Annual Report 2021

Henderson High Income Trust plc

Seeking superior income generation and long-term capital growth

MANAGED BY
Janus Henderson
INVESTORS

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.

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The Henderson High Income Story

What we look for in Companies

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. To gain a full understanding of these companies, the stock selection process places emphasis on examining what each company does, its market position and the dynamics of that market. Combining this with analysis of the company's financial health provides valuable insight into the company's ability to not only sustain its dividend but grow it in the long-term, a crucial element for generating total returns for shareholders. The stock selection process is broken down into three key component parts; fundamentals, financials and valuation.

Fundamentals

Analysing a company's fundamentals is the starting point to understanding its qualities and whether its business is sustainable in the long-term. Emphasis is placed on assessing the company's strength of industry position, barriers to entry, senior management and their ability to sustain or improve a company's performance. Greater weight is given to long-term views over short-term considerations and trends in the market or sector.

The following key attributes are typically looked for:

- Robust and understandable business models
- Good earnings visibility
- High barriers to entry
- Market leadership
- Strong franchise
- Good Environmental, Social and Governance ('ESG') risk management
- Proven management teams

Financials

The second step is to gain a clear understanding of the company's financial health and its ability to invest for future growth, sustain profitability and return value to shareholders. In particular, focus is given to:

- Sustainability of profits
- Robust balance sheets
- Well-invested asset base
- Strong cash generation
- Sensible dividend policy

Valuation

Valuation is the final part of analysing a company but underpins the whole process. Even when companies with strong fundamentals and financials are found, their valuations also need to be attractive, otherwise capital appreciation may be limited. Various valuation metrics are used, such as price to earnings ratios, to assess whether the qualities we have identified in a company are already discounted in the current share price.

By applying this disciplined stock selection process, the Company benefits from a well-diversified portfolio of good quality companies in strong financial health that can pay and grow their dividends, but also offer the potential for capital growth over the long-term.

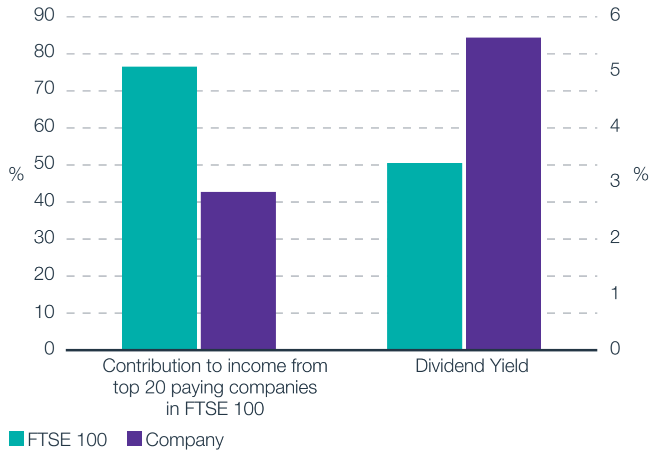
Diversification of Income

Challenges for UK income investors

Overall market dividends recovered strongly in 2021, increasing by 21.9% on an underlying basis[1] (excluding special dividends) from the pandemic lows of 2020. The majority of this growth was driven by a return of previously suspended dividends in the banking sector and strong growth in dividends from mining companies, due to significantly higher commodity prices.

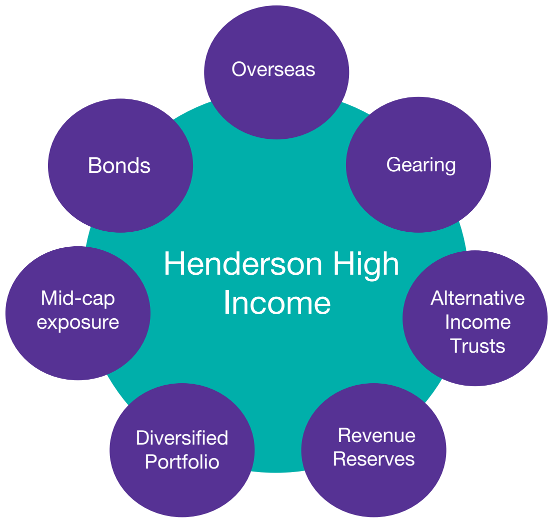
While pleasing that overall income levels are higher, the mining and banks-led recovery has created issues regarding the concentration of dividend income for UK investors. The top 20 dividend payers in the UK produced 76% of the FTSE 100's income in 2021. This is potentially problematic if the dividends of those top 20 companies are unsustainable. The Company deals with this concentration issue by constructing a well-diversified portfolio, making sure that the revenue account is not overly reliant on any one company or sector for income. This materially lowers income concentration, with those same top 20 companies only contributing around half the level of aggregate income for the Company.

Contribution to income from top 20 paying companies in FTSE 100



Source: Janus Henderson, Factset and DataStream

Utilising Henderson High Income's unique structure



1 Link UK Dividend Monitor

While maintaining a diversified portfolio is key, the Company can also utilise its unique structure and invest in bonds to diversify further its income generation. Bond interest paid by companies is usually more sustainable than dividends during times of economic stress, hence having the ability to allocate towards bonds provides a valuable source of differentiated income.

The Company also has a number of other ways to diversify its income by utilising its structure:

- It can invest 30% of gross assets in overseas markets;
- It can invest in listed alternative income investment trusts, such as renewables infrastructure funds; and
- It can invest a larger proportion in medium sized companies given its size relative to much larger competitors.

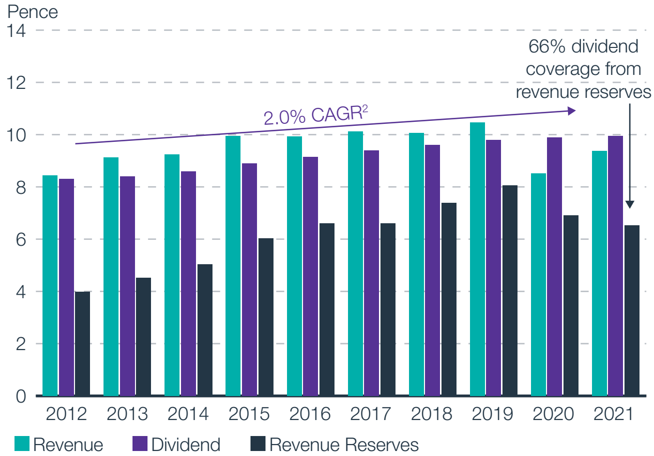
This unique structure served the Company well during the pandemic with revenues proving more resilient than the overall UK equity market, falling by 17% on an underlying basis in 2020 versus a reduction of 44% for the FTSE All-Share Index.

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 profitable years and pay out of them in the leaner years, thereby smoothing the level of their dividend payments when appropriate. The Company was able to utilise these revenue reserves in 2020 to continue to grow its dividend, despite the shortfall in current year income.

Although there was a strong recovery in aggregate market dividends in 2021, income from the FTSE All-Share Index is still 23% below 2019 levels, meaning the Company utilised a modest amount of reserves to grow the dividend last year. The Company paid a 9.95p dividend, growth of 0.5% on 2020, its 9th consecutive year of dividend growth. With a diversified portfolio and a good level of revenue reserves still remaining that cover 66%, or the equivalent of 8 months' worth of the annual dividend as at 31 December 2021, the Company is in a strong position at least to maintain its dividend going forward.

Dividend growth protected by revenue reserves



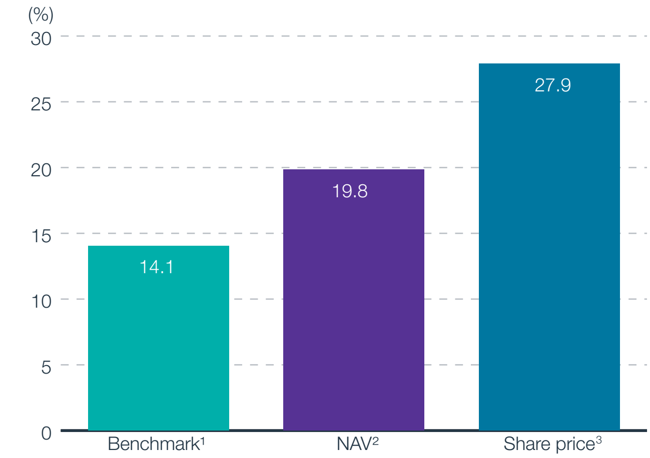
2 Compound Annual Growth Rate
Source: Janus Henderson

Performance Highlights

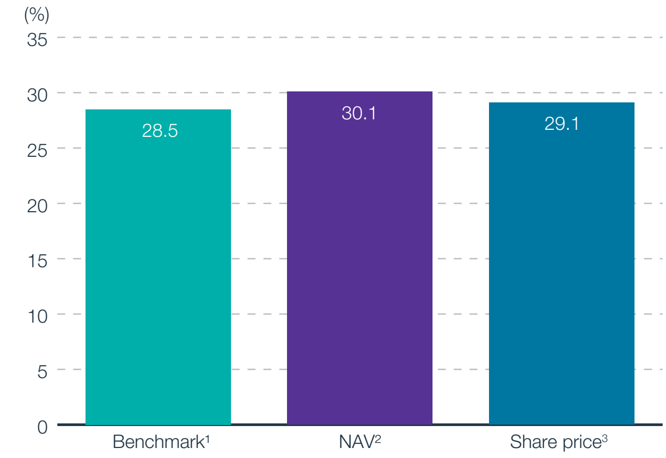
Strategic Report: Performance Highlights

Total return performance to 31 December 2021

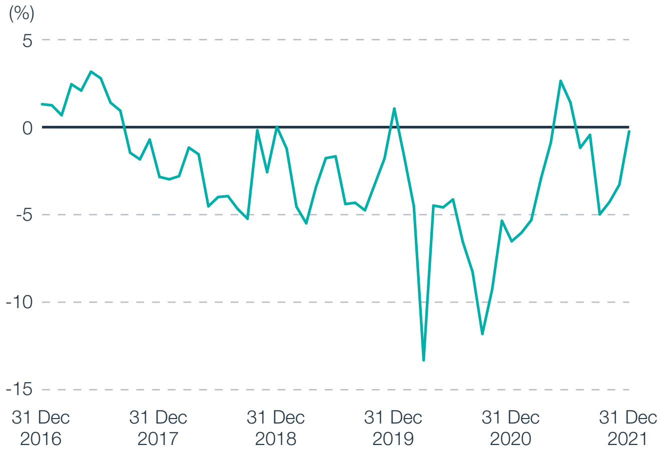
One year



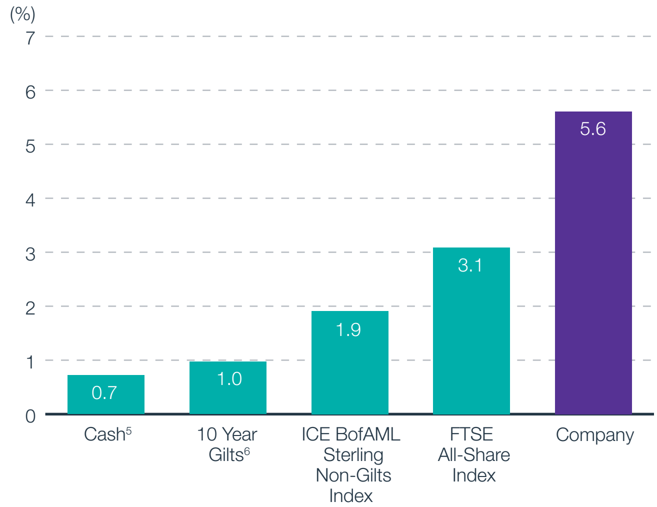
Five years



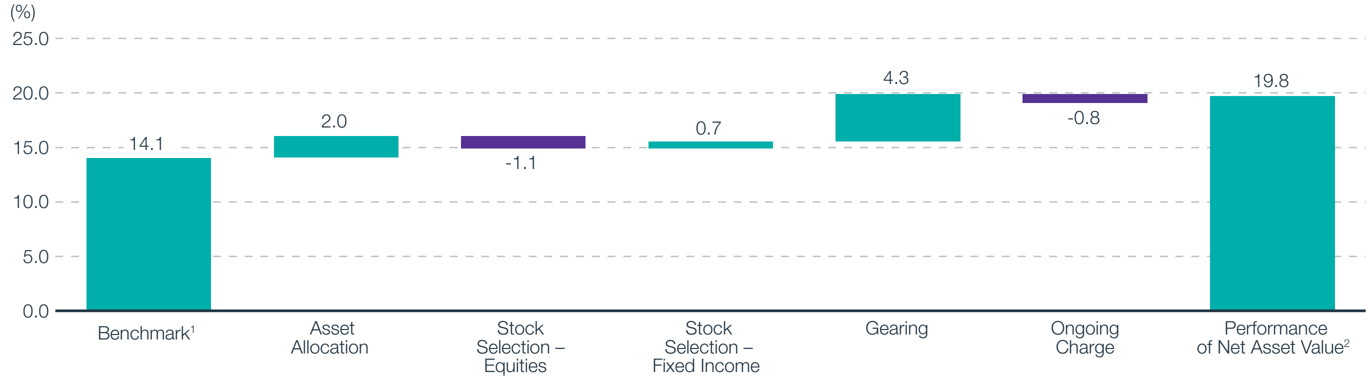
Premium/discount over 5 years to 31 December 2021[4]



Income yields as at 31 December 2021



Attribution[7] – explanation of movement in net asset value (total return) in 2021



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 Cash based on 3 month SONIA (Sterling Overnight Index Average)
6 Gross redemption yield
7 Geometric returns

A Glossary of Terms and Alternative Performance Measures can be found on page 86 and pages 87 to 88 respectively

Sources: Morningstar Direct, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2021 or for the year-ended 31 December 2021

Strategic Report: Performance Highlights (continued)

NAV per share[1]

2021 **177.92p**

2020 **157.25p**

Mid-market price per share

2021 **177.50p**

2020 **147.00p**

Revenue return per share

2021 **9.44p**

2020 **8.58p**

Net assets

2021 **£236.2m**

2020 **£211.4m**

Dividend for the year

2021 **9.95p**

2020 **9.90p**

Dividend yield[2]

2021 **5.6%**

2020 **6.7%**

Ongoing charge for the year[3]

2021 **0.84%**

2020 **0.93%**

Gearing

2021 **22.4%**

2020 **22.9%**

1 Net asset value with debt at fair value as published by the Association of Investment Companies ('AIC')
2 Based on the dividends paid or announced for the year and the share price at the year-end
3 Calculated using the methodology prescribed by the AIC

A Glossary of Terms and Alternative Performance Measures can be found on page 86 and pages 87 to 88 respectively

Sources: Morningstar Direct, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2021 or for the year-ended 31 December 2021

Chairman's Statement

Strategic Report: Chairman's Statement

Jeremy Rigg
Chairman

I am pleased to be reporting on a period of very good investment performance for Henderson High Income Trust in 2021: the Company's Net Asset Value ('NAV') with debt at fair value increased by 19.8% whilst the Company's share price (total return including dividends reinvested) increased by 27.9%.

Performance

2021 was a positive year for the world's equity markets with companies continuing to adapt and respond successfully to the impact of Covid-19. Policy makers around the globe were intent on providing sufficient liquidity to ensure that economies could function effectively and aggregate demand recovered strongly in response to fiscal stimulus provided by governments. As lockdowns began to unwind, however, the rapid demand led recovery caused some supply side problems and there was a substantial increase in price inflation, particularly in energy markets. UK Consumer Price inflation reached 5.4% in December 2021 on an annualised basis, the highest level of UK inflation in almost 30 years. The surge in inflation also led to a marked disparity in the returns produced by equity and bond markets, with the former substantially outperforming the latter.

In 2021 the Company enjoyed a very good period of investment performance both in absolute terms and relative to the Company's investment benchmark. The Company's NAV total return (with debt at fair value) was 19.8% compared with the benchmark return of 14.1%, an outperformance of 5.7%. The Company's share price performed even better, rising by 27.9% (total return including dividends reinvested) during the year. This was driven primarily by the fact that the share price started the year trading at a discount of 6.5% to the Company's NAV, whilst by the end of the year the discount had largely disappeared, with the share price trading almost in line with NAV at the end of 2021.

A number of factors contributed to the outperformance versus the benchmark return. In particular, the Company's asset allocation was helpful due to an overweight position in equities and an underweight position in bonds relative to the benchmark. The Company's gearing was also beneficial during a period of positive returns for the UK equity market (the FTSE All-Share Index rose by 18.3% in 2021) as was the bond portfolio, which outperformed its benchmark by an impressive 5.8% in 2021 due to good stock selection.

During the course of the year markets generally experienced periods of high volatility, due not least to the ever-changing pandemic environment. It is therefore gratifying that the Company's investment return both in absolute and relative terms was so positive during the period and I would like to pay tribute to the Company's investment managers and in particular David Smith for managing the Company's portfolio so successfully in 2021.

Dividends

The Company's investment objective is to provide investors with a high dividend income stream while also maintaining the prospect of capital growth. As we enter a period of higher inflation, that strategy will become even more important for our shareholders. During 2021 it was encouraging to see a good recovery in dividends as companies became more confident in their ability to cope with the pandemic and dividends which had been suspended or reduced during the previous year were in many cases reinstated. In particular, sectors such as Metals, Mining and Financials saw a strong recovery in payouts, while the Company's shareholdings in more defensive and non-cyclical areas of the market continued to support our overall income levels as dividends from these companies proved more resilient throughout the pandemic.

As shareholders will be aware, one of the distinct advantages of the Company's structure as a UK investment trust is that it is able to put aside income received in good years to help to pay dividends in more difficult years. During the pandemic the Board has consistently made it clear that it intends to utilise these reserves in order to support payments to shareholders. At the start of 2021 the Company held almost £9 million in revenue reserves which had been built up during previous years. In 2021 we utilised a relatively modest £587,000 of those reserves to help support dividends meaning that the Company still retained a robust reserve of around £8.4 million as we ended the year, equivalent to approximately 8 months of dividend cover.

During the course of the year the Board continued to monitor carefully the level and sustainability of dividends from our investee companies. David Smith runs frequent stress tests of the Company's revenue account under different scenarios looking several years ahead. Although it will take time for overall income levels to return to those prevailing in 2019, the improving trend in dividends together with the Company's current level of reserves continues to give the Board confidence in the Company's ability to continue to deliver a high level of income to shareholders.

