

# **HENDERSON HIGH INCOME TRUST PLC**

## **HALF-YEAR REPORT**

*(unaudited)*

**for the six months ended 30 June 2022**

## HENDERSON HIGH INCOME TRUST PLC

### Unaudited results for the half-year ended 30 June 2022

#### 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.

#### Performance for the six months to 30 June 2022

- Net asset value (“NAV”) total return (debt at fair value)<sup>1</sup> of -6.1% compared with a total return from the benchmark<sup>2</sup> of -6.1%
- Mid-market share price total return (including dividends reinvested) of -6.9%

#### Financial highlights

	at 30 June 2022	at 31 December 2021
<b>NAV per share<sup>3</sup></b>	<b>162.2p</b>	177.9p
<b>Mid-market price per share</b>	<b>161.8p</b>	177.5p
<b>Net assets</b>	<b>£213.4m</b>	£236.2m
<b>Dividends paid/payable</b>	<b>5.05p</b>	9.95p
<b>Dividend yield</b>	<b>6.2%</b>	5.6%
<b>Gearing</b>	<b>21.5%</b>	22.4%
<b>(Discount)/premium to NAV (debt at fair value)</b>	<b>(0.3%)</b>	(0.2%)

#### Total return performance *(including dividends reinvested and excluding transaction costs)*

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV total return (debt at fair value) <sup>1</sup>	<b>-6.1</b>	0.3	8.4	15.7	120.5
Share price total return <sup>4</sup>	<b>-6.9</b>	-2.2	9.6	12.2	116.0
Benchmark <sup>2</sup>	<b>-6.1</b>	-1.2	5.4	15.1	84.4
FTSE All-Share Index	<b>-4.6</b>	1.6	7.4	17.8	94.6
ICE BofAML Sterling Non-Gilts Index	<b>-12.4</b>	-12.9	-5.6	0.8	40.3

1. Net asset value with debt at fair value per ordinary share total return (including dividends reinvested and excluding transaction costs)

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

3. Net asset value per share with debt at fair value as published by the Association of Investment Companies (“AIC”)

4. The mid-market share price total return (including dividends reinvested)

Sources: Morningstar Direct, Janus Henderson and Refinitiv Datastream

# INTERIM MANAGEMENT REPORT

## CHAIRMAN'S STATEMENT

### Markets/Performance

The first half of 2022 has been a difficult and volatile period for financial markets. The Company's investment performance has been impacted by this with the net asset value total return falling by 6.1% during the first half, exactly in line with the Company's investment benchmark (80% FTSE All-Share Index/20% ICE BofAML Sterling Non-Gilts Index) return of -6.1%. The backdrop of the war in Ukraine, surging inflation and higher interest rates have all combined to make investors concerned about weaker economic prospects and the negative impact on corporate profitability and share prices.

The Company holds the majority of its assets in UK equities. Of some comfort is the fact that the UK equity market has performed relatively better than other global markets during the first half of the year. For example, whilst the FTSE All-Share Index returned -4.6% during the period, the MSCI World Index returned -11.6%, in sterling terms.

### Gearing/Asset Allocation

The Company started 2022 with an overweight position in equities and an underweight position in fixed interest investments as compared with its benchmark. Overall this proved to be of benefit as whilst equity markets have struggled, fixed interest markets have performed worse as interest rates and bond yields have risen. For example, the FTSE All-Share Index return of -4.6% compares with a return of -12.4% for the ICE BofAML Sterling Non-Gilts Index. This benefit was offset however by the Company's positive gearing which was not helpful due to the absolute falls in both equity and fixed interest markets.

During the first half of the year the allocation towards equities was reduced by some £11 million with £4 million being added to fixed interest investments and the balance used to pay down borrowings. Gearing which commenced the year at 22.4% fell to 21.5% at the end of June. The Board regularly reviews the level of gearing with the Company's fund manager as it seeks to balance appropriate risk with the requirement to deliver the high income returns at the heart of the Company's strategy.

### Dividends

The first interim dividend of 2.525 pence per share was paid on 29 April 2022 and the second interim dividend for the same amount was paid on 29 July 2022.

A third interim dividend, to be paid from the Company's revenue account, of 2.525 pence per share was announced on 20 July 2022 and this dividend will be paid on 28 October 2022 to shareholders registered at the close of business on 16 September 2022 (with the shares being quoted ex-dividend on 15 September 2022).

It is encouraging to note the improvement in UK company dividend payouts during 2022 following the reduction or suspension of dividends during the pandemic. By way of illustration, in the first half of 2022 the Company's revenue return was 5.93 pence per share. This compares with a revenue return of 5.57 pence per share in the first half of 2019, before the onset of the pandemic. There has been a particularly strong recovery in sectors such as energy and materials due to buoyant commodity prices and more recently companies in the financials sector such as the banks have also boosted payouts. Whilst it remains to be seen if this trend is curtailed as companies become more cautious on prospects, it is important to stress that UK corporate balance sheets are generally in good health.

