held by it on behalf of the Company.

Liquidity risk exposure

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

	2019 Due within three months £'000	2018 Due within three months £'000
Bank loans and overdrafts	37,967	40,468
Other creditors and accruals	950	1,237
	38,917	**41,705**

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

- transactions involving derivatives are entered into only with investment banks, whose creditworthiness is carefully assessed so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the Company's trades are usually on a delivery versus payment (DVP) settlement basis. This process mitigates the risk of loss during the settlement process;

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

- Janus Henderson and the Board monitor the Company's risk by reviewing the Depositary's bi-annual assurance report. The Manager's Risk Team also reports to the Board on these reports. They also engage with the Depositary to ensure that follow up action arising from any exceptions identified in the report are completed, and report back to the Board where necessary;
- cash at bank is held only with banks considered to be credit-worthy; and
- with regards to the corporate bonds in the portfolio, there is a credit risk that the borrowers do not repay principal or make interest payments. This is managed through careful selection, supported by monitoring of credit ratings, and is reviewed regularly.

The percentages below represent the value of fixed interest investments included in the Statement of Financial Position which are exposed to credit and counterparty risk by credit rating.

Rating of fixed interest investments	2019 %	2018 %
A	8.2	5.8
BBB	40.6	39.5
BB	29.8	35.8
B	14.0	9.6
Not rated	7.4	9.3
Total	**100.0**	**100.0**

Source: Bloomberg composite rating

None of the Company's financial assets or financial liabilities are secured by collateral or other credit enhancements. None of the Company's financial assets are past due or impaired.

15.4 Fair Values of Financial Assets and Financial Liabilities

The fair values of the financial assets and liabilities are either carried in the Statement of Financial Position at their fair value (investments and derivatives) or the Statement of Financial Position amount is a reasonable approximation of fair value (due from brokers, dividends, and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility). At 31 December 2019 the fair value of the senior unsecured note has been estimated to be £23,921,000 (2018: £22,604,000) and is categorised as level 3 (see Note 15.5 below) in the fair value hierarchy.

The current estimated fair value of the senior unsecured note is calculated using a discount rate based on the redemption yield of the relevant existing reference UK Gilt plus a suitable estimated credit spread. As of 30 June 2019 the methodology for determining the credit spread changed and is now based on the spread between the yield of the ICE BofAML 10-15 Year A Sterling Non-Gilt Index and the redemption yield of the ICE BofAML 10-15 Year UK Gilt Index. The discount rate is calculated and updated at each month end and applied daily to determine the Company's published fair value NAVs.

15.5 Fair Value Hierarchy Disclosures

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

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

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

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

The valuation techniques used by the Company are explained in Note 1d on page 67.

There have been no transfers during the year between levels.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

The table below sets out fair value measurements using the FRS 102 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 December 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	258,620	–	–	258,620
Convertibles	683	–	–	683
Fixed interest instruments:				
Preference shares	4,502	–	–	4,502
Other	41,259	–	–	41,259
Total	**305,064**	**–**	**–**	**305,064**

Financial assets at fair value through profit or loss at 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	229,653	–	–	229,653
Convertibles	710	–	–	710
Fixed interest instruments:				
Preference shares	3,841	–	–	3,841
Other	33,762	–	–	33,762
Total	**267,966**	**–**	**–**	**267,966**

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 provide investors with a high dividend income while also maintaining the prospect of capital growth.

The Company's capital is its equity share capital, reserves and debt that are shown in the Statement of Financial Position at a total of £308,885,000 (2018: £271,077,000).

The Board, with assistance of the Manager, monitors and reviews the broad 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 ordinary share and the share price (i.e. the level of share price discount);
- the need for new issues of equity shares, including sales from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

- under the multi-currency loan facility and the senior unsecured note agreement the total of these borrowings may not exceed one third of adjusted total assets (as defined in the facility agreement) and net assets must be more than £50 million;
- 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 one of the two capital retention tests imposed on investment companies by company law and cannot retain more than 15% of income.