In this regard, during 2021 the Board recommended the payment of dividends totalling 9.95 pence per share, an increase of 0.5% over the payment in 2020. Whilst this increase was relatively modest, it does represent the ninth consecutive year of dividend growth for the Company.

Strategic Report: Chairman's Statement (continued)

Gearing

The Company's policy on gearing is provided on page 23 of this Annual Report. As previously mentioned, the gearing in 2021 served to enhance the Company's overall investment return primarily due to the very positive absolute returns produced by UK equities generally, with the majority of the Company's assets being invested in UK equities throughout the period.

At the end of 2021 the Company had drawn down approximately £37.6 million of its £45 million floating rate loan facility with Scotiabank, combined with the long-term fixed rate senior unsecured note of £20 million. Over time, the Company's borrowing structure is intended to generate additional income in excess of the cost of borrowing to help provide an enhanced level of total income for shareholders.

During the course of the year the total level of borrowings increased by £7.7 million with the majority of the extra borrowings being allocated towards equities. As a percentage of net assets the overall level of gearing actually fell a little during the year from 22.9% to 22.4% at the end of 2021 due to the increase in the net asset value of the Company. The Board reviews the level of gearing with the Fund Manager on a regular basis throughout the year.

Fee Arrangements

As previously announced, from 1 January 2022 the performance fee arrangement with the Fund Manager has been removed. This brings the Company into line with other UK income focused trusts. The level at which the management fee falls from 0.5% to 0.45% has been amended from £250 million to £325 million of average adjusted gross assets. The Board believes that the fee arrangements remain competitive.

The Board

The Company welcomed Penny Lovell as a Director at the start of 2021. Penny was, until recently, CEO of Sanlam Private Wealth and has extensive experience in wealth management and financial advice for private investors. She has held several senior positions in sales and marketing across the investment management industry and will be able to provide a valuable insight to the Board as it strives to ensure that the Company competes successfully in a market place where the modes of communication and dialogue with investors have changed rapidly.

In May 2021 Margaret Littlejohns retired from the Board as Chairman after many years of distinguished service. On your behalf I would once again like to thank Margaret for the most valuable contribution she made to the Company during her tenure.

Over the last few years the Board has undergone substantial change with the retirement and appointment of directors and that process is now complete. I am confident that it has the necessary balance of skills and experience to continue to successfully administer the Company's business.

Responsible Investing

Responsible investing relates to how environmental, social and corporate governance ('ESG') factors impact a company's long-term sustainability. Analysis of the sustainability of a business and its profits has always been at the core of the Company's investment strategy, and ESG factors are fully integrated into the investment processes employed by the Fund Manager.

The Board believes that voting the Company's shareholdings at general meetings is essential to good corporate stewardship and is an effective means of expressing its views on the policies and practices of its investee companies. Voting decisions reflect the provisions of Janus Henderson's ESG Corporate Statement and ESG Investment Principles which are 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 after consultation with the Board, as necessary. Janus Henderson will actively engage with those companies that fall below such expectations to encourage improvement over time. 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.

Growth

Each year the Company seeks shareholder approval to authorise the allotment of new shares at a premium to NAV. In recent years the shares have tended to trade at a discount to NAV, but more recently, as highlighted earlier in my report, the discount has narrowed and indeed from time to time the shares have traded at a small premium.

The Board continues to believe that it is in the best interests of shareholders for the Company to issue new shares to grow. It will help to improve the liquidity in the Company's shares and spread the cost base over a larger number of shares.

It is pleasing to report that, as previously announced, the Company has recently been able to allot new shares. The authority to issue new shares will expire at the forthcoming Annual General Meeting ('AGM') and the Board will seek approval from shareholders to renew the authority so that the Company can continue to grow further if and when appropriate.

AGM

We look forward to seeing as many of you as possible at our AGM which will be held at 12 noon on Tuesday, 24 May 2022 at the offices of Janus Henderson at 201 Bishopsgate, London, EC2M 3AE. In addition to the formal business of the meeting, David Smith, our Fund Manager, will give a presentation on the Company's portfolio and performance, and you will have the opportunity to talk to the Board, David and other Janus Henderson representatives.
We very much welcome your comments and questions.
We encourage those of you who are unable to attend to

Strategic Report: Chairman's Statement (continued)

use your proxy votes and to watch the Meeting live by logging on to **www.janushenderson.com/trustslive**. We will also be holding a similar presentation in Guernsey on 8 June 2022 to enable our Guernsey based shareholders to meet David and myself.

Prospects and Outlook

As we entered 2022 with seemingly the worst impact of the pandemic behind us, there was surely reason to be somewhat more optimistic about prospects for the global economy. The invasion of Ukraine, however, has been a truly shocking development and I am sure I speak for all shareholders in saying that we must hope for a swift resolution. From an economic standpoint, it has of course triggered a further surge in energy prices which has reinforced the rise in inflation and it remains to be seen just how far global monetary policy will be tightened in response. In the UK, the Bank of England has started to raise rates a little and together with the upcoming increase in both employer and employee national insurance, it will undoubtedly become a more challenging environment for both companies and consumers.

That being said, there are also reasons, I believe, to be positive about the prospects for your Company. The valuation of the UK equity market still appears to be relatively low in comparison with other global markets and there are some initial signs that international investors are beginning to increase exposure to the UK, having reduced positions to historically very low levels. Moreover, there has been a substantial increase in corporate activity amongst UK companies with both overseas and private equity investors taking the view that many quoted UK companies are attractively valued and therefore appealing targets.

Against that backdrop the focus and attention of the Company's fund manager, David Smith, will remain the same as always, to continue to focus on managing the portfolio to generate the high levels of income required by our shareholders, whilst of course also seeking to produce long-term capital growth.

Jeremy Rigg
Chairman
31 March 2022

Fund Manager's Report

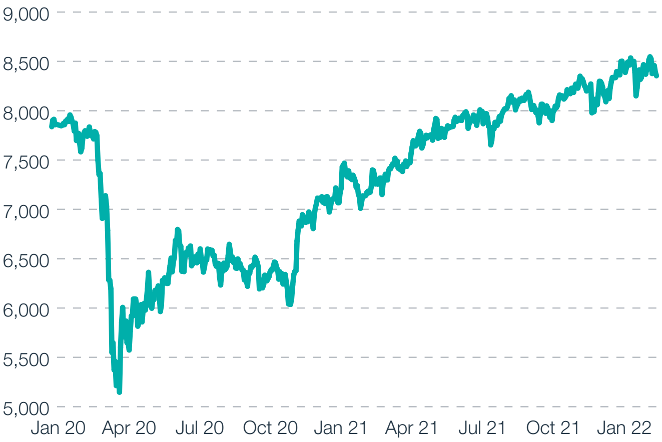
Strategic Report: Fund Manager's Report

David Smith
Fund Manager

Review of the Year

2021 was a strong year for equity markets, with the FTSE All-Share Index rising by 18.3% on a total return basis. This was despite continued disruption from the pandemic, as the UK started the year in its third lockdown and ended it with significantly higher Covid-19 infections due to the Omicron variant of the virus. However, the rapid roll out of vaccines and latterly booster jabs meant that the harshest of government restrictions could be lifted, supporting a sharp rebound in economic activity and strong corporate earnings growth. Equity markets were further aided by continued loose monetary policy and fiscal stimulus from central banks and governments.

UK equity market continued to recover from its pandemic lows

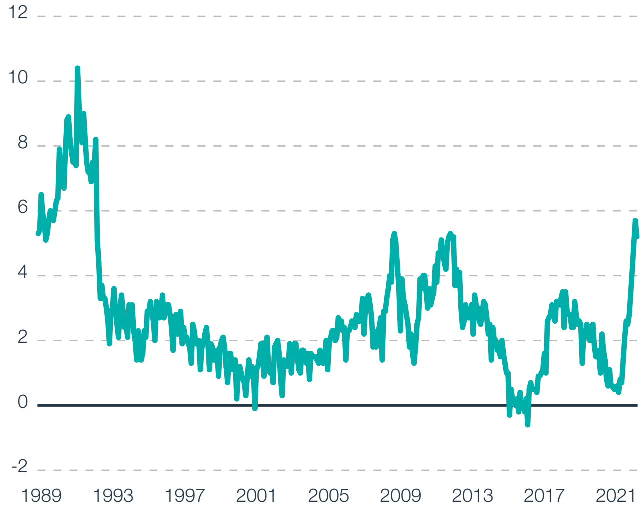


Source: Refinitiv DataStream. FTSE All-Share Total Return Performance

The Company's NAV returned 19.8% on a total return basis, significantly outperforming the benchmark's rise of 14.1%. The overweight position in equities relative to bonds versus the benchmark contributed to performance, while gearing further enhanced returns given the strong market backdrop.

UK GDP growth rebounded by 7.1% in 2021 as the UK economy continued to recover from the pandemic. Increased global demand for energy and constraints in the supply of oil and gas saw energy prices rise significantly, contributing to a surge in inflation. Additional pressure on prices came from a tight labour market and shortages of materials, leading to the UK's Consumer Price Index reaching 5.4% in December, its highest level for over 30 years. In December, the Bank of England, having earlier considered inflationary trends as "transitory", increased interest rates from 0.1% to 0.25%, the first increase in over three years.

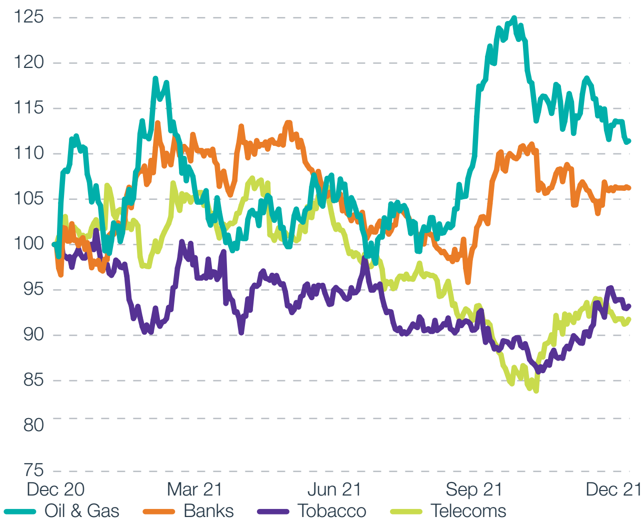
UK CPI reached a 30 year high in December



Source: Refinitiv DataStream. Consumer Price Index (CPI) year-on-year change

Sectors that traditionally benefit in a rising inflation and interest rate environment, such as oil & gas, mining and banks all performed strongly during the year, while more defensive sectors, such as tobacco, telecoms and food producers underperformed. The FTSE 100 Index (+18.4%) outperformed the FTSE 250 Index (+16.9%) but lagged the FTSE Small Cap Index (+23.0%).

Oil & Gas and Banks outperformed while Tobacco and Telecoms lagged in 2021



Source: FactSet. FTSE sector total return performance relative to the FTSE All-Share Index

Strategic Report: Fund Manager's Report (continued)

Although the equity portfolio performed well in absolute terms, up 16.8% on a total return basis during the year, it lagged the even stronger performance of the FTSE All-Share Index. Holdings in St. James's Place, self storage company Big Yellow and Sage were particularly positive for performance: wealth manager St. James's Place reinstated its previously suspended dividend, announced strong new business flows and updated its long-term guidance with an increased focus on cost control. Big Yellow continued to benefit from accelerating trends towards self storage, driven by housing renovations creating a need for space amongst consumers and business customers using self-storage for last mile delivery. Software provider Sage released good results which showed encouraging recurring revenue growth in its cloud based products, an area of significant investment in the last few years.

Elsewhere the holdings in Tesco, NatWest and Anglo American also benefitted performance. Tesco reported full year profits ahead of expectations and stated its intention to start returning excess cashflow to shareholders via share buybacks which was supportive for the share price. The recovering economy was good for banks with NatWest reporting significantly lower impairments than expected, while a rising interest rate environment improved sentiment for the sector given that this should translate into higher profits thanks to higher net interest margins. Anglo American benefitted from the strong commodity price environment, especially iron ore and copper, which led to a significant increase in dividend payouts to shareholders.

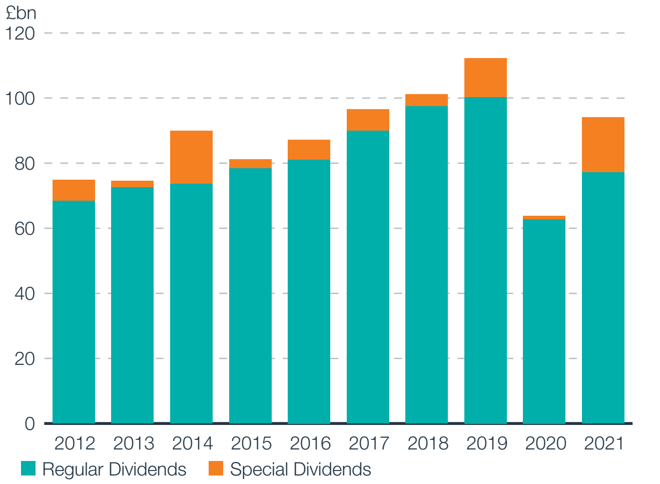
Although the banking sector outperformed in 2021, other financial holdings fared worse, with Sabre Insurance, Ashmore and Lancashire detracting from returns. Weak pricing and lower volumes impacted Sabre's profits given the delayed recovery in the auto insurance market from the pandemic. Specialist Emerging Market asset manager Ashmore disappointed during the year as volatile markets impacted the performance of their funds and led to outflows. Lloyds insurer Lancashire's profits were significantly impacted by the high loss events of Hurricane Ida and European floods. Elsewhere, the portfolio's under-representation in the oil & gas sector relative to the benchmark was detrimental to relative performance, given the strong share price returns from the likes of BP and Royal Dutch Shell, where the portfolio is underweight.

The fixed income portfolio performed well, returning 4.4% on a total return basis, outperforming the 3.0% fall in the ICE BofAML Sterling Non-Gilts Index. Government bond yields rose during the year, with the UK 10 year gilt yield reaching 1.0% as at the end of December from 0.2% a year earlier. Despite this rise in gilt yields, high yield bonds produced a positive return, benefitting the fixed income portfolio as credit spreads compressed due to economic data showing a stronger than expected recovery from the pandemic. Bonds issued by financials performed particularly well, especially Nationwide, Barclays and Direct Line. Nationwide and Barclays reported lower impairments and better capital ratios while Direct Line was supported by the release of the final FCA General Insurance Review which was in line with expectations.

Income

After the significant fall in market dividends in 2020 due to the pandemic, it was pleasing to see a good recovery in market income with previously suspended dividends in the banking sector returning and strong growth in dividends from the mining sector. According to the Link UK Dividend Monitor, market dividends in aggregate in the UK rose by 21.9% on an underlying basis (excluding special dividends), recovering to 2015 levels. They remained, however, 23.0% below the levels of 2019, before the pandemic struck.

UK market underlying dividends rebounded strongly with special dividends at record levels



Source: Link UK Dividend Monitor

The income received by the Company in 2021 also showed good recovery, increasing to 9.44p per share, from 8.58p in 2020. The Company benefitted from its holdings in miners Rio Tinto and Anglo American, both significantly increasing their ordinary dividends last year and also paying special dividends, given the strong underlying commodity environment. It is unlikely that the magnitude of these payments will be sustained going forward, however, given that any fall in commodity prices will reduce the companies' abilities to pay dividends given their set dividend payout ratios. In total, the Company earned just over £900,000 in special dividends during the year with payments received from Volvo, PageGroup, B&M European Value Retail and Sabre Insurance.

During the year there was a return to dividend payments from Lloyds, NatWest and Paragon in the banking sector and Burberry and Next within retail. The Company still maintains a holding in three companies that had yet to return to the dividend register in 2021, National Express, Informa and

Strategic Report: Fund Manager's Report (continued)

Whitbread, where we continue to see significant recovery potential in their share prices despite a lack of income in the short term. There was good underlying dividend growth from some of the Company's longer term holdings, such as Hilton Food (+22%), Cranswick (+16%) and Intermediate Capital (+10%).

With underlying dividends recovering and the Company's strong revenue reserves, the Board was able to marginally increase the dividend in 2021, despite a modest revenue shortfall of £587,000. The fourth interim dividend was raised to 2.525p, resulting in a full year dividend of 9.95p, modest growth of 0.5% on 2020 (9.90p). The Company has now raised its total dividend for the 9th year in succession. Revenue reserves as at 31 December 2021 were £8.4 million, providing 66% cover over the Company's current level of dividend.

Portfolio Activity

During the first half of the year the allocation to bonds was reduced by around £7 million, given that bond yields and credit spreads had fallen to very low levels. Specifically, bonds in Lloyds, Tesco, telecom towers owner Arqiva and US business services company Cintas were sold as their respective yields had fallen to unattractive levels. The bond portfolio represented 8.8% and 11.0% of gross and net assets respectively as at the end of 2021.

Within the equity portfolio, we increased the Company's exposure to banks. When interest rates and bond yields are rising this generally presents a good environment for banks' profitability and we added to the existing positions in Lloyds and NatWest after the Bank of England removed all dividend restrictions. Both companies have strong capital positions and trade on attractive valuations. The Company also initiated new positions in Nordea and Paragon. Nordea is a leading bank in each of the four Nordic markets offering retail, business and wholesale banking along with asset and wealth management. The company operates in attractive markets, with strong loan growth and margins expected in Sweden and Norway. The company already pays an attractive dividend, with future growth supported by further management action on cost and an improvement in returns. Paragon specialises in Buy-to-Let mortgages and commercial lending with a focus on strong credit quality. Loan pricing in these areas is attractive, given the lack of competition from the main high street banks, which should lead to further upside in its net interest margin.

Elsewhere the Company initiated new holdings in PageGroup, the specialist recruitment consultancy and B&M European Value Retail ('B&M'). PageGroup provides mostly permanent recruitment services for executives, qualified professionals and clerical professionals across a broad range of industries and geographies. The business is capital light with good cash generation and a strong balance sheet that should lead to attractive dividend returns (both ordinary and specials) now that profitability has recovered strongly. With labour markets tight globally, solid wage growth inflation is likely to translate in to higher margins for the company in this cycle. B&M is the UK's leading discount retailer with around 700 stores in the UK and an increasing presence in France. B&M's low cost, limited assortment and direct sourcing business model leads to very competitive pricing within value retail, an already attractive market segment. With consumers' disposable income likely to come under pressure this year from rising inflation, there could be an accelerated shift toward value retail, supporting higher profits, while the company's strong cash generation and robust balance sheet could result in further special dividend payments to shareholders.