David Smith, the Company's Fund Manager, regularly analyses prospective income levels from the Company's portfolio of investments and together with the healthy dividend reserves which the Company has built up over the years, leads the Board to have confidence in the Company's ability to continue to deliver a high income return for shareholders.

### Issue of Shares

Whilst the first half of 2022 has undoubtedly been a challenging one, it is certainly encouraging that the Company's share price has generally traded close to the underlying net asset value and at times has traded at a premium. This has enabled the Company to periodically issue new shares at a small premium to asset value when underlying investor demand has been forthcoming. In total, the Company issued 1,200,000 shares during the first half of 2022. The Board believes that it is very much in the interests of shareholders for the Company to grow as it will help to improve the liquidity in the Company's shares and help to spread the Company's costs over a larger number of shares in issue which benefits all holders.

### Outlook

The near-term outlook for markets is dictated by the likely path of inflation and therefore global interest rates (as policy makers attempt to bear down on inflation) and the impact on economic activity. The Bank of England is currently forecast to increase the UK base rate to around 4% in 2023, a sharp increase from 0.25% where it started 2022. Undoubtedly the

next several months will prove a very challenging time for both consumers and companies. However, UK companies are generally in good financial health having repaired balance sheets during the pandemic and the valuation of the UK market continues to look relatively attractive in a global context. The Company has a good balance of both economically sensitive and non-cyclical investments and David Smith, the Company's fund manager, will strive as always to position the portfolio to deliver superior income generation whilst also seeking to deliver longer term capital appreciation.

**Jeremy Rigg**  
**Chairman**  
**20 September 2022**

## **FUND MANAGER'S REPORT**

### **Markets**

The FTSE All-Share Index declined by 4.6% in the first half of the year, due to growing concerns about a global economic recession as soaring inflation prompted major central banks to tighten monetary policy more aggressively than expected. Russia's invasion of Ukraine and extended lockdowns in China further pressured shares. The annual inflation rate in the UK hit a 40-year high of 9.4% in June, up from 5.5% in January, while the Bank of England continued to raise interest rates as it battles domestic inflationary pressures. Despite the jobs market remaining strong, with the number of people in full-time employment and job vacancies both at all-time highs, consumer confidence hit record lows in May and June. Sterling weakened against the US dollar, weighed down by the largely downbeat economic news, trade tensions with the European Union and political uncertainty.

Despite the relatively resilient performance of UK equities compared with overseas markets, there was a large divergence in performance between companies. The FTSE 100 returned -1.0%, buoyed by the significant outperformance of some of the largest companies in the UK with substantial overseas earnings such as oil & gas, banks, pharmaceuticals and tobacco. Medium and smaller sized companies fared much worse with the FTSE 250 and FTSE Small Cap indices down -19.4% and -15.1% respectively. UK government bond yields rose sharply as investors became increasingly concerned about inflation and monetary policy tightening, with the 10 year gilt yield increasing to 2.2% at the end of June, from 1.0% at the beginning of the period.

### **Performance**

The Company's NAV (with debt at fair value) fell by 6.1% during the period, performing in line with the Company's benchmark return of -6.1%. The negative impact of gearing in a falling market was offset by the Company's overweight position in equities relative to bonds as compared to the benchmark, given that equities outperformed bonds in the period. Within the equity portfolio, holdings in more defensive companies, such as British American Tobacco, Imperial Brands, Vodafone and Coca-Cola were positive for performance as investors sought out their relatively resilient earnings given concerns over slowing economic growth and the prospects of a recession. Conversely, the portfolio's positions in more cyclical businesses were detrimental. Holdings in Intermediate Capital, 3i Group, Bodycote and St. James's Place were all negative for performance despite each company announcing robust results in the period. Although the equity portfolio has holdings in BP and Shell, the weightings are less than in the benchmark, hence the significant outperformance of both created a headwind to performance on a relative basis.

### **Portfolio Activity**

During the period the allocation to bonds was increased, specifically buying US investment grade credit, taking advantage of the move higher in yields and widening of credit spreads. Bonds were purchased in typically higher quality, non-cyclical businesses such as Abbvie (pharma), Amazon and T-Mobile (telecommunications). The bond portfolio represented 10.5% and 12.8% of portfolio and net assets respectively as at the end of June.

Within the equity portfolio new holdings were established in Vistry and the UK listing of Australia's largest oil & gas company, Woodside Energy. Vistry is a UK housebuilder but differentiates itself through its Partnerships division which focuses on affordable homes. Partnerships should have long-term structural support given the undersupply