The Company has complied with these requirements in the year under review and the prior year.

16 Called Up Share Capital

	Shares entitled to dividend	Total shares in issue	Nominal value in issue £'000
Issued ordinary shares of 5p each			
At 1 January 2019	128,596,278	128,596,278	6,430
At 31 December 2019	**128,596,278**	**128,596,278**	**6,430**

During the year the Company issued nil shares (2018: nil shares) for net proceeds of £nil (2018: £nil). Since the year-end no shares have been issued.

Notes to the Financial Statements (continued)

17 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
At 1 January 2019	126,783	26,302	22,955	18,752	9,566
Transfer on disposal of investments	–	–	(1,459)	1,459	–
Net profit on investments	–	–	3,462	37,052	–
Foreign exchange gains	–	–	698	–	–
Management and performance fees and finance costs charged to capital	–	–	(2,020)	–	–
Net revenue after tax for the year	–	–	–	–	13,619
Dividends paid	–	–	–	–	(12,511)
At 31 December 2019	**126,783**	**26,302**	**23,636**	**57,263**	**10,674**

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
At 1 January 2018	126,783	26,302	23,386	65,432	8,910
Transfer on disposal of investments	–	–	4,515	(4,515)	–
Net loss on investments	–	–	(2,715)	(42,165)	–
Foreign exchange losses	–	–	(331)	–	–
Management and performance fees and finance costs charged to capital	–	–	(1,900)	–	–
Net revenue after tax for the year	–	–	–	–	12,936
Dividends paid	–	–	–	–	(12,280)
At 31 December 2018	**126,783**	**26,302**	**22,955**	**18,752**	**9,566**

18 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £251,088,000 (2018: £210,788,000) and on the 128,596,278 ordinary shares in issue at 31 December 2019 (2018: 128,596,278).

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

	2019 £'000	2018 £'000
Net assets at start of year	210,788	257,243
Total net return/(loss) after taxation	52,811	(34,175)
Dividends paid in year	(12,511)	(12,280)
	251,088	**210,788**

19 Contingent Liabilities

There were no partly paid shares or underwriting commitments or any other contingent liabilities at 31 December 2019 (2018: nil).

Notes to the Financial Statements (continued)

20 Net Debt Reconciliation

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt at 1 January 2019	2,581	(40,468)	(19,821)	(57,708)
Cash flows	76	1,847	–	1,923
Exchange movements	44	654	–	698
Non cash flow:				
Effective interest movements	–	–	(8)	(8)
Net debt at 31 December 2019	**2,701**	**(37,967)**	**(19,829)**	**(55,095)**

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt at 1 January 2018	1,245	(35,964)	(19,813)	(54,532)
Cash flows	1,321	(4,159)	–	(2,838)
Exchange movements	15	(345)	–	(330)
Non cash flow:				
Effective interest movements	–	–	(8)	(8)
Net debt at 31 December 2018	**2,581**	**(40,468)**	**(19,821)**	**(57,708)**

21 Transactions with Janus Henderson and Related Parties

Under the terms of an agreement effective from 22 July 2014 the Company has appointed wholly owned subsidiaries of Janus Henderson to provide investment management, accounting, administrative and company secretarial services. Janus Henderson has contracted with BNP to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic Report on page 30.

The total fees paid or payable under this agreement to Janus Henderson in respect of the year-ended 31 December 2019 were £1,439,000 (2018: £1,475,000) of which £357,000 was outstanding as at 31 December 2019 (2018: £731,000).

In addition to the above, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Please refer to the Directors' Remuneration Report on page 50 and Note 6 on page 71 for details of fees paid to directors.