During the year we sold out of holdings in Reckitt Benckiser, Abrdn (previously known as Standard Life Aberdeen) and RWE. Worries over the sustainability of demand for Reckitt Benckiser's hygiene products as the impact of the pandemic started to subside led us to sell the holding. Abrdn's turnaround strategy under the new management has large execution risk given its increased focus on growing areas that are not considered the company's core competencies, while the strategy also includes very ambitious long-term targets in terms of revenue growth and the cost to income ratio, which would require a significant improvement in growth compared to what the company has achieved historically. German utility RWE is exposed to the development of renewable power generation. With large oil companies now bidding for seabed rights to develop their own offshore wind farms, returns for new projects are likely to come down in the long term.

Outlook

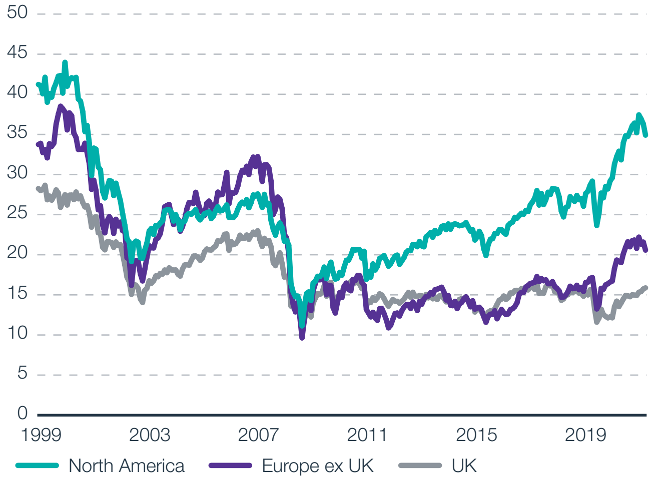
Just as the impact of the pandemic subsides and the severity of the virus reduces, increased volatility has returned to equity markets following Russia's invasion of Ukraine. While both countries' economies are small in terms of their contribution to global GDP, the ramifications of Russia's shocking actions and the sanctions applied have already been felt in commodity markets, and could weaken the outlook for the global economy and sentiment more generally.

Inflation is likely to remain elevated, at least in the first half of the year, caused by surging oil, gas and wheat prices. This is likely to put further pressure on consumers and corporate profits and slow the economic recovery from the pandemic.

Strategic Report: Fund Manager's Report (continued)

However, central banks may now apply caution to the further tightening of monetary policy while for the consumer, wages are generally rising in nominal if not real terms, debt levels are relatively low and savings have been built up during the pandemic.

The UK equity market is attractively valued relative to history and other global indices based on 10-year average earnings



Source: Refinitiv DataStream. Cyclically Adjusted Price Earnings Ratios based on 10-year average earnings for FTSE regional indices

Although increased geopolitical tensions have created new uncertainties, the starting valuation of the UK market is attractive both in absolute terms and relative to global indices. In addition, companies generally have robust balance sheets and strong cash flows which will help support the continued recovery in market dividends. Increased market volatility will likely present challenges and opportunities, but my focus will, as ever, remain on finding good quality businesses, that are in strong financial health and can pay and grow an attractive dividend.

David Smith
Fund Manager
31 March 2022

Portfolio and Financial Information

Strategic Report: Investment Portfolio

Investments: Fixed Interest

PREFERENCE SHARES	Total 31 December 2021 £'000
General Accident 8.875%	1,160
Middlefield Canadian Income 7%	1,696
National Westminster Bank 9%	415
Nationwide Building Society 10.625%	2,484
Total Preference Shares	**5,755**
OTHER FIXED INTEREST	
Anheuser-Busch 4.75% 2029 (USA)	946
Aramark Services 5% 2028 (USA)	1,427
Ardagh 4.75% 2027	2,398
Aviva 6.125% Variable Perpetual	485
AXA 5.453% Variable Perpetual (France)	957
Ball 3.125% 2031 (USA)	714
Barclays Bank 6.278% Perpetual	1,026
BUPA Finance 5% 2026	395
BUPA Finance 4.125% 2035	577
CPUK Finance 4.875% 2025	470
Crown Americas 4.75% 2026 (USA)	568
Davita 4.625% 2030 (USA)	658
Direct Line Insurance 4.75% Variable Perpetual	911
Elanco Animal Health 4.272% 2023 (USA)	1,312
HCA 5% 2024 (USA)	2,310
Iron Mountain 4.5% 2031 (USA)	694
Service Corp Intl 3.375% 2030 (USA)	580
Service Corp Intl 4.625% 2027 (USA)	1,291
Virgin Media 4.125% 2030	1,693
Ziggo 4.875% 2030 (USA)	757
Total Other Fixed Interest	**20,169**
TOTAL FIXED INTEREST	**25,924**

Investments: Equities (including convertibles and investment funds)

ENERGY	Total 31 December 2021 £'000
Oil Gas & Coal	
BP	5,305
Royal Dutch Shell	4,067
Total Energy	**9,372**
BASIC MATERIALS	
Chemicals	
Johnson Matthey	2,232
Victrex	2,977
Industrial Materials	
UPM (Finland)	2,235
Industrial Metals and Mining	
Anglo American	7,778
Bodycote	2,664
Rio Tinto	5,875
Total Basic Materials	**23,761**
INDUSTRIALS	
General Industrials	
Bunzl	3,683
Industrial Engineering	
Metso Outotec (Finland)	2,301
Vesuvius	2,011
Industrial Transportation	
Volvo (Sweden)	2,712
Industrial Support Services	
PageGroup	2,595
Total Industrials	**13,302**
CONSUMER DISCRETIONARY	
Automobiles & Parts	
Ti Fluid Systems	2,190
Retailers	
Next	3,113
B&M European Value Retail	2,336
Media	
Informa	2,645
Relx (Netherlands)	8,314
Household Goods and Home Construction	
Bellway	2,965
Persimmon	3,084
Personal Goods	
Burberry Group	3,543
Consumer Services	
Compass	3,898
Travel & Leisure	
McDonalds (USA)	2,607
National Express	2,485
Whitbread	2,780
Total Consumer Discretionary	**39,960**

Strategic Report: Investment Portfolio (continued)

Investments: Equities (including convertibles and investment funds)

HEALTHCARE	Total 31 December 2021 £'000
Pharmaceuticals and Biotechnology	
AstraZeneca	8,204
GlaxoSmithKline	6,876
Total Health Care	**15,080**

CONSUMER STAPLES	
Beverages	
Britvic	3,950
Coca-Cola (USA)	2,252
Coca-Cola HBC	3,434
Diageo	9,753
Food Producers	
Cranswick	3,554
Hilton Food	4,765
Personal Care Drug and Grocery Stores	
Tesco	6,077
Unilever	9,476
Tobacco	
British American Tobacco	10,619
Imperial Brands	4,324
Total Consumer Staples	**58,204**

TELECOMMUNICATIONS	
Telecommunications Service Providers	
Vodafone	4,898
Total Telecommunications	**4,898**

UTILITIES	
Electricity	
EDP Energias de Portugal (Portugal)	2,193
SSE	4,615
Gas Water & Multiutilities	
E.ON (Germany)	2,537
National Grid	6,287
Severn Trent	4,834
United Utilities	2,451
Total Utilities	**22,917**

FINANCIALS	Total 31 December 2021 £'000
Banks	
Lloyds Banking	5,312
NatWest	5,504
Nordea Bank (Finland)	2,980
Nonlife Insurance	
ASR Nederland (Netherlands)	2,239
Direct Line Insurance	2,963
Sabre Insurance	1,929
Life Insurance	
Chesnara	2,326
Phoenix	4,819
Investment Banking and Brokerage Services	
3i	6,138
Ashmore	2,054
Intermediate Capital	3,933
M&G	3,381
Schroders	2,600
St.James's Place	3,958
Finance and Credit Services	
Paragon Banking Group	3,839
Closed End Investments	
Blackstone/GSO Loan Funding (Jersey)	2,160
Greencoat UK Wind	1,787
Tufton Oceanic Assets	2,385
Total Financials	**60,307**

REAL ESTATE	
Real Estate Investment Trusts	
Big Yellow	3,915
Land Securities	2,372
Supermarket Income REIT	2,283
Total Real Estate	**8,570**

TECHNOLOGY	
Software & Computer Services	
Sage	4,288
Technology Hardware & Equipment	
Texas Instruments (USA)	2,508
Total Technology	**6,796**

TOTAL EQUITIES	263,167

TOTAL	289,091

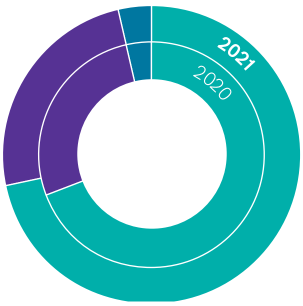
Strategic Report: Investment Portfolio (continued)

Percentage Breakdown of Investments by Sector

	Total 31 December 2021 %	Total 31 December 2020 %
FIXED INTEREST		
Preference shares	2.0	2.0
Other fixed interest	7.0	10.5
Total Fixed Interest	**9.0**	**12.5**
EQUITIES		
Energy		
Oil gas & coal	3.3	3.7
Total Energy	**3.3**	**3.7**
Basic Materials		
Chemicals	1.8	2.1
Industrial materials	0.8	–
Industrial metals and mining	5.6	6.7
Total Basic Materials	**8.2**	**8.8**
Industrials		
General industrials	1.3	1.4
Industrial engineering	1.5	1.9
Industrial support services	0.9	–
Industrial transportation	0.9	–
Total Industrials	**4.6**	**3.3**
Consumer Discretionary		
Automobiles & parts	0.8	0.9
Consumer services	1.3	1.3
Household goods & home construction	2.1	1.5
Media	3.8	3.0
Personal goods	1.2	1.2
Retailers	1.9	1.1
Travel & leisure	2.7	3.1
Total Consumer Discretionary	**13.8**	**12.1**
Health Care		
Pharmaceuticals & biotechnology	5.2	5.6
Total Health Care	**5.2**	**5.6**
Consumer Staples		
Beverages	6.7	6.3
Food producers	2.8	2.6
Personal care drug and grocery stores	5.4	5.8
Tobacco	5.2	5.6
Total Consumer Staples	**20.1**	**20.3**

	Total 31 December 2021 %	Total 31 December 2020 %
Telecommunications		
Telecommunications service providers	1.7	1.9
Total Telecommunications	**1.7**	**1.9**
Utilities		
Electricity	2.3	1.8
Gas water & multiutilities	5.6	5.4
Total Utilities	**7.9**	**7.2**
Financials		
Banks	4.7	2.6
Closed end investments	2.1	2.1
Finance and credit services	1.3	–
Investment banking & brokerage services	7.7	9.4
Life insurance	2.5	2.6
Nonlife insurance	2.5	3.4
Total Financials	**20.8**	**20.1**
Technology		
Software & computer services	1.5	0.9
Technology hardware & equipment	0.9	0.9
Total Technology	**2.4**	**1.8**
Real Estate		
Real estate investment trusts	3.0	2.7
Total Real Estate	**3.0**	**2.7**
TOTAL INVESTMENTS	**100.0**	**100.0**

Distribution of the UK equity portfolio holdings at 31 December



	2021 %	2020 %
Large companies	71.9	69.3
Medium-sized companies	24.5	27.3
Small companies	3.6	3.4

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

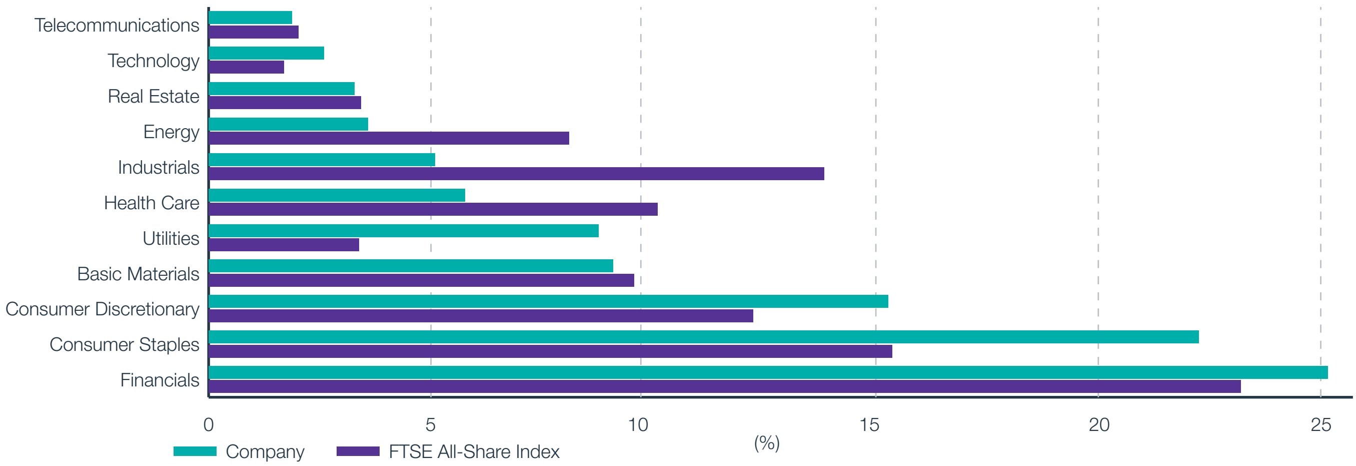
Strategic Report: Portfolio Information

Sector Exposure at 31 December

Excluding cash

Sector	2021 £'000	2021 % of portfolio	2020 £'000	2020 % of portfolio
Preference shares	5,755	2.0	5,263	2.0
Other fixed interest	20,169	7.0	27,335	10.5
Total Fixed Interest	**25,924**	**9.0**	**32,598**	**12.5**
Financials	60,307	20.8	52,000	20.0
Consumer Staples	58,204	20.1	52,795	20.3
Consumer Discretionary	39,960	13.8	31,576	12.2
Basic Materials	23,761	8.2	22,761	8.8
Utilities	22,917	7.9	18,693	7.2
Health Care	15,080	5.2	14,675	5.6
Industrials	13,302	4.6	8,487	3.3
Energy	9,372	3.3	9,647	3.7
Real Estate	8,570	3.0	7,009	2.7
Technology	6,796	2.4	4,625	1.8
Telecommunications	4,898	1.7	4,978	1.9
Total Equities	**263,167**	**91.0**	**227,246**	**87.5**
Total	**289,091**	**100.0**	**259,844**	**100.0**

Equity Portfolio Sector Weightings at 31 December 2021



Ten Largest Investments at 31 December

Position	Company	Sector	2021 £'000	2021 % of portfolio	2020 £'000	2020 % of portfolio
1	British American Tobacco	Consumer Staples	10,619	3.7	10,530	4.0
2	Diageo	Consumer Staples	9,753	3.4	7,255	2.8
3	Unilever	Consumer Staples	9,476	3.3	6,730	2.6
4	Relx (Netherlands)	Consumer Discretionary	8,314	2.9	5,078	2.0
5	AstraZeneca	Health Care	8,204	2.8	2,922	1.1
6	Anglo American	Basic Materials	7,778	2.7	5,823	2.2
7	GlaxoSmithKline	Health Care	6,876	2.4	8,233	3.2
8	National Grid	Utilities	6,287	2.2	5,093	2.0
9	3i	Financials	6,138	2.1	5,122	2.0
10	Tesco[1]	Consumer Staples	6,077	2.1	7,857	3.0
Total			**79,522**	**27.6**	**64,643**	**24.9**

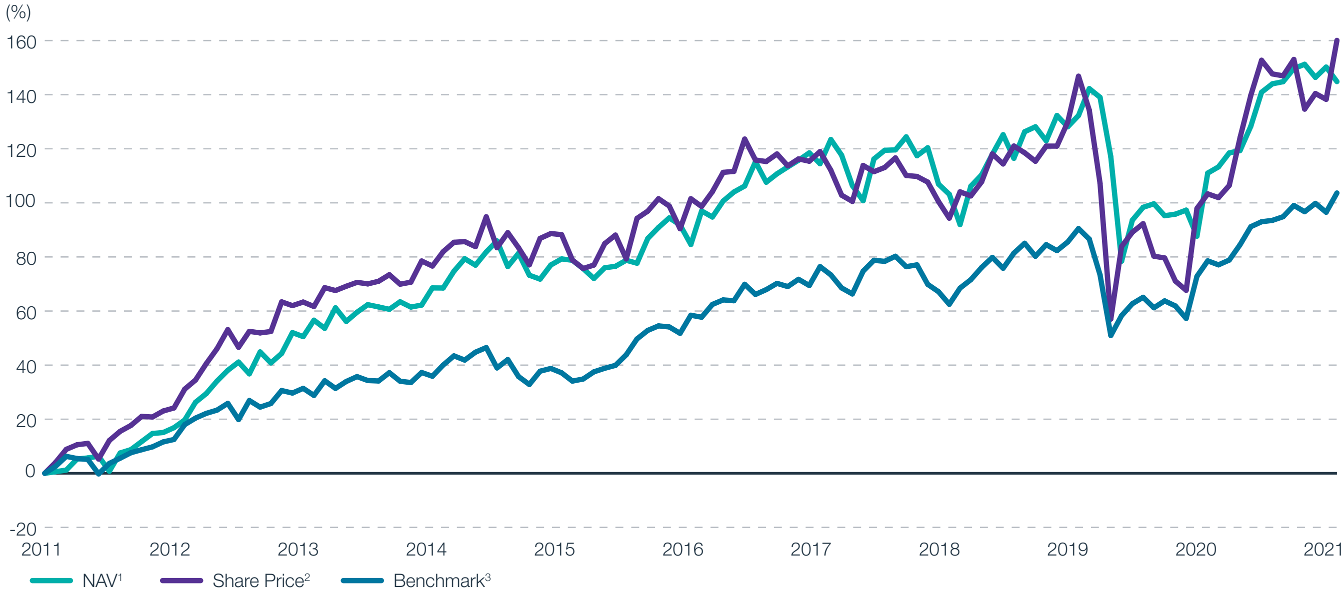
1 Includes fixed interest in prior year

Strategic Report: Historical Performance and Financial Information

Total Return Performance to 31 December

	1 year %	3 years %	5 years %	10 years %
NAV[1]	+19.8	+33.4	+30.1	+154.5
Share Price[2]	+27.9	+33.8	+29.1	+160.1
Benchmark[3]	+14.1	+25.3	+28.5	+103.7
ICE BofAML Sterling Non-Gilts Index	-3.0	+14.6	+17.7	+68.2
FTSE All-Share Index	+18.3	+27.2	+30.2	+110.7

Total Return Performance over 10 years to 31 December 2021



Financial Information as at 31 December

	Net assets £m	NAV per ordinary share[4] p	Mid-market price per ordinary share p	Dividends per ordinary share p
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
2020	211.4	157.3	147.0	9.90
2021	**236.2**	**177.9**	**177.5**	**9.95**

1 Net asset value with debt at fair value total return (including dividends reinvested and excluding transaction costs)
2 Includes dividends reinvested
3 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
4 Based on net assets with debt at fair value as published by the AIC

Source: Janus Henderson, Morningstar Direct and Refinitiv Datastream

Business Model

Strategic Report: Business Model

Purpose and 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. This purpose is fulfilled by achieving the investment objective and applying the investment policy.

The investment strategy is delegated to Janus Henderson Investors ('the Manager') within the parameters determined by the Board and approved by shareholders.

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 30% 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.

Gearing as at 31 December 2021 was 22.4% (2020: 22.9%).

Company Structure

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 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.

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-end 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 significant advantages over other investment fund structures: firstly, the ability to pay dividends out of revenue reserves to support the provision of income to shareholders, as necessary, and secondly, the ability to borrow to increase potential returns for shareholders.

Income

The investment objective underpins the Company's dividend policy, which is to pay quarterly interim dividends from current revenue and add to the revenue reserve where possible each year. The purpose of this reserve is to enable the Company to support dividend payments in difficult market conditions. When deciding on whether to pay each quarterly interim dividend, the Board has regard to a variety of factors, including current and forecast levels of income (including any special dividends received) and the historic dividend schedule. The Board also considers a range of stress tests which forecast revenue under different scenarios in order to form a view on the sustainability of the Company's dividends.

Borrowings

The Company has a committed loan facility with Scotiabank of £45 million that matures on 21 December 2022. This facility has an accordion of £12 million allowing the Company to borrow up to £57 million.

The Company also has a 19-year £20 million fixed rate senior unsecured loan note with a sterling coupon of 3.67% which will mature on 8 July 2034.

1 Please refer to the Alternative Performance Measures on page 87

Strategic Report: Business Model (continued)

Section 172(1) Statement

The statutory duties of the directors are listed in s171-177 of the Companies Act 2006. Under s172, directors have a duty to promote the success of the Company for the benefit of its members (shareholders) as a whole and in doing so have regard to the consequences of any decision in the long term, as well as having regard to the Company's stakeholders amongst other considerations. The fulfilment of this duty not only helps the Company achieve its investment objective and policy but ensures decisions are made in a responsible and sustainable way for shareholders and wider stakeholders.

Information on how the directors have had regard to the matters set out in s.172(1)(a-f) can be found on the following pages of this statement.

Service Providers

The directors use their experience and knowledge 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).

The Board reviews and monitors the arrangements in place with all the Company's third-party service providers at least annually. As the Manager manages the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Manager in this regard and is confident that the Manager has developed and maintains good working relationships with them. 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 on an annual basis, and other service providers, as and when it is deemed necessary.

In addition, J.P. Morgan Cazenove (Broker), Marten & Co (Sponsored Research), Computershare (Registrar) and HSBC (Depositary and Custodian) provide an annual self-assessment covering value for money for the service provided and confirmation of adherence to the terms and conditions. This report also confirms that each service provider has appropriate corporate governance and environmental, social and governance policies, processes and procedures in place.

Values and Culture

The Board expects all directors to act with integrity and to apply their skill, care, due diligence and professional experience in the boardroom. The Board has a strong relationship with the Manager, in particular with 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.

The Board expects the Company's third-party service providers, particularly the Manager who is responsible for the management of the Company's portfolio, to uphold the same values and high standard of conduct as the Board. To this end, the Board considered the Manager's corporate culture and values as part of the overall assessment of the service provided by them in the year under review.

Engagement and Communication with Stakeholders

The Board has drafted a stakeholder map to identify the types of relationships the Company has with each stakeholder group. The following table sets out how the Manager and/or the Board engages with those stakeholders who are deemed to have a 'high' level of stakeholder interest in the Company.

Stakeholders	Why it is important to engage?	How has the Manager and/or the Board engaged?
Shareholders/ Potential Investors	• To allow investors to make informed investment decisions. • To retain existing shareholders and attract new ones. • To understand investors' requirements and expectations.	• Annual and Half Year Reports. • Monthly factsheets. • Fund Manager videos and commentary and webinars with professional investors. • Sponsored research notes. • AGM. • RNS announcements. • Website updates. • The Board receives shareholder feedback from its Corporate Broker, the Manager's Investment Trust Sales and Marketing Teams and the Fund Manager. • The Board and the Fund Manager are also happy to meet shareholders when requested.

Strategic Report: Business Model (continued)

Stakeholders	Why it is important to engage?	How has the Manager and/or the Board engaged?
Alternative Investment Fund Manager ('AIFM') – Janus Henderson Fund Management UK Limited ('JHFMUKL')	• To ensure that the Company complies with the AIFMD regulation.	• Representatives of the AIFM regularly attend meetings. • The AIFM confirms compliance with investment limits and restrictions each month. • Quarterly internal controls reports to provide the Board with regular reporting on the Manager's internal controls in operation over the services delivered to the Company.
Fund Manager – Janus Henderson	• To ensure that the investments of the portfolio and the administration of the Company are well-managed.	• The Fund Manager and Company Secretary attend all meetings and provide specific reports.
Service Providers (including the Depositary, Broker, Registrar and Auditors)	• To monitor the quality and cost effectiveness of the services provided.	• Biannual service review meetings with the Depositary and Registrar. • Self-assessment reports provided to the Board annually. • Review and discussion of reports on the effectiveness of internal controls and risk management. • Review of proposed audit plan and audit fee each year, as well as any audit findings, the auditors' letter of engagement and terms of business. • Regular attendance at meetings throughout the year with specialist input provided.
Portfolio Holdings	• The Fund Manager's decisions are key to the Company achieving its investment objective and policy. Direct communication with investee companies can lead to more informed decisions.	• The Manager votes at shareholder meetings of the portfolio holdings on behalf of the Company (engaging with companies as appropriate prior to voting e.g. on ESG matters/contentious resolutions). • The Fund Manager regularly engages with investee companies.
Lender	• 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.	• The Manager confirms compliance with the loan covenants (to both the short-term and long-term lender) each month. • The Manager responds to audit requests from its Lenders.

Board Discussions and Decision Making

The following paragraphs provide some examples of the key discussions held and decisions made by the Board and its Committees during the year ended 31 December 2021.

- **Changes to the Articles of Association:** Shareholders approved at the 2021 AGM the Board's decision to amend the Company's Articles of Association to allow the Company to hold a shareholder meeting (including an AGM) either as:
  - a physical meeting;
  - a hybrid meeting, whereby shareholders and their proxies are given the option to participate and be counted in the quorum by attending the meeting either at the 'Principal Place' and either another physical location or through an electronic platform; or
  - a virtual-only meeting, whereby shareholders and their proxies are only able to participate and be counted in the quorum of the meeting by accessing an electronic platform (i.e. there would be no physical meeting).
- **Using revenue reserves to support the Company's dividend policy:** The Board remains committed to providing a high level of income to shareholders. After discussing the Fund Manager's regular stress testing of the Company's revenue account under different scenarios and the general investment outlook with the Fund Manager, the Board decided that it would utilise the revenue reserve to support the Company's dividend policy. This allowed the Board to increase the total dividend to 9.95 pence per share for the financial year ended 31 December 2021.
- **Change in Management Fee:** At its November meeting, the Management Engagement Committee reviewed the existing fee arrangements. In respect of the additional performance fee element, the Committee noted that it was out of line compared with other UK Equity Income trusts and therefore could present a potential obstacle for investors. As a result, the Board agreed the following revised fee structure: the level at which the management fee drops from 0.50% to 0.45% of adjusted average gross assets was increased from £250 million to £325 million

Strategic Report: Business Model (continued)

and the performance fee element was removed with effect from 1 January 2022.

- **The Company's Approach to Environmental, Social and Governance ('ESG'):** The Board reviewed the Fund Manager's ESG considerations in relation to investment decisions and the Company's ESG credentials at its Strategy meeting in November 2021. Business sustainability is at the core of the Company's investment strategy which includes consideration of ESG issues and the analysis of ESG factors is integrated into the stock selection and monitoring process.

  The Board monitors ESG reporting developments, in particular the recommendations from the Task Force on Climate-Related Financial Disclosures ('TCFD') and notes that the Listing Rules have been updated to reflect that investment trusts invested in quoted equities and bonds are not directly in the scope of TCFD. As a manager, Janus Henderson has been a supporter of the Task Force for Climate Related Financial Disclosure since 2018.

As explained above, the directors' overarching duty is to promote the success of the Company for the benefit of investors with consideration of stakeholders' interests. The Company's main stakeholders are the Company's shareholders, the Manager, its lenders and other service providers.

Liquidity and Discount Management

The Board's aim is for the Company's share price to reflect closely its underlying net asset value, 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 Company's shares. However, the Board considers the issuance and buyback 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 buyback policy.

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 Janus Henderson Fund Management UK Limited ('JHFMUKL') to act as its AIFM in accordance with an agreement which has been effective from July 2014 and is terminable on six months' notice. JHFMUKL delegates investment management services to Janus Henderson Investors UK 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. Janus Henderson Secretarial Services UK Limited acts as the Corporate Secretary.

Please refer to the Management Engagement Committee section on page 44 for further details about how the directors consider the continuing appointment of the Manager.

Management Fee

For the year under review, the base management fee was charged at 0.50% of adjusted average gross assets under £250 million. A reduced management fee of 0.45% was applied to average adjusted gross assets above £250 million. This average value was 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.

With effect from 1 January 2022 the Board agreed a revised fee structure. The level at which the management fee falls from 0.50% to 0.45% of adjusted average gross assets was increased from £250 million to £325 million and the performance fee element was removed.

Performance Fee

The performance fee arrangement was in effect in the year under review but has been removed with effect from 1 January 2022. Please refer to the Management Engagement Committee section on page 44 for details of the new fee arrangements that became effective from 1 January 2022.

Strategic Report: Business Model (continued)

For the year ended 31 December 2021 and in prior years performance was 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 relative performance exceeds any past underperformance. 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.

No performance fee was paid during the year ended 31 December 2021.

Managing Risks

In accordance with the AIC Code of Corporate Governance ('AIC Code') and FRC Guidance, the Board has established procedures to identify and manage risk and to determine the principal and emerging 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, liquidity and reputation. 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 and emerging 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. In addition, 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 and emerging 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 below.

The Board does not consider these principal risks to have changed during the year under review and up to the date of this report with the exception of removing the Covid-19 impact column that was introduced for the 2020 Annual Report. However, a new emerging risk relating to the conflict between Russia and Ukraine has been added.

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 persistent discount to net asset value and/or reduced liquidity in the Company's shares. Risk that insufficient income generation could lead to a cut in the dividend.	The Manager provides the Board with regular investment performance statistics against the benchmark and the peer group. The implementation of the investment strategy and results of the investment process for which the Fund Manager is responsible, are discussed with the Manager and reviewed at each Board meeting. The premium/discount to net asset value and the trading volume of the Company's shares are also regularly reviewed, taking account of market conditions. The Manager and the Board maintain close contact with the Company's Broker to understand the supply of and demand for shares. The Board reviews the Income Statement and revenue forecasts at each meeting and continually 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.	The Board reviews the Company's compliance with its loan covenants (for both the short-term and long-term facilities) 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. The Manager operates within investment limits and restrictions set by the Board, including limits for gearing and derivatives and confirms compliance with these 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 the Financial Risk Management Policies and Procedures note on pages 77 to 82. The Board reviews the Income Statement and revenue forecasts at each meeting and continually monitors the Company's revenue reserves.
Operational Risks including Cyber Risks, Pandemic Risks 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. Risk of financial loss, disruption or damage to the reputation of the Company, the Manager and the Company's other key 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 the internal control 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 other 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 Internal Control and Risk Management section on page 46 for further details.
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.	The Manager has been contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager 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 the conflict between Russia and Ukraine	The impact that the Russian invasion of Ukraine could have on the global economy and the Company's investments and the potential for various disruptive scenarios, including cyber threats and market events. The Fund Manager actively monitors and assesses market conditions and the Manager's Risk team monitors liquidity, performance and portfolio construction to continue to minimise the impact on the Company. Procedures are in place to ensure any applicable sanctions imposed are implemented quickly. The Manager has taken additional measures to reinforce its information security processes and systems including continuous contact with security threat intelligence agencies, increased monitoring of its external network/firewall configurations and third-party connectivity and enhanced application of critical security patches, including its anti-phishing defences. The Board monitors the services provided by the Manager, the Depositary and its other service providers to ensure that services are managed appropriately throughout this period of uncertainty.
Risks Associated with the Legacy of Covid-19 The unknown duration and severity of the impact of Covid-19 on the economy and society, including any permanent structural changes that might occur.	During 2021 the Company's income has proven relatively resilient in comparison with the UK market, due to the Fund Manager's careful construction of a well-diversified portfolio. The Company's revenue reserves remain strong with approximately 8 months' of dividend cover brought forward to support shareholders' income requirements. The portfolio is run by an experienced and competent Fund Manager who has demonstrated throughout the year under review that the portfolio can be adapted and positioned to meet the challenges the pandemic has presented whilst protecting income and the opportunity for capital appreciation in the future.
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 33 for further details.

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 implementing the Company's business model and strategy through the investment objective and policy. 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.

The Board also considers:

- the prospects for the Company including the liquidity of the portfolio (which is mainly invested in readily realisable listed securities);
- the level of borrowings (which are restricted);

Strategic Report: Business Model (continued)

- the closed-end nature as an investment company (therefore there are no issues arising from unexpected redemptions);
- a low ongoing charge (0.84% for the year-ended 31 December 2021 (2020: 0.93%)); and
- long-term borrowings in place in the form of the 3.67% senior unsecured loan note which matures in July 2034 (the value of this long-term borrowing is at 8.4% of net assets as at 31 December 2021, relatively small in comparison to the value of total net assets).

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, conservative stress-tested revenue forecast at least once a year to assist the Board with its dividend decision making. The Company's revenue reserves remain strong and there is now approximately 8 months' worth of dividend cover which gives additional comfort for any difficult years that may arise in the future.

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.

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 loan covenants could impact on the Company's net asset value and share price. The directors also considered the ongoing impact of the legacy of Covid-19 and risks associated with the conflict between Russia and Ukraine. Whilst these currently present uncertainty and volatility in financial markets, they do not threaten the Company's viability.

The Board does 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 notes the Company's next continuation vote is due to take place at the AGM in 2025. In 2021 the Board received feedback from the Fund Manager and the Janus Henderson Investment Trust Sales Team from meetings held with shareholders. The feedback suggested that the shareholders were supportive of the Company continuing in operation for a further five-year period and beyond. The Board remains confident that shareholders remain supportive of the Company.

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 of the portfolio and therefore has a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due up to and including the year-ending 31 December 2026.

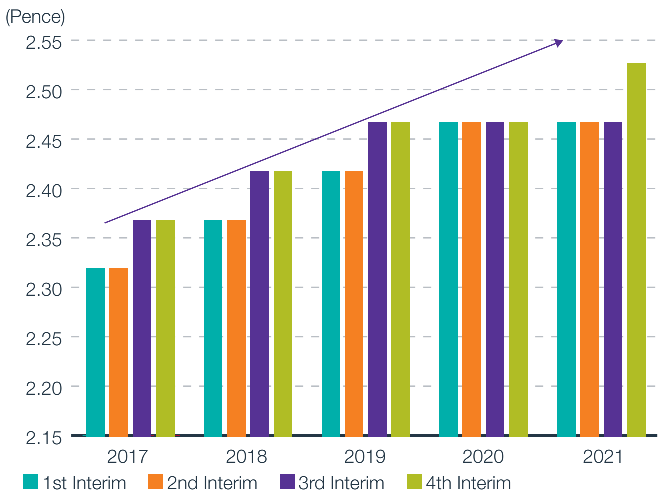
Please also refer to the directors' statement of going concern on page 57.

Key Performance Indicators

Measuring Performance

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the directors consider a number of Key Performance Indicators ('KPIs').

Dividend per share[1]



1 Based on the dividends paid or announced for the year
Source: Henderson High Income Trust plc Annual Reports

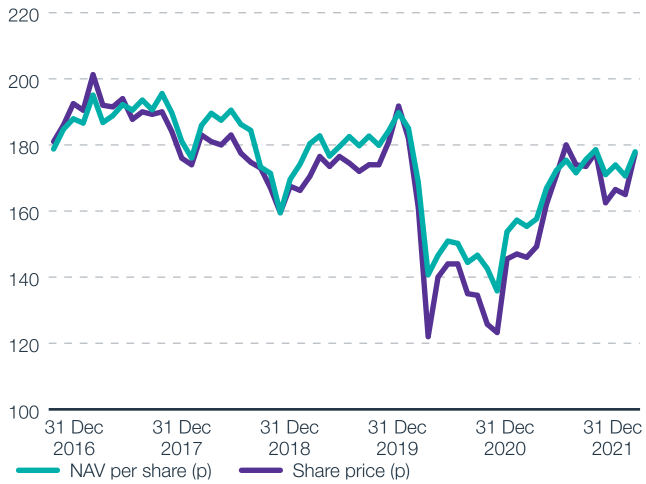
The Board places a high level of importance on maintaining the Company's quarterly dividend payments. The aim is to maintain a suitable asset allocation that will permit a sustainable high level of dividend distributions to shareholders with the potential to grow the capital value in the longer term. The Board reviews the Company's revenue account at each meeting, along with the appropriateness of its dividend payments. 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. In 2021 the Board decided to utilise £587,000 of the Company's reserves to help support the current dividend. The Company still retained a robust reserve of around £8.4 million at the end of the year under review, equivalent to approximately 8 months' worth of dividend cover.