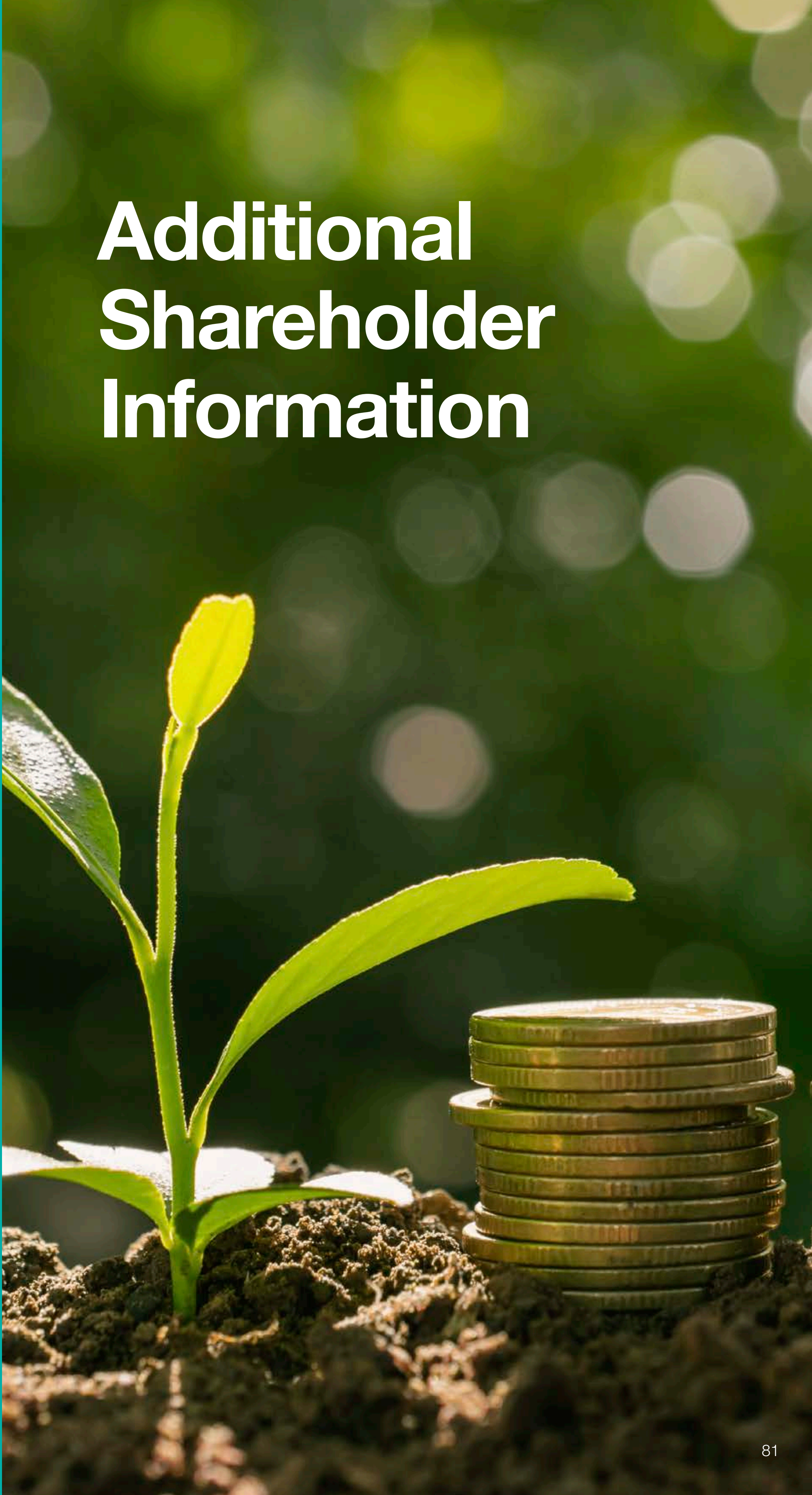
22 Subsequent Events

Since the year-end, the Board announced a first interim dividend of 2.475p per ordinary share, in respect of the year-ending 31 December 2020. This will be paid on 24 April 2020 to holders registered at the close of business on 3 April 2020. This dividend is to be paid from the Company's revenue account. The Company's shares went ex-dividend on 2 April 2020.

As a result of the COVID-19 pandemic, which the directors have determined is a non-adjusting post balance sheet event, there has been significant volatility in the financial markets since the Statement of Financial Position date. As at 9 April 2020 (being the latest practicable date before publication of this report) this has impacted the share price by a decrease of 27.4% and the NAV (with debt at par) by a decrease of 23.5% (based on the Company's published NAV with debt at par as at 31 December 2019).

The impact on financial markets may continue to remain volatile for some time as the effect on the economy is uncertain.

Additional Shareholder Information



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 a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) and is rebalanced annually.

Compounding

Compounding is the process whereby interest is credited to an existing principal amount as well as to interest already paid.

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 which 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.

Dividend Dates

When declared or announced, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's 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 per share and share price will be disclosed ex-dividend

Effective Interest Rate Method

The effective interest rate is a method used by a bond buyer to calculate the total yield to maturity including any capital loss if the bond is purchased above par, or capital gain if purchased at a discount to par.

Geometric Returns

A method for aggregating percentage returns over a holding period to include the impact of compounding.

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.

Mid-Market Price

The middle (or mid) market price is the price between the best offered price and the best bid price. It can simply be defined as the average of the current bid and offer prices being quoted.

Treasury Shares

Shares repurchased by the Company but not cancelled.

Alternative Performance Measures (Unaudited)

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

Discount or Premium

The NAV per ordinary share used in this calculation is the NAV published to the London Stock Exchange and by the AIC with interim dividends deducted on the corresponding ex-dividend date and with debt at fair value, as defined below.

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

	NAV pence	Share price pence	Premium to NAV %
At 31 December 2019	189.76	191.75	1.05%
At 31 December 2018	159.46	159.50	0.03%

Gearing/(Net Cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans, overdrafts and debt securities) the Company has used to invest in the market and also takes into account the exposure to hedging and derivatives which have a gearing effect. It is calculated by taking the difference between total investments (see Note 11 on page 73) and equity shareholders' funds see Statement of Financial Position and dividing by equity shareholders' funds and multiplying by 100.

		2019	2018
Investments held at fair value through profit or loss (£'000) (page 73)	(A)	305,064	267,966
Net assets (£'000) (page 65)	(B)	251,088	210,788
Gearing (A-B)/B x 100 (%)		21.5	27.1

NAV per Ordinary Share

The value of the Company's assets (i.e. investments (see Note 11 on page 73) and cash held (less any liabilities (i.e. bank loans (see Note 13 on page 73)) for which the Company is responsible divided by the number of shares in issue (see Note 16 on page 78). The aggregate NAV is also referred to as total equity in the Statement of Financial Position on page 65. The NAV per share is published daily and the year-end NAV can be found on page 6 and further information is available in Note 18 on page 79.
The Company currently publishes two NAVs, one with debt at par and the other with debt at fair value. Both are published daily. The NAV published to the London Stock Exchange and by the AIC will deduct interim dividends on the corresponding ex-dividend date. The NAV in the Company's accounts will deduct the interim dividends on the corresponding dividend payment date.

NAV per Ordinary Share (with debt at fair value)

The Company's debt (loan and senior unsecured note (further details can be found in Note 13 and Note 14 on page 73) is valued in the Statement of Financial Position on page 65 at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'debt at par'. The fair value of the debt, which assumes it is repaid under current market conditions, is referred to as 'debt at fair value'. The fair value methodology is detailed in Note 15.4 on page 77. The difference between fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV (with debt at fair value).

Alternative Performance Measures (Unaudited)

(continued)

Ongoing Charge

The ongoing charges ratio has been calculated in accordance with the guidance issued by the AIC as the total investment management fees and administrative expenses and expressed as a percentage of the net asset values throughout the year.