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.

Strategic Report: Business Model (continued)

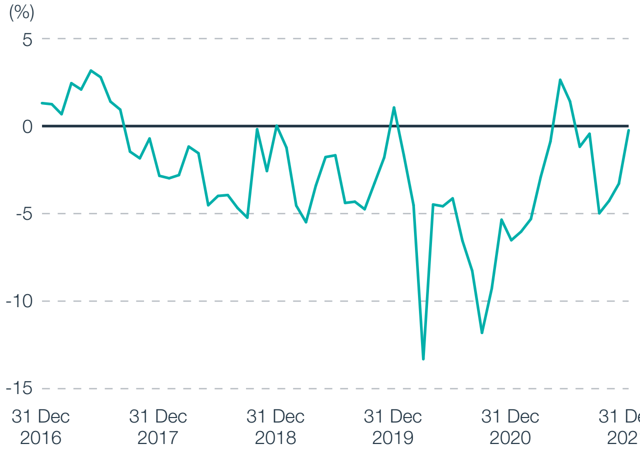
NAV[1] and Share Price per share



1 Net asset value with debt at fair value as published by the AIC

At each meeting, the Board reviews the performance of the portfolio as well as the Company's NAV (with debt at par value and fair value) and share price. The Board also compares the performance of the Company against its benchmark.

Premium/discount to 31 December 2021[1]



1 Premium/discount based on net asset value with debt at fair value

At each meeting, the Board monitors the level of the Company's premium or discount to net asset value per share and reviews the average premium or discount for other companies from the AIC Equity Income sector.

Ongoing Charge

The Board regularly reviews the ongoing charge and monitors all Company expenses, with a detailed schedule of expenses reviewed twice a year in conjunction with the half year and full year financial results. The ongoing charge for the year-ended 31 December 2021 was 0.84% (2020: 0.93%).

No performance fee was payable for the year-ended 31 December 2021 (2020: nil). The performance fee arrangement has been removed with effect from 1 January 2022.

Board Diversity

It is the Company's aim to have a diverse Board. The Board welcomes the recommendations from The FTSE Women Leaders Review regarding the proportion of women on boards, and the Parker Review about ethnic representation on boards. Whilst the Board does not feel that it would be appropriate to use specific diversity targets, the directors acknowledge that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company.

The Nominations and Remuneration Committee considers diversity generally when making recommendations for appointments to the Board, considering gender, social and ethnic backgrounds, cognitive and personal strengths and experience. All Board appointments are subject to a formal, rigorous and transparent procedure. The prime responsibility of the Committee, however, is to ensure 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 five directors, 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 is committed to creating an inclusive environment that promotes cultural awareness and respect by implementing equitable policies, benefits, training, recruiting, and recognition practices that support colleagues. Please follow the link to Janus Henderson's website for more details about its Diversity & Inclusion initiative: **https://diversityproject.com/organisation/janus-henderson**.

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 the Manager 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

Jeremy Rigg
Chairman
31 March 2022

Environmental, Social and Governance Matters

Environmental, Social and Governance Matters

Our Approach to Environmental, Social and Governance Matters

The Board believes that integrating environmental, social and governance ('ESG') factors into the investment decision making and ownership practices is an important element in delivering the Company's investment objective. ESG considerations are a fully integrated component of the investment processes employed by the Fund Manager and the wider investment teams at Janus Henderson.

Defining ESG

- **Environmental** factors include climate change, energy efficiency, resource depletion and water and waste management.
- **Social** factors include employee and community relations, diversity, quality of life, enhancements in knowledge and advances in supportive technology for improved sustainability.
- **Governance** factors include mitigating risks such as bribery and corruption, questioning board diversity, executive pay, accounting standards and shareholder rights, and positively influencing corporate behaviour.

Investment Considerations

Business sustainability is at the core of the investment strategy of the Company which includes considerations on ESG issues. As with managing a business's operational and financial risks, those companies with good processes for managing ESG risk factors outperform. While no company is specifically excluded from investment on ESG grounds, the Fund Manager seeks to understand how a company is managing ESG risks through its policies and processes and where its investments are targeted to evolve its business models to remain sustainable over the longer term.

The analysis of ESG factors is integrated into the stock selection and monitoring process. As with understanding a company's fundamentals and financial health, the evaluation of ESG risks and opportunities is also integral to determine the value of a business.

When analysing ESG factors the Fund Manager will seek to:

1) Identify the risks and opportunities

Determining the underlying ESG risks and opportunities a company is exposed to is the first step in the process. Companies within similar sectors and industries will have common ESG risks associated with them but it is important to understand the specific risks to each company.

2) Analyse the controls and actions

Once the key and material ESG risks are identified, it is important to gain insight into the controls and actions a company performs to mitigate those risks. ESG risks are unavoidable for most companies but it is how a business adapts its processes and operations to minimise the impact of those risks which could have significant implications for a company's cash flow and dividend sustainability. While companies with severe ESG risk exposure are likely to be avoided, those companies that have high ESG risk exposure but demonstrated strong controls may be considered for investment.

ESG risks and opportunities are broken down into short and long term considerations:

Short term – Understanding the materiality of a failure in a company's operations in regard to ESG issues on its short term financials, reputation and regulatory backlash. Companies operating in higher risk sectors, such as oil & gas, where the materiality of a failure in operations is significant, require critical safety controls and processes. The use of third-party research, such as Sustainalytics, helps to identify the short term ESG risks and the level of controls and processes companies have in place to mitigate those risks. This is then followed up by detailed stock analysis.

Long term – Understanding how ESG issues will impact the sustainability of a business in the long term and thereby its ability to continue to pay and grow a dividend. Those businesses that operate in contentious industries face structural pressure on their core products or services due to government legislation or consumer habits and it is important to understand the pace of that decline, how a company is investing or changing so that it remains relevant in the long term and what is currently discounted in the company's valuation. For instance, tobacco companies have faced declining volumes in traditional combustible cigarettes for many years but have managed that decline through strong pricing while investing in alternative products, such as vaping and Heat-not-Burn, which are less harmful.

It is also important to understand how ESG factors could present an opportunity to companies in the long term. Clearly businesses which have exposure to ESG trends or thematics, such as renewable energy or alternative packaging for example, should benefit but it is important to quantify the benefits versus what is already discounted in the valuation. The process of identifying and assessing the longer term ESG risks and opportunities is part of detailed stock analysis.

3) Assessing sustainability targets

Business sustainability is imperative to the long-term value of a company which includes the consideration of ESG factors. Companies need to adapt their business models to changes in ESG attitudes and regulation to remain sustainable and having realistic targets verified by independent institutions, such as the Science Based Targets Initiative (SBTi) for emissions, helps determine their ability and willingness. It also gives a good framework to hold management accountable for the success or failure in delivering on sustainability goals. Ideally a portion of management's incentives should be linked to the delivery of short and/or medium term targets.

Environmental, Social and Governance Matters

(continued)

4) Engage with management

Company engagement forms an important part of the Fund Manager's investment process and incorporates a wide range of topics including business strategy, capital allocation, remuneration incentives, business risks, management succession as well as ESG issues. Senior management teams of the Company's portfolio holdings are engaged with on a regular basis, typically once or twice a year, or on an ad hoc basis if a specific issue, whether ESG related or not, has arisen that could potentially impact the value of a business.

The Janus Henderson Governance & Stewardship Team (G&S Team) also assists with specific engagement matters, including those of an ESG nature, in respect of the positions held across the portfolio. The G&S Team screens portfolios for major ESG issues and works to highlight important ESG engagement topics ahead of company meetings or any communications with companies. In addition, the G&S Team directly engages with companies with or on behalf of the Fund Manager on a wide range of ESG themes including key topics such as climate change, social considerations and natural resource consumption. Engagement is an ongoing process between the team and senior management with the team monitoring the progress made on issues raised.

Illustrated below are some examples of the Company's holdings and their key ESG considerations:

Royal Dutch Shell – International Integrated Oil & Gas company

Sustainalytics ESG Risk Rating: High Risk

1) Identify the risks

- Carbon risk exposure high for both operations and products.
- Oil demand in structural decline.

2) Analyse the controls and actions

- Improving management of pollution risk of own operations.
- Divesting onshore oil assets in Nigeria and Canada and shifting towards natural gas & liquefied natural gas.
- Investing in green energy projects and offset technologies. $1bn per annum investment in low carbon energy set to increase to $2bn per annum.

3) Assess sustainability targets

- 50% net carbon reduction from energy products by 2050 (Scope 1, 2 & 3) – progress reported annually.
- 50% emissions reduction target by 2030 (Scope 1 & 2).
- Targets to reduce carbon intensity by 6-8% by 2023 linked to 16,500 staff pay.

4) Engage with management

- 8 meetings with the company (including presentations at conferences) in last 12 months.
- Topics included – Renewable investments, energy transition, human capital, remuneration, board composition.

Hilton Food Group – International meat processing and packaging company

Sustainalytics ESG Risk Rating: Medium Risk

1) Identify the risks

- Food quality and safety.
- Consumer shift away from meat-based proteins.
- Plastic packaging.

2) Analyse the controls and actions

- Significant investment in automation and hygiene standards at facilities.
- Diversifying product mix to include sustainability sourced seafood and plant-based proteins.
- Use scale to drive development of retail and supply chain packaging material aligned to circular economy recycling infrastructure.

3) Assess sustainability targets

- Corporate Social Responsibility Strategy outlines objectives and targets annually.
- Detailed plan on how to achieve targets covering people, sustainable proteins, packaging, resources, transparency, animal welfare, supply chain and consumer health.
- Carbon reduction targets approved by SBTi.

4) Engage with management

- 2 meetings with senior management in the last 12 months.
- Topics included – Board composition, plastic packaging, sustainability of key proteins.

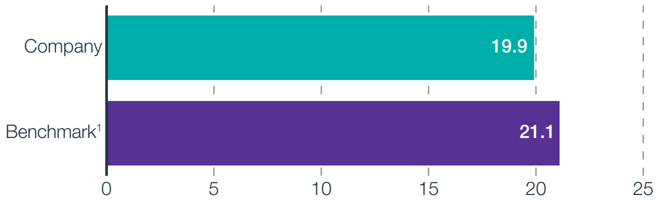
Environmental, Social and Governance Matters

(continued)

ESG Risk Ratings

Janus Henderson engages Sustainalytics, an independent leading firm researching and rating ESG factors globally, to support investment research. The Company's portfolio as at 31 December 2021 exhibited the following factors, as defined by Sustainalytics' analysis.

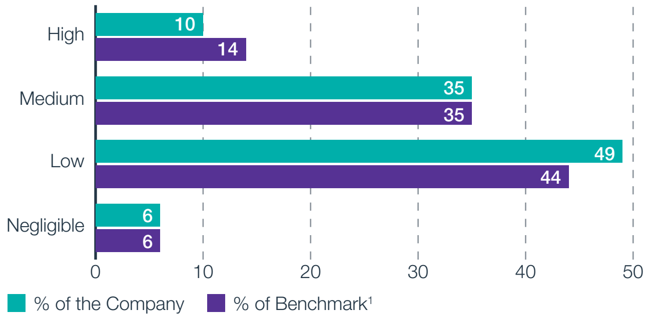
Overall ESG risk rating



Source: Sustainalytics as at 31 December 2021

The ESG risk rating measures the degree to which a company's economic value is at risk due to ESG factors, as assessed though Sustainalytics' calculation of the company's unmanaged ESG risks.

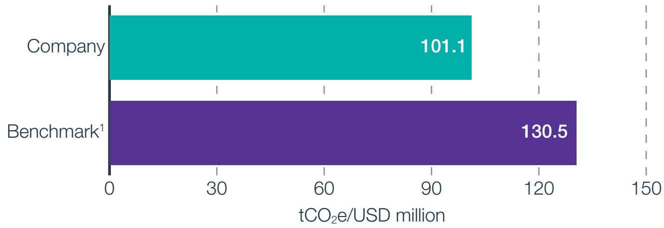
ESG risk exposure by category



Source: Sustainalytics as at 31 December 2021

The ESG risk exposure considers a company's sensitivity or vulnerability to ESG risks. Lower exposure scores indicate that the constituent companies face less risk. The Company's portfolio has less exposure to companies with high ESG risks and higher exposure to companies with low ESG risks than the benchmark.

Carbon intensity



Source: Sustainalytics as at 31 December 2021

Carbon intensity is a metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per US Dollar million of total revenue. The Company's overall portfolio is 23% less carbon intensive than the benchmark.

Stewardship and Company Engagement

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

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

Environmental, Social and Governance Matters
(continued)

Illustrated below are examples of where, during 2021, Janus Henderson has engaged with companies within the portfolio on matters that relate to environmental (E), social (S) or governance (G) topics.

AstraZeneca – Global Pharmaceutical Company

Categories: E S

Meeting with AstraZeneca's Global Head of Access to Healthcare and Head of Responsible Investments to discuss the company's three key ESG pillars: access to healthcare, environmental protection and ethics & transparency.

Compass Group – Global Food Service Company

Categories: S

Meeting with the Head of Investor Relations at Compass Group following controversy around the quality of food parcels the company sent to families in the UK receiving free school meals during the lockdown in January 2021.

National Express – International Bus Operator

Categories: G

Discussions with the Chairman of the Board and Chairman of the Remuneration Committee in regard to ISS's recommendation to vote against the remuneration report at the upcoming AGM due to the proposed salary increase for the Chief Finance Officer at a time when the company has taken government support.

Voting

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. 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 and the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles. These can be found on the Manager's website at **www.janushenderson.com**.

Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights and level of dispersed ownership. The voting and engagement activities vary according to the market and pay close attention to local market codes of best practice.

However, there are certain core principles that are universal:

- disclosure and transparency;
- board responsibilities;
- shareholder rights; and
- audit and internal controls.

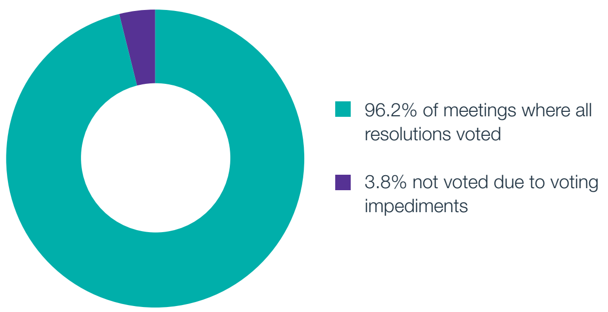
A key element of the Board's approach to proxy voting is to support these principles and to foster the long-term interests of the Company's shareholders.

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 and reviews at least annually the Manager's ESG Corporate Statement and ESG Investment Principles.

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 96.2% of these meetings. 3.8% 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 7 where the Manager voted against or abstained from 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 13 resolutions not supported, the majority of these related to approving executive remuneration reports and re-electing directors to the Board.

Voting record



Environmental, Social and Governance Matters
(continued)

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. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose energy and carbon information.

Janus Henderson recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. To this end, Janus Henderson has made the following commitments:

- maintain a carbon neutral status;
- reduce carbon use by 15% per full time employee over a three year period – starting January 2019; and
- maintain a Carbon Disclosure Project ('CDP') score of B, which is higher than the financial services sector average CDP score of C (CDP scores range from A to D, with A being the best).

Business Ethics

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

Governance

Board of Directors

The right balance of skills and knowledge

The directors appointed to the Board at the date of this report and the specific reasons why each director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out below.

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. 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.

Jeremy Rigg (Chairman)

Date of appointment: 1 April 2018 (appointed Chairman of the Board and Management Engagement Committee on 24 May 2021).

Committees: Chairman of the Management Engagement Committee and Member of the Nominations & Remuneration Committee and Audit & Risk Committee.

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

Background: 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.

Skills and experience: Jeremy provides an objective and broad view to board discussions and challenges the Manager on investment decisions. His role as an independent investment consultant means he stays up to date on industry trends and knowledge. Jeremy has over 25 years' experience in the investment management industry and has proven himself as a key member of the Board.

Richard Cranfield (Independent Non-Executive Director)

Date of appointment: 1 March 2020

Committees: Member of the Nominations & Remuneration Committee, Management Engagement Committee and Audit & Risk Committee.

External appointments: Richard retired as a partner and became Senior Adviser in law firm Allen & Overy on 31 October 2021, where he was previously Global Chairman of the Corporate Practice and Co-Head of its Financial Institutions Group. He is also Chair of IntegraFin Holdings plc.

Background: Richard has been with Allen & Overy LLP 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.

Skills and experience: Richard has spent 40 years at the highest levels of legal practice. He has extensive understanding of corporate governance and understands financial institutions from his career at Allen & Overy LLP and as the Chair of IntegraFin Holdings plc. This has also given him a good understanding of the workings of investment platforms which the Board believes is important as more of the Company's shareholders choose to hold their shares through platforms.

Zoe King (Senior Independent Director)

Date of appointment: 1 April 2016 (appointed Senior Independent Director on 23 June 2020).

Committees: Chairman of the Nominations & Remuneration Committee, Member of the Management Engagement Committee and Audit & Risk Committee.

External appointments: Zoe is a director of Smith & Williamson Investment Management Limited, specialising in the management of private client portfolios. She is also a member of the Trinity College Oxford Investment Committee, the Carvetian Capital Fund Investment Committee and the Stramongate S.A Shareholder Advisory Committee.

Background: 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.

Skills and experience: Zoe is an experienced investment professional and a director of Smith & Williamson Investment Management Limited, which ensures that her fund management skills and knowledge remain up to date. Zoe utilises her fund management background to bring an objective view to the Manager's investment strategy and to challenge the Manager on investment decisions, while her years of experience in looking after the capital of individuals bring a shareholder's perspective to board discussions.

Board of Directors (continued)

Penny Lovell (Independent Non-Executive Director)

Date of appointment: 1 January 2021

Committees: Member of the Nominations & Remuneration Committee, Management Engagement Committee and Audit & Risk Committee.

External appointments: Penny is a trustee of Pennies the Digital Moneybox and Prism, the Gift Fund.

Background: Penny was previously CEO of Sanlam Private Wealth, Head of Marketing, Sales and Distribution at Close Brothers Asset Management and has held various senior positions in the private wealth and asset management sectors.

Skills and experience: Penny has extensive experience in investment management and financial planning, including succession planning, family governance, philanthropy and next generation advice. Given the increasing number of retail investors on the Company's share register the Board recognised the importance of seeking potential candidates with experience of retail investors, with a background in product development and/or platform distribution and Penny's experience fulfils this requirement.

Jonathan Silver (Chairman of the Audit and Risk Committee)

Date of appointment: 2 January 2019 (appointed as Chairman of the Audit & Risk Committee on 8 May 2019).

Committees: Chairman of the Audit & Risk Committee, Member of the Nominations & Remuneration Committee and Management Engagement Committee.

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. Since 2017 Jonathan has been a non-executive director of East and North Hertfordshire NHS Trust.

Background: Jonathan is a member of the Institute of Chartered Accountants of Scotland. He was the Chairman of the Audit Committee at Invesco Income and Growth Trust plc from 2007 until 2021. 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.

Skills and experience: Jonathan is a qualified accountant and therefore brings financial and accounting skills and experience to the Board. He is an experienced non-executive director and in particular brings previous investment trust experience and leadership skills to the Board from his roles as Chief Financial Officer of Laird plc, and as Audit Committee Chairman of Spirent Communications plc and Invesco Income and Growth Trust plc. Jonathan has recent and relevant financial experience, a principal requirement for the composition of an Audit Committee under the UK Corporate Governance Code. The Board also believes this experience is fundamental to an effective board. The Board specifically wanted to recruit a non-executive director with this level and breadth of experience at the time of Jonathan's appointment to ensure that there was a sensible balance of experienced directors on the Board.

All directors are Members of the Insider Committee that meets when required in accordance with the Market Abuse Regulations.

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') published in January 2019 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-end 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. The Company is governed entirely by a Board of non-executive directors, therefore the Company has no executive directors or senior management remuneration packages.

For the year-ended 31 December 2021 the Company has complied with all the provisions of the AIC Code with the exception of provision 9.2.37 to establish a separate Remuneration Committee. Instead, the Board has established a combined Nominations and Remuneration Committee comprising all the independent non-executive directors. Given that the Company has a simple remuneration structure (a Board of independent non-executive directors that are not entitled to executive remuneration packages including bonuses and long-term incentive schemes) it was deemed sufficient for a combined Nominations and Remuneration Committee to be formed.

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**). These 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 policy, and is responsible for setting investment limits and restrictions, including 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 and 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 all relevant management, regulatory and financial information in a timely manner. 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, Janus Henderson Secretarial Services UK Limited. The Company Secretary is responsible to the Board for ensuring compliance both with Board and Committee duties and responsibilities, 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 and the Manager operate in a supportive, co-operative and open environment.

Corporate Governance Report (continued)

The Corporate Secretary, Janus Henderson Secretarial Services UK 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 of interest or issues between the Company and the Manager. Any correspondence from shareholders addressed to the Chairman or the Company received at the registered office 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.

The Manager 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.

Meeting 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 2021 AGM. The Insider Committee did not meet.

	Board	ARC	NRC	MEC
Number of Meetings	**6**	**3**	**2**	**1**
Jeremy Rigg	6	3	2	1
Jonathan Silver	6	3	2	1
Zoe King	6	3	2	1
Richard Cranfield	6	3	2	1
Penny Lovell	6	3	2	1
Margaret Littlejohns[1]	3	1	1	n/a

1 Retired from the Board on 24 May 2021
ARC: Audit and Risk Committee
NRC: Nominations and Remuneration Committee
MEC: Management Engagement Committee

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 five non-executive directors. All of them served throughout the year under review. The biographies of the directors holding office at the date of this report, which are set out on pages 39 to 40, demonstrate the breadth of investment, commercial, legal, financial and other professional experience relevant to their positions as directors.

Policy on Tenure

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 Chief Executive Officer, 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.

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 directors' 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.

In the year under review, the Nominations and Remuneration Committee determined that all directors continued to be independent in character and judgment. The Committee believed that the directors' skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders and its long-term sustainable success.

Directors' Re-appointment

Jeremy Rigg, Jonathan Silver, Zoe King, Richard Cranfield and Penny Lovell will offer themselves for re-appointment by the shareholders at the AGM in 2022.

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.

Directors' Professional Development

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework

Corporate Governance Report (continued)

for investment companies and the operations of the Manager, including risk, compliance and internal audit, financial reporting oversight and bespoke sales and marketing specific to the Janus Henderson managed investment trusts.

Directors' Conflicts of Interest

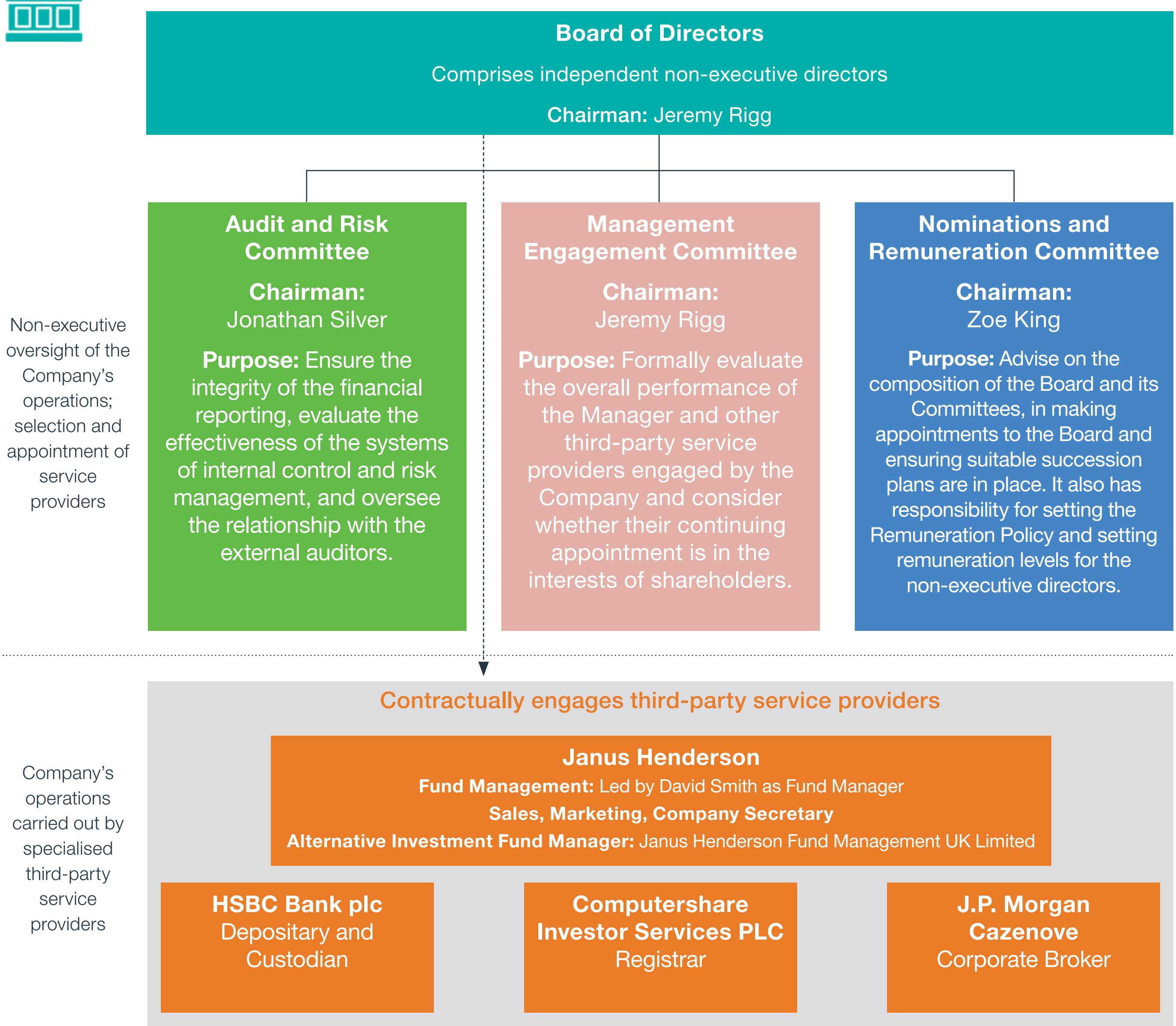
The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (situational conflicts). The Board has a formal system in place for directors to 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.

Corporate Governance Report (continued)

Committees of the Board



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**.

Audit and Risk Committee

Please refer to the Report of the Audit and Risk Committee on pages 47 to 51.

Management Engagement Committee

Membership

All directors are members of the Committee.
Jeremy Rigg is the Chairman of the Committee.

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and Responsibilities

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.

Corporate Governance Report (continued)

Activities in the year under review:

The Board monitors the performance of the Manager by reviewing key performance indicators at each meeting. A separate formal review of the Manager is undertaken by the Committee each year. For the year under review this included a questionnaire that each director was asked to complete about the Manager's performance.

The Committee assessed the Manager's compliance with legal and regulatory obligations, the key components of the Investment Management Agreement, the composition of the Janus Henderson team that directly input to the work of the Company, fees, cumulative and annual performance figures in comparison to those in the AIC UK Equity Income sector with total assets under management of between £200 million and £700 million, and the management and performance fee arrangements compared against the other Janus Henderson managed investment trusts.

The Committee considered the Company's current level of investment in marketing activity to help promote the Company in a world in which methods of communication are rapidly evolving. It believes that it is important to maintain a sufficient level of investment in marketing both to communicate with existing investors and also to attract new ones, and in this regard, it is pleasing that the discount to net asset value largely disappeared during the course of 2021. As we move through 2022, the Company will continue to make additional investment in appropriate marketing initiatives which it believes is in the best interests of the Company and its shareholders.

Despite no physical AGM in 2021, the Board supported the Company's marketing efforts to engage and communicate with shareholders. In particular, the Fund Manager distributed information frequently on the Company's website and via other channels throughout the year.

The Committee also reviewed the appropriateness of the management fee arrangements which led to the adoption of a revised fee arrangement that became effective from 1 January 2022 (please refer to page 26 for further details).

Continuing appointment of the Manager

The Committee has concluded that the continuing appointment of Janus Henderson as Manager to the Company on the existing terms continues to be in the best interests of the long-term success of the Company and its shareholders. It also strengthened the existing relationship with the Manager and the Company's other third-party suppliers without compromising the Board's independence. The Committee was satisfied that the high standards of business conduct expected in the services of the Company's suppliers had been demonstrated.

Nominations and Remuneration Committee

Membership

All directors are members of the Committee. Zoe King, the Company's Senior Independent Director, is the Chairman of the Committee.

Meetings

The Committee meets twice annually, with additional meetings scheduled when required.

Role and Responsibilities

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 52) and determining the remuneration for all the independent non-executive directors.

Activities in the year under review:

The Chairman of the Board led the review of the annual performance evaluation process. The evaluation was conducted by way of a questionnaire circulated to each individual director. The evaluation addressed board and committee meetings, board composition, board dynamics and culture, directors' remuneration and training and development. 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 on the Board that encouraged diversity of thought. There is an orderly succession plan for appointments going forward and to maintain an appropriate balance of skills and experience.

The directors considered that meetings were constructive and collaborative in nature. The relationship with the Manager was also considered very good, in particular with the Fund Manager and the Company Secretary.

Jeremy Rigg succeeded Margaret Littlejohns as Chairman of the Board on 24 May 2021. In accordance with provision 13 of the AIC Code he was deemed to be independent on his appointment to the Board and continues to be independent. Furthermore, he did not have any relationships that may create a conflict of interest between the Chairman's interest and those of shareholders.

Corporate Governance Report (continued)

System of Internal Control

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 and administrators (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 ISAE 3402) 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 auditors 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 Enterprise 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 (biannually)

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

Reporting

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

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)

J.P. Morgan Cazenove (Corporate Broker)

Marten & Co (Sponsored Research)

PricewaterhouseCoopers LLP have been appointed as the Company's Statutory Auditors.

By order of the Board

For and on behalf of
Janus Henderson Secretarial Services UK Limited
Corporate Secretary
31 March 2022

Report of the Audit and Risk Committee

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 his 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 Risk, Head of Compliance (EMEA), Head of Internal Audit (EMEA), Global Head of Business Resilience, 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 monitoring the integrity of 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 Auditors. 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 challenging 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 Auditors;
- reviewing the clarity and completeness of disclosures in the Company's financial statements and the context in which these statements were made;
- reviewing all material information presented with the Annual Report insofar as it relates to audit and risk management;
- reviewing the Company's statement on Internal Control and Risk Management and Internal Audit Function (please refer to pages 48 to 49) 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);
- advising the Board on whether the information presented in the Annual Report is, in their view, 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 of any significant issues considered in relation to the financial statements and how these were addressed in the year under review.

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 suppliers' 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 Resilience functions in the context of the Manager's overall risk management systems;
- 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 Resilience Teams at least annually and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising.

Report of the Audit and Risk Committee (continued)

External Audit

- overseeing the relationship with the Auditors 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 and terms of business 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 Auditors on pages 50 to 51), taking into account relevant professional and regulatory requirements and the relationship with the Auditors 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 Auditors from the market in the Board's risk evaluation and planning; and
  - meeting regularly with the Auditors 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 Auditors, 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 Modern Slavery Act 2015 and the Criminal Finances Act 2017.

Appointment and Tenure of the Auditors

Regulations currently in force require the Company to undertake an audit tender process 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) has been appointed as Auditors since then. The Auditors are required to rotate partners every five years. This is the first year that the current Audit Partner, Jennifer March, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the Auditors, 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 Auditors. The policy sets out that the Company's Auditors 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 Auditors are 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.

No fees were paid, or are payable to the Auditors for non-audit services in the year under review (2020: £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 46.

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 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 and risk management systems. 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.

Report of the Audit and Risk Committee (continued)

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;
- 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 Bank plc (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.

The Committee also meets with the Manager's Head of Internal Audit (EMEA) 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 remain 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 confirm that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's Auditors are 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 Auditors are aware of that information.

Audit for the Year-Ended 31 December 2021

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 2021, 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 2021 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 71) 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 Bank plc (Depositary and Custodian) and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The Committee are satisfied that these key stakeholders have appropriate and effective internal control and risk management systems in place.

Effectiveness and Independence of the External Auditors

The Committee monitors the Auditors' independence, effectiveness and objectivity through three aspects of its work: approval of the Policy on Non-Audit Services (please see page 48), assessing the appropriateness of the fees paid to the Auditors for all work undertaken by them and by reviewing the information and assurances provided by the Auditors on their compliance with the relevant ethical standards.

For the year-ended 31 December 2021 PwC provided a letter to the Audit and Risk Committee confirming PwC's independence in accordance with the FRC's Ethical Standard.

PwC have been appointed as the Company's Auditor since the year-ended 31 December 2016. The Board and the Manager have developed a strong working relationship with PwC over that time. The Committee is satisfied that auditor independence and objectivity are safeguarded as a result of the independence checks within PwC, the change of Audit Partner every five years and because PwC do not provide any non-audit services to the Company.

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.

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 and benchmarking PwC's performance against the Committee members' 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 her perspective.

Report of the Audit and Risk Committee (continued)

Overall, the Committee considers that the audit quality for the year-ended 31 December 2021 has been high and that the Manager alongside PwC have worked together to enhance and improve reporting to shareholders.

The Committee remain satisfied with the effectiveness of the audit provided by PwC and therefore recommended their continuing appointment to the Board. PwC have indicated their willingness to continue in office. Accordingly, resolutions re-appointing PwC as the Company's Auditors and authorising the directors to determine their remuneration will be proposed at the AGM in 2022.

Jonathan Silver
Chairman of the Audit and Risk Committee
31 March 2022

Directors' Remuneration Report

Annual Report on Remuneration

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 ('Regulations'). The report also meets the relevant requirements of the Companies Act 2006 ('the 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 Policy was proposed at the 2020 AGM and was subsequently approved by shareholders.

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 established a 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. Zoe King, the Senior Independent Director, is Chairman of the Nominations and Remuneration Committee.

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 2020. In accordance with section 439A of the Act, shareholders will next be asked to approve the Remuneration Policy at the 2023 AGM.

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.

Statement from the Chairman

Zoe King, Chairman of the Nominations and Remuneration Committee, reports that the Committee carried out its annual review of the fees being paid to directors and as part of this it looked at the fees paid to other investment companies in the peer group, the fees paid in other sectors and the other Janus Henderson managed investment trusts. The Committee also considered the changes in the retail prices index and the consumer prices index since the last fee increase in July 2019. Following consideration, it was agreed that an increase of approximately 2.0% should be made with effect from 1 July 2021 to increase total directors' remuneration from £147,391 in 2020 to £150,869 in 2021. The new rates are set out in the table on the following page. The 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. The Board is satisfied that the changes to the remuneration of the directors are compliant with the directors' Remuneration Policy approved by shareholders at the 2020 annual general meeting.

Directors' Remuneration Report (continued)

Directors' Interests in Shares (Audited)

	Ordinary shares of 5p	
	31 December 2021	1 January 2021
Beneficial		
Jeremy Rigg	20,000	20,000
Jonathan Silver	30,000	15,000
Zoe King	9,000	9,000
Penny Lovell	12,315	–
Margaret Littlejohns[1]	n/a	25,139
Non-Beneficial		
Richard Cranfield	30,000	30,000

1 Retired from the Board on 24 May 2021

There have been no changes in the interests of the directors between 1 January 2022 and 31 March 2022.

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

Directors' Remuneration (Audited)

The total remuneration paid to the directors who served during the years-ended 31 December 2021 and 31 December 2020 was as follows:

	Year-ended 31 December 2021 Total fees £	Year-ended 31 December 2020 Total fees £
Jeremy Rigg (Chairman of the Board)[1]	32,279	24,500
Jonathan Silver (Chairman of the Audit and Risk Committee)	29,700	29,400
Zoe King	24,750	24,500
Richard Cranfield	24,750	20,462
Penny Lovell[2]	24,750	n/a
Margaret Littlejohns[3]	14,640	36,750
Anthony Newhouse[4]	n/a	11,779
Total	**150,869**	**147,391**

1 Appointed Chairman of the Board on 24 May 2021
2 Appointed on 1 January 2021
3 Retired from the Board on 24 May 2021
4 Retired from the Board on 23 June 2020

The table above omits other columns set out in the relevant regulations because no payments of other types such as taxable benefits including expenses, 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.