	2019 £'000	2018 £'000
Management fees	1,439	1,475
Other administrative expenses (Note 6)	405	429
Less: non-recurring expenses	(14)	(19)
Ongoing charge	**1,830**	**1,885**
Average net assets[1]	**230,053**	**234,483**
Ongoing charge ratio	**0.80%**	**0.80%**

1 Calculated using the average daily net asset value (with debt at fair value)

The ongoing costs provided in the Company's Key Investor Document (KID) is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs and look through to costs incurred by other investment trusts and funds that the Company invests in.

Total Return

The total return on the share price or NAV (with debt at fair value) takes into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in Note 10 on page 72.

	NAV (with debt at fair value)	**Share price**
NAV/share price per share at 31 December 2018 (p)	159.46	159.50
NAV/share price per share at 31 December 2019 (p)	189.76	191.75
Change in the year (%)	19.0	20.2
Impact of dividends reinvested (%)	5.5	5.6
Total Return for the Year (%)	**25.6**	**27.0**

Income/Dividend Yield

The yield is the annual dividend (paid or announced for the year) expressed as a percentage of the year-end share price.

		31 December 2019	31 December 2018
Annual dividend (p)	(A)	9.80	9.60
Share price (p)	(B)	191.75	159.50
Yield (%) (C=A/B)	(C)	5.1	6.0

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive (AIFMD), information in relation to the Company's leverage and remuneration of Janus Henderson, 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 (AIFMD Disclosure) which can be found on the Company's website: **www.hendersonhighincome.com**.

BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar, Computershare Investor Services PLC. Alternatively, shareholders can write to the Registrar (the address is given on page 87) 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

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 Annual 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, audio tape 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 702 0005. 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 U.S.) to file yearly reports on their non-U.S. 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 therefore needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. 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**.

ISA

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

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 5p each can be recommended by IFAs to ordinary retail investors in accordance with the 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 the 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 is 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 the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General Shareholder Information (continued)

Performance Details/Share Price Information

Details of the Company's share price and NAV per share can be found on the website **www.hendersonhighincome.com**. The Company's NAV is published daily.

The market price of the Company's ordinary shares is published daily in the Financial Times and the Daily Telegraph, which also show figures for the estimated net asset value per share.

The market price of the Company's shares can 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, Computershare Investor Services PLC, via **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.

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 on 020 7818 1818.

Corporate Information

Registered Office

201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

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
Email: support@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Stockbrokers

JPMorgan Cazenove Limited
25 Bank Street
London
E14 5JP

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 707 1039
Email: web.queries@computershare.co.uk

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

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Financial Calendar

First interim dividend payment date	24 April 2020
Annual General Meeting[1]	23 June 2020
Second interim dividend payment date	31 July 2020
Half year results	September 2020
Third interim dividend payment date	30 October 2020
Fourth interim dividend payment date	29 January 2021
Senior unsecured note interest payment dates	8 July 2020 8 January 2021

1 At the Company's registered office at 12 noon (please refer to the Chairman's Statement on page 10 for further details about this year's AGM)

Information Sources

For more information about the Company, visit the website at **www.hendersonhighincome.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

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

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** or visit their website **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.

Henderson High Income Trust plc
Registered as an investment company in England and Wales
with registration number 02422514
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL number: 0958057
ISIN number: GB0009580571
London Stock Exchange (TIDM) Code: HHI

Global Intermediary Identification Number (GIIN): JBA08I.99999.SL.826
Legal Entity Identifier number (LEI): 213800OEXAGFSF7Y6G11

Telephone: **020 7818 1818**
Email: **support@janushenderson.com**

www.hendersonhighincome.com

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Janus Henderson
INVESTORS

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The Association of
Investment Companies

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

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WINNER
INVESTMENT TRUST GROUP OF THE YEAR
Henderson Global Investors

aic Shareholder Communication Awards 2017 WINNER

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Designed and typeset by 2112 Communications, London

Printed by DG3 Leycol, London

JHI9212/2019