Since 1 July 2021 fees were as follows (previous rates given in brackets): Chairman of the Board £37,500 (£36,750) per annum, Chairman of the Audit and Risk Committee £30,000 (£29,400) per annum and directors £25,000 (£24,500) per annum.

Expenditure on Pay

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

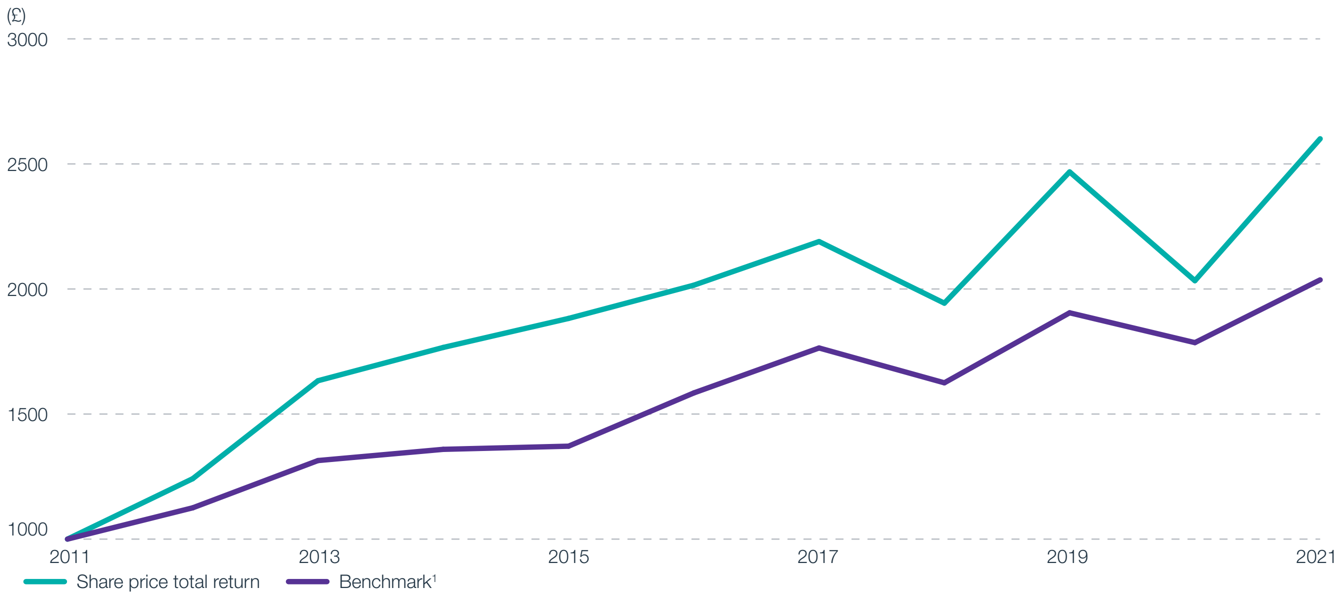
	2021 £	2020 £	2016 £	1 year change £	1 year change %	5 year change £	5 year change %
Total remuneration paid to directors[1]	150,869	147,391	139,411	3,478	2.4	11,458	8.2
Ordinary dividends paid during the year	12,731,032	12,731,032	10,131,018	0	0	2,600,014	25.7

1 Remuneration will fluctuate due to the number of directors in any one year

Directors’ Remuneration Report (continued)

Performance

The Company’s performance has been measured against the benchmark for the ten-year period ended 31 December 2021 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 2011 and the reinvestment of all dividends.



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

Source: Morningstar Direct

Statement of Voting at AGM

At the Company’s last AGM held on 24 May 2021, shareholders approved the Directors’ Remuneration Report in respect of the year ended 31 December 2020. Shareholders approved the Directors Remuneration Policy at the AGM held on 23 June 2020 (shareholder approval of the policy is required every three years). The following proxy votes were received on the respective resolutions:

Resolution	For (including discretionary)	% of total votes[1]	Against	% of total votes[1]	Withheld
To receive the Directors’ Remuneration Report	11,959,266	98.2	215,296	1.8	498,954
To approve the Directors’ Remuneration Policy	14,508,262	99.0	148,850	1.0	301,613

1 Excluding votes withheld

For and on behalf of the Board

Zoe King
Chairman of the Nominations and Remuneration Committee
31 March 2022

Report of the Directors

The directors who are listed on pages 39 to 40 present their report and financial statements for the year-ended 31 December 2021. The Company (a public limited company registered and domiciled in England & Wales with company registration number 02422514) was active throughout the year under review.

The Corporate Governance Report (pages 41 to 46), the Report of the Audit and Risk Committee (pages 47 to 51), the Statement of Directors' Responsibilities (page 57), the Glossary (page 86), the Alternative Performance Measures (pages 87 to 88) and General Shareholder Information (pages 89 to 90) all form part of the Report of the Directors.

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 under review no shares were issued or bought back.

On 7 February 2022, 325,000 new shares of 5p each were issued to J.P. Morgan Cazenove at 183.0p per share for a total consideration of £594,000. Accordingly, the number of shares in issue as at 31 March 2022 was 128,921,278. Therefore, the total voting rights in the Company at this date was 128,921,278.

The Company will seek authority from its shareholders at the 2022 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 2022 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 53. 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 Janus Henderson and Related Parties, including amounts outstanding at the year-end, are given in Note 21 on page 84.

Energy and Carbon Reporting

Details of the Company's disclosures with regard to energy and carbon reporting can be found on page 35.

Future Developments

While the future performance of the Company is mainly dependent on the performance of financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and policy explained on page 23. The Chairman's Statement and Fund Managers' Report provide commentary on the outlook for the Company.

Annual General Meeting

The Annual General Meeting ('AGM') will be held on **Tuesday, 24 May 2022 at 12 noon** at the Company's registered office. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the separate document being sent to shareholders with this Annual Report.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The directors confirm that there are no disclosures to be made in this regard other than in accordance with Listing Rule 9.8.4(7), the information of which is detailed in the adjacent column under Share Capital.

Report of the Directors (continued)

Other Information

Information on dividends and financial risks are detailed in the Strategic Report.

By order of the Board

Janus Henderson Secretarial Services UK Limited
Corporate Secretary
31 March 2022

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 UK and Republic of Ireland', and applicable law).

Under company law, 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's financial statements published on the Company's website. This responsibility is delegated to Janus Henderson as Manager. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

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.

Each of the directors, whose names and functions are listed on pages 39 to 40, confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes 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

Jeremy Rigg
Chairman
31 March 2022

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 2021 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 2021; 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.

We have provided no non-audit services to the Company in the period under audit.

Our Audit Approach

Overview

Audit scope

The Company is a standalone Investment Trust Company and engages Janus Henderson Fund Management UK Limited (the 'AIFM') to manage its assets.

We conducted our audit of the financial statements using information from the AIFM, BNP Paribas Securities Services (the 'Administrator'), and Janus Henderson Secretarial Services UK Limited (the 'Company Secretary') with whom the AIFM has engaged to provide 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.

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

Key audit matters

- Valuation and existence of investments.
- Accuracy, occurrence and completeness of income from investments.

Materiality

- Overall materiality: £2,362,343 (2020: £2,113,706) based on 1% of net assets.
- Performance materiality: £1,771,757 (2020: £1,585,280).

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. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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.

Consideration of impacts of Covid-19, which were key audit matters last year, are no longer included because of reduced uncertainty of the impact of Covid-19 in the current year as markets and economies continued to recover and the expectation that the calculation of the performance fee is no longer considered to be complex. As such, it has been removed. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments The investment portfolio at the year-end comprised listed equity investments and fixed interest investments valued at £289.1 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 within 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. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. Based on the results of the audit procedures performed we are satisfied that the listed equity investments and fixed interest investments exist, and that the valuation of listed equity investments and fixed interest investments is not materially misstated.

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

Key audit matter	How our audit addressed the key audit matter
Accuracy, occurrence and completeness of income from investments ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). Income from investments comprised dividend income and fixed interest income. We focused on the accuracy, occurrence and completeness of dividend 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 income recognition and its presentation in the Income Statement as set out in 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.	We assessed the accounting policy for income 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. **Fixed interest income** We have tested interest income for the year by obtaining the bond standing data and tested the accuracy of fixed-interest income by agreeing a sample of coupon rates and maturity dates to third-party sources and recalculating the income received as well as tracing a sample of receipts to bank statements. Our procedures did not identify any material misstatements.

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.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records. We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant controls reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

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

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 Company materiality	£2,362,343 (2020: £2,113,706).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £1,771,757 (2020: £1,585,280) for the Company's financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £118,117 (2020: £105,685) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to Going Concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the directors' updated risk assessment and considering whether it addressed the relevant threats presented by Covid-19;
- evaluating the directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implication of significant reductions in net asset value as a result of market performance on the ongoing ability of the Company to operate.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

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.

Corporate Governance Statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on Other Information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' 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 its 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)

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

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

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 57, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of 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 inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- Discussions with the Manager and the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Audit and Risk Committee;
- 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;
- Identifying and testing journal entries, in particular year-end journal entries posted by the Administrator during the preparation of the financial statements and any journals with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

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 obtained 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 members 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 six years, covering the years ended 31 December 2016 to 31 December 2021.

Jennifer March (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2022

Income Statement

Notes		Year-ended 31 December 2021 Revenue return £'000	Capital return £'000	Total £'000	Year-ended 31 December 2020 Revenue return £'000	Capital return £'000	Total £'000
2	Gains/(losses) on investments held at fair value through profit or loss	–	27,188	27,188	–	(36,256)	(36,256)
3	Income from investments held at fair value through profit or loss	13,470	–	13,470	11,959	–	11,959
4	Other interest receivable and similar income	98	–	98	669	–	669
	Gross revenue and capital gains/(losses)	**13,568**	**27,188**	**40,756**	**12,628**	**(36,256)**	**(23,628)**
5	Management and performance fees	(564)	(846)	(1,410)	(572)	(858)	(1,430)
6	Other administrative expenses	(460)	–	(460)	(483)	–	(483)
	Net return before finance costs and taxation	**12,544**	**26,342**	**38,886**	**11,573**	**(37,114)**	**(25,541)**
7	Finance costs	(295)	(885)	(1,180)	(307)	(920)	(1,227)
	Net return before taxation	**12,249**	**25,457**	**37,706**	**11,266**	**(38,034)**	**(26,768)**
8	Taxation on net return	(104)	(7)	(111)	(231)	–	(231)
	Net return after taxation	**12,145**	**25,450**	**37,595**	**11,035**	**(38,034)**	**(26,999)**
9	Return/(loss) per ordinary share	9.44p	19.79p	29.23p	8.58p	(29.58p)	(21.00p)

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 70 to 84 form part of these financial statements

Statement of Changes in Equity

Notes	Year-ended 31 December 2021	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 2021	6,430	126,783	26,302	42,865	8,991	211,371
	Net return after taxation	–	–	–	25,450	12,145	37,595
10	Dividends paid	–	–	–	–	(12,732)	(12,732)
	At 31 December 2021	**6,430**	**126,783**	**26,302**	**68,315**	**8,404**	**236,234**

Notes	Year-ended 31 December 2020	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 2020	6,430	126,783	26,302	80,899	10,674	251,088
	Net return after taxation	–	–	–	(38,034)	11,035	(26,999)
10	Dividends paid	–	–	–	–	(12,718)	(12,718)
	At 31 December 2020	**6,430**	**126,783**	**26,302**	**42,865**	**8,991**	**211,371**

The notes on pages 70 to 84 form part of these financial statements

Statement of Financial Position

Notes		At 31 December 2021 £'000	At 31 December 2020 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	289,091	259,844
	Current assets		
12	Debtors	1,934	1,897
	Cash at bank and in hand	3,942	595
		5,876	**2,492**
13	**Creditors: amounts falling due within one year**	(38,884)	(31,126)
	Net current liabilities	**(33,008)**	**(28,634)**
	Total assets less current liabilities	**256,083**	**231,210**
14	**Creditors: amounts falling due after more than one year**	(19,849)	(19,839)
	Net assets	**236,234**	**211,371**
	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	68,315	42,865
17	Revenue reserve	8,404	8,991
	Total shareholders' funds	**236,234**	**211,371**
18	**Net asset value per ordinary share (basic and diluted)**	183.70p	164.37p

The financial statements and corresponding notes on pages 66 to 84 were approved by the Board on 31 March 2022 and signed on its behalf by:

Jeremy Rigg
Chairman

The notes on pages 70 to 84 form part of these financial statements

Statement of Cash Flows

	Year-ended 31 December 2021 £'000	Year-ended 31 December 2020 £'000
Cash flows from operating activities		
Net return before taxation	37,706	(26,768)
Add back: finance costs	1,180	1,227
Less: (gains)/losses on investments held at fair value through profit or loss	(27,188)	36,256
Withholding tax on dividends deducted at source	(111)	(231)
(Increase)/decrease in debtors	(37)	172
Increase in creditors	38	303
Net cash inflow from operating activities[1]	**11,588**	**10,959**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	46,326	104,095
Purchases of investments held at fair value through profit or loss	(48,879)	(95,538)
Net cash (outflow)/inflow from investing activities	**(2,553)**	**8,557**
Cash flows from financing activities		
Equity dividends paid	(12,732)	(12,718)
Drawdown/(repayment) of loans	8,231	(8,463)
Interest paid	(1,171)	(1,216)
Net cash outflow from financing activities	**(5,672)**	**(22,397)**
Net increase/(decrease) in cash and cash equivalents	3,363	(2,881)
Cash and cash equivalents at beginning of year	595	2,701
Exchange movements	(16)	775
Cash and cash equivalents at end of year	**3,942**	**595**
Comprising:		
Cash at bank	**3,942**	**595**

1 Cash inflow from dividends was £12,508,000 (2020: £10,713,000) and cash inflow from interest was £1,016,000 (2020: £1,681,000)

The notes on pages 70 to 84 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 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 judgment 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 was passed by the Shareholders at the annual general meeting held on 23 June 2020.

The directors have considered the impact of the legacy of Covid-19 and the risks associated with the conflict between Russia and Ukraine, as well as considering cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayment of the bank loan, as they fall due for a period of at least twelve months from the date of issuance. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

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 or losses on 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.

The Company's capital reserves arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of the capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of capital reserve arising on investments sold.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

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.

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 policies 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.

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.

Details of dividends provided are in the Statement of Changes in Equity on page 67 and Note 10 on page 76.

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 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. The portion of the capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of capital reserve arising on investments sold.

Notes to the Financial Statements (continued)

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

	2021 £'000	2020 £'000
Gains/(losses) on the sale of investments based on historical cost	4,396	(4,172)
Revaluation losses recognised in previous years	(1,803)	(5,034)
Gains/(losses) on investments sold in the year based on carrying value at previous Statement of Financial Position date	**2,593**	**(9,206)**
Net movement on revaluation of investments	24,069	(27,489)
Effective yield movement	32	32
Exchange gains	494	407
	27,188	**(36,256)**

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

	2021 £'000	2020 £'000
UK dividend income – listed	9,546	8,142
UK dividend income – special dividends	686	108
	10,232	**8,250**
Interest income – listed	915	1,354
Overseas and other dividend income – listed	2,100	2,355
Overseas and other dividend income – special dividends	223	–
	3,238	**3,709**
	13,470	**11,959**

4 Other Interest Receivable and Similar Income

	2021 £'000	2020 £'000
Deposit interest	–	1
Traded option premiums	79	653
Underwriting commission	19	15
	98	**669**

5 Management and Performance Fees

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000
Management fee	564	846	1,410	572	858	1,430
Performance fee	–	–	–	–	–	–
Total fee	**564**	**846**	**1,410**	**572**	**858**	**1,430**

A summary of the terms of the Investment Management Agreement is given in Arrangements with the Manager on page 26. An explanation of the split between revenue and capital is contained in Note 1g on page 71. No performance fee was earned during the year (2020: £nil).

Notes to the Financial Statements (continued)

6 Other Administrative Expenses

	2021 £'000	2020 £'000
Directors' fees (please refer to the Directors' Remuneration Report on page 53)	151	147
Auditor's remuneration – for audit services (including VAT)	44	44
Depositary fees	25	21
Registrar fees	22	22
Sales and marketing expenses payable to the Manager	77	71
Listing fees	30	31
Printing and postage fees	29	31
Legal and professional fees	50	58
AIC subscriptions	14	17
Other expenses	18	41
	460	**483**

7 Finance Costs

	2021			2020		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Interest on bank loans repayable within one year	109	327	436	121	362	483
Interest on senior unsecured note	186	558	744	186	558	744
	295	**885**	**1,180**	**307**	**920**	**1,227**

8 Taxation on Net Return

	2021			2020		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Overseas withholding tax	104	7	111	231	–	231
Total current tax charge for the year	**104**	**7**	**111**	**231**	**–**	**231**

a) Factors Affecting Tax Charge For Year

The UK corporation tax rate is 19.0% (2020 – applicable rate 19.0%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

	2021			2020		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Net return before taxation	**12,249**	**25,457**	**37,706**	11,266	(38,034)	(26,768)
Corporation tax of 19.0% (2020: 19.0%)	2,327	4,837	7,164	2,141	(7,227)	(5,086)
Effects of:						
– UK dividends	(1,929)	–	(1,929)	(1,558)	–	(1,558)
– Non–taxable overseas dividends	(374)	–	(374)	(402)	–	(402)
– Expenses not deductible for tax purposes	7	–	7	–	–	–
– Utilised excess management expenses	(29)	329	300	(179)	338	159
– Irrecoverable overseas withholding tax	104	7	111	231	–	231
– Tax effect of expensed double taxation relief	(2)	–	(2)	(2)	–	(2)
– (Gains)/losses on investments held at fair value	–	(5,166)	(5,166)	–	6,889	6,889
Total current tax charge for the year	**104**	**7**	**111**	**231**	**–**	**231**

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

Notes to the Financial Statements (continued)

8 Taxation on Net Return (continued)

b) Factors that may affect future tax charges

The Company can offset management fees, other administrative expenses and interest costs against taxable income to eliminate any tax charge on such income. The tax legislation refers to these as management expenses (management fees and other administrative expenses) and non-trade loan relationship deficits (interest costs) and these are captured together under the heading "Utilised excess management expenses" in the table above. Where these are not fully utilised, they can be carried forward to future years. As the Company is unlikely to generate future taxable profits to utilise these amounts, the Company cannot recognise an asset to reflect them, but must still disclose the deferred tax amount carried forward arising from any unutilised amounts.

Consequently, the Company has not recognised a deferred tax asset totalling £5,204,000 (2020: £3,655,000) based on a prospective tax rate of 25% (2020: 19%) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Total Return/(Loss) per Ordinary Share

The return/(loss) per ordinary share figure is based on the gain attributable to the ordinary shares of £37,595,000 (2020: loss £26,999,000) and on the 128,596,278 weighted average number of ordinary shares in issue during the year (2020: 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:

	2021 £'000	2020 £'000
Net revenue return	12,145	11,035
Net capital return	25,450	(38,034)
Total return	**37,595**	**(26,999)**
Weighted average number of ordinary shares	**128,596,278**	**128,596,278**
Revenue return per ordinary share	9.44p	8.58p
Capital return/(loss) per ordinary share	19.79p	(29.58p)
Total return/(loss) per ordinary share	**29.23p**	**(21.00p)**

10 Dividends Paid on Ordinary Shares

	Payment date	**2021 £'000**	2020 £'000
Fourth interim dividend (2.475p per share) for the year ended 31 December 2019	31 January 2020	–	3,183
First interim dividend (2.475p per share) for the year ended 31 December 2020	24 April 2020	–	3,183
Second interim dividend (2.475p per share) for the year ended 31 December 2020	31 July 2020	–	3,183
Third interim dividend (2.475p per share) for the year ended 31 December 2020	30 October 2020	–	3,182
Fourth interim dividend (2.475p per share) for the year ended 31 December 2020	29 January 2021	3,183	–
First interim dividend (2.475p per share) for the year ended 31 December 2021	30 April 2021	3,183	–
Second interim dividend (2.475p per share) for the year ended 31 December 2021	30 July 2021	3,183	–
Third interim dividend (2.475p per share) for the year ended 31 December 2021	29 October 2021	3,183	–
Unclaimed dividends		–	(13)
		12,732	**12,718**

Notes to the Financial Statements (continued)

10 Dividends Paid on Ordinary Shares (continued)

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:

	2021 £'000	2020 £'000
Revenue available for distribution by way of dividend for the year	12,145	11,035
First interim dividend of 2.475p (2020: 2.475p)	(3,183)	(3,183)
Second interim dividend of 2.475p (2020: 2.475p)	(3,183)	(3,183)
Third interim dividend of 2.475p (2020: 2.475p)	(3,183)	(3,182)
Fourth interim dividend 2.525p (2020: 2.475p)	(3,247)	(3,183)
	(651)	**(1,696)**

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

11 Investments Held at Fair Value through Profit or Loss

	2021 £'000	2020 £'000
Valuation at 1 January	259,844	305,064
Investment holding gains at 1 January	(24,794)	(57,253)
Cost at 1 January	**235,050**	**247,811**
Purchases at cost	48,879	95,538
Sales at cost	(41,962)	(108,299)
Cost at 31 December	**241,967**	**235,050**
Investment holding gains at 31 December	47,124	24,794
Valuation of investments at 31 December	**289,091**	**259,844**

Total transaction costs amounted to £191,000 (2020: £282,000) of which purchase transaction costs for the year-ended 31 December 2021 were £176,000 (2020: £257,000). Sale transaction costs for the year-ended 31 December 2021 were £15,000 (2020: £25,000). These comprise mainly stamp duty (purchases only) and commissions.

The Company received £46,326,000 (2020: £104,095,000) from investments sold in the year. The book cost of these investments when they were purchased was £41,962,000 (2020: £108,299,000). 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

	2021 £'000	2020 £'000
Taxation recoverable	386	241
Prepayments and accrued income	1,548	1,656
	1,934	**1,897**

13 Creditors: Amounts Falling Due Within One Year

	2021 £'000	2020 £'000
Bank loans	37,593	29,873
Accruals and deferred income	1,291	1,253
	38,884	**31,126**

At 31 December 2021 the Company had short term multi-currency loans under the Scotiabank loan facility amounting to £37,593,000, repayable in January, February and March 2022 (2020: £29,873,000, repayable in January and February 2021). The average interest rate payable on these loans was 1.18% (2020: 1.30%). Please refer to the Financial Calendar on page 91 for the senior unsecured note interest payment dates.

Notes to the Financial Statements (continued)

14 Creditors: Amounts Falling Due After More Than One Year

	2021 £'000	2020 £'000
Senior unsecured note	19,849	19,839
	19,849	**19,839**

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 81.

15 Financial Risk Management Policies and Procedures

As an investment trust, the Company invests in equities and other investments for the long-term so as to secure its investment objective and policy (please refer to page 23). 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 year. 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 and 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), interest rate risk (see note 15.1.2) and other price risk (see note 15.1.3), 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.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.1.1 Currency Risk (continued)

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure as at 31 December 2021 and 2020 are shown below. Where the Company's investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2021	CHF £'000	EUR £'000	US$ £'000	SEK £'000
Cash and cash equivalents	–	3	–	–
Bank loans	–	(10,456)	(10,539)	–
Total foreign currency exposure on net monetary items	**–**	**(10,453)**	**(10,539)**	**–**
Investments at fair value through profit or loss that are equities	–	21,981	22,035	5,692
Total net foreign currency exposures	**–**	**11,528**	**11,496**	**5,692**

2020	CHF £'000	EUR £'000	US$ £'000	SEK £'000
Cash and cash equivalents	–	7	3	–
Bank loans	–	(8,792)	(10,507)	–
Total foreign currency exposure on net monetary items	**–**	**(8,785)**	**(10,504)**	**–**
Investments at fair value through profit or loss that are equities	1,724	18,186	21,987	–
Total net foreign currency exposures	**1,724**	**9,401**	**11,483**	**–**

The above amounts are not necessarily representative of the exposure to risk during the year as levels of monetary foreign currency exposure may have changed significantly throughout the year.

If sterling depreciates against the currencies shown by 10%, the impact on the total return and net assets would be £3,601,000 (2020: £2,936,000). If sterling appreciates against the currencies shown by 10%, the impact on the total return and net assets would be (£2,947,000) (2020: (£2,402,000)).

15.1.2 Interest Rate Risk

Interest rate movements may affect:

- the fair value of investments on 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.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.1.2 Interest Rate Risk (continued)

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.

Please refer to the Financial Calendar on page 91 for the senior unsecured note interest repayment dates.

	2021 Within one year £'000	2021 More than one year £'000	2021 Total £'000	2020 Within one year £'000	2020 More than one year £'000	2020 Total £'000
Exposure to floating interest rates:						
Cash at bank	3,942	–	3,942	595	–	595
Creditors – within one year:						
Borrowings under multi-currency loan facility	(37,657)	–	(37,657)	(29,896)	–	(29,896)
	(33,715)	**–**	**(33,715)**	**(29,301)**	**–**	**(29,301)**
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	–	25,924	25,924	–	32,598	32,598
Creditors – more than one year:						
Senior unsecured note[1]	(744)	(28,798)	(29,542)	(744)	(29,532)	(30,276)
Total exposure to interest rates	**(34,459)**	**(2,874)**	**(37,333)**	**(30,045)**	**3,066**	**(26,979)**

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 91

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[2] or its foreign currency equivalent (2020: same);
- interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR[2] or its foreign currency equivalent for the type of loan. The weighted average effective yield of these was 1.18% at 31 December 2021 (2020: 1.30%); 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 effective yield on these investments is 4.23% (2020: 4.24%).

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 £37,593,000 (2020: £29,873,000) (see note 13 on page 76) and if that level of borrowings were maintained for a full year, then a 100 basis points change in LIBOR[2] (up or down) would decrease or increase total return after taxation by approximately £376,000 (2020: £299,000); and
- Senior unsecured note: the senior unsecured note is at a fixed rate of interest so will not be impacted by any changes in LIBOR[2] or short term interest rates; and
- fixed interest investment sensitivity: the Company's fixed interest portfolio at the year end was valued at £25,924,000 (2020: £32,598,000), and it has a modified duration (interest rate sensitivity) of approximately 6.7 years (2020: 9.2 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 £2,592,000 (2020: £3,260,000), all other factors being equal.

2 UK LIBOR rates have been replaced with SONIA (Sterling Overnight Index Average) rates with effect from 1 January 2022

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

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 2021 the Company had no open positions (2020: no open positions).

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 17 to 18. The majority of the investments are in UK companies. Accordingly, there is a concentration of exposure to the UK, particularly to financials and consumer staples (please refer to page 18). 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 equity and fixed interest investments at each Statement of Financial Position date, with all other variables held constant.

	2021		2020	
	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	(46)	46	(42)	42
Capital return	28,810	(28,810)	25,896	(25,896)
Net return after tax for the year	**28,764**	**(28,764)**	**25,854**	**(25,854)**
Equity shareholders' funds	**28,764**	**(28,764)**	**25,854**	**(25,854)**

15.2 Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with the 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. The Company has a two year multi-currency loan facility of £45 million with Scotiabank (2020: £45 million). The facility will expire on 21 December 2022.

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:

	2021 Due within three months £'000	2020 Due within three months £'000
Bank loans	37,593	29,873
Other creditors and accruals	1,291	1,253
	38,884	**31,126**

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

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;
- Janus Henderson and the Board monitor the Company's risk by reviewing the Depositary's biannual 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	2021 %	2020 %
BBB	22.1	22.7
BB	33.8	34.4
B	22.2	22.0
Not rated	21.9	20.9
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 and amounts due under the multi-currency loan facility). At 31 December 2021 the fair value of the senior unsecured note has been estimated to be £24,051,000 (2020: £25,977,000) 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. The estimated credit spread is 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.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

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 70.

There have been no transfers during the year between levels.

The table below sets out fair value measurements using the FRS 102 fair value hierarchy. Fixed interest investments have been included in level 1 because they are considered to be highly liquid and therefore trade in an active market.

Financial assets at fair value through profit or loss at 31 December 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	263,167	–	–	263,167
Fixed interest instruments:				
Preference shares	5,755	–	–	5,755
Other	20,169	–	–	20,169
Total	**289,091**	**–**	**–**	**289,091**

Financial assets at fair value through profit or loss at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	227,246	–	–	227,246
Fixed interest instruments:				
Preference shares	5,263	–	–	5,263
Other	27,335	–	–	27,335
Total	**259,844**	**–**	**–**	**259,844**

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 £293,676,000 (2020: £261,083,000).

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.

Notes to the Financial Statements (continued)

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 2021	128,596,278	128,596,278	6,430
At 31 December 2021	**128,596,278**	**128,596,278**	**6,430**

During the year the Company issued nil shares (2020: nil shares) for net proceeds of £nil (2020: £nil). Since the year end, the Company has issued 325,000 new shares for a total consideration of £594,000.

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 2021	126,783	26,302	18,093	24,772	8,991
Transfer on disposal of investments	–	–	1,803	(1,803)	–
Net profit on investments	–	–	2,593	24,101	–
Foreign exchange gains	–	–	494	–	–
Management and performance fees and finance costs charged to capital	–	–	(1,731)	–	–
Net return after taxation	–	–	–	–	12,145
Tax suffered on capital dividend	–	–	(7)	–	–
Dividends paid	–	–	–	–	(12,732)
At 31 December 2021	**126,783**	**26,302**	**21,245**	**47,070**	**8,404**

	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 2020	126,783	26,302	23,636	57,263	10,674
Transfer on disposal of investments	–	–	5,034	(5,034)	–
Net loss on investments	–	–	(9,206)	(27,457)	–
Foreign exchange gains	–	–	407	–	–
Management and performance fees and finance costs charged to capital	–	–	(1,778)	–	–
Net return after taxation	–	–	–	–	11,035
Dividends paid	–	–	–	–	(12,718)
At 31 December 2020	**126,783**	**26,302**	**18,093**	**24,772**	**8,991**

The capital reserve arising on investments sold is distributable. The amount of the capital reserve that is distributable is complex to determine and is not necessarily the full amount of the reserve as disclosed within these financial statements of £21,245,000 as at 31 December 2021 (2020: £18,093,000). The portion of the capital reserve arising on revaluation of investments held is wholly non-distributable.

The revenue reserve is distributable. The amount of the revenue reserve that is distributable is not necessarily the full amount of the reserve as disclosed within these financial statements of £8,404,000 as at 31 December 2021 (2020: £8,991,000).

Notes to the Financial Statements (continued)

18 Net Asset Value per Ordinary Share (basic and diluted)

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £236,234,000 (2020: £211,371,000) and on the 128,596,278 ordinary shares in issue at 31 December 2021 (2020: 128,596,278).

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

	2021 £'000	2020 £'000
Net assets at start of year	211,371	251,088
Total net return after taxation	37,595	(26,999)
Dividends paid in the year	(12,732)	(12,718)
	236,234	**211,371**

19 Contingent Liabilities

There were no partly paid shares or underwriting commitments or any other contingent liabilities at 31 December 2021 (2020: nil).

20 Net Debt Reconciliation

	Cash and cash equivalents £'000	**Bank loans repayable within one year £'000**	**Other debt repayable after more than one year £'000**	**Total £'000**
Net debt as at 1 January 2021	595	(29,872)	(19,840)	(49,117)
Cash flows	3,363	(8,231)	–	(4,868)
Exchange movements	(16)	510	–	494
Non cash flow:				
Effective interest movements	–	–	(9)	(9)
Net debt as at 31 December 2021	**3,942**	**(37,593)**	**(19,849)**	**(53,500)**

	Cash and cash equivalents £'000	Bank loans repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt as at 1 January 2020	2,701	(37,967)	(19,829)	(55,095)
Cash flows	(2,881)	8,463	–	5,582
Exchange movements	775	(368)	–	407
Non cash flow:				
Effective interest movements	–	–	(11)	(11)
Net debt as at 31 December 2020	**595**	**(29,872)**	**(19,840)**	**(49,117)**

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 Paribas Securities Services to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic Report on page 26.

The total fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 December 2021 were £1,410,000 (2020: £1,430,000), of which £699,000 was outstanding as at 31 December 2021 (2020: £708,000).

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 53 and in Note 6 on page 74 of fees paid to the directors.

22 Subsequent Events

Since the year-end, the Board announced a first interim dividend of 2.525p per ordinary share, in respect of the year-ending 31 December 2022. This will be paid on 29 April 2022 to holders registered at the close of business on 8 April 2022. This dividend is to be paid from the Company's revenue account. The Company's shares will become ex-dividend on 7 April 2022.

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 directors 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 to NAV

The NAV per ordinary share used in this calculation is the NAV published by the London Stock Exchange and by the AIC with the 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	(Discount)/ premium to NAV %
At 31 December 2021	177.92	177.50	(0.24)
At 31 December 2020	157.25	147.00	(6.52)

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 and senior unsecured loan notes) 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 76) and equity shareholders' funds see Statement of Financial Position and dividing by equity shareholders' funds and multiplying by 100.

		2021	2020
Investments held at fair value through profit or loss (£'000) (page 68)	(A)	289,091	259,844
Net assets (£'000) (page 68)	(B)	236,234	211,371
Gearing (C = A / B -1) (%)	(C)	22.4	22.9

NAV with debt at par and fair value

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss (see note 11)	289,091	259,844
Current assets (see page 68)	5,876	2,492
Creditors: amounts falling due within one year (see note 13)	(38,884)	(31,126)
Creditors: amounts falling due after more than one year (see note 14)	(19,849)	(19,839)
NAV with debt at par (A)	**236,234**	**211,371**
Less: fair value of senior unsecured note (see note 15.4)	(24,051)	(25,977)
Add back: amortised cost of senior unsecured note	19,849	19,839
NAV with debt at fair value (B)	**232,032**	**205,233**
Ordinary shares in issue (see note 16) (C)	**128,596,278**	**128,596,278**
NAV per ordinary share with debt at par (see page 68) (A/C x 100) (p)	**183.70**	**164.37**
NAV per ordinary share with debt at fair value (B/C x 100) (p)	**180.43**	**159.59**

The NAV per share is published daily and the year-end NAV as published by the AIC can be found on page 6. 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. The Company currently publishes two NAVs, one with debt at par and the other with debt at fair value and further information is available in Note 18.

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.

	2021 £'000	2020 £'000
Management fees	1,410	1,430
Other administrative expenses (note 6)	460	483
Less: non-recurring expenses	(15)	(57)
Ongoing charge	**1,855**	**1,856**
Average net assets[1]	**220,732**	**199,122**
Ongoing charge ratio	**0.84%**	**0.93%**

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.

	NAV (with debt at fair value)	**Share price**
NAV/Share price per share at 31 December 2020 (pence)	157.25	147.00
NAV/Share price per share at 31 December 2021 (pence)	177.92	177.50
Change in the year (%)	13.1	20.7
Impact of dividends reinvested (%)	5.9	5.9
Total return for the year (%)[1]	**19.8**	**27.9**

1 Geometric returns

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 2021	31 December 2020
Annual dividend (pence)	(A)	9.95	9.90
Share price (pence)	(B)	177.50	147.00
Yield (C=A/B) (%)	(C)	5.6	6.7

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 91) 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.

Taxonomy Regulation

Regulation (EU) 2020/852 ('Taxonomy Regulation') establishes the basis for the EU taxonomy. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities to provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In accordance with the Taxonomy Regulation, the Company states that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

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

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

Corporate Secretary

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

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Stockbrokers

J.P. Morgan 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

Annual General Meeting	Tuesday, 24 May 2022
First interim dividend payment	Friday, 29 April 2022
Second interim dividend payment	Friday, 29 July 2022
Third interim dividend payment	Friday, 28 October 2022
Fourth interim dividend payment	Friday, 27 January 2023
Half year results announced	September 2022
Senior unsecured note interest payment dates	8 July 2022 8 January 2023

Information Sources

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

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.

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

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LONDON STOCK EXCHANGE

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INVESTMENT TRUST GROUP OF THE YEAR
Henderson Global Investors

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2017
UK EQUITY & BOND INCOME

aic Shareholder Communication Awards 2019 WINNER

aic Shareholder Communication Awards 2020 WINNER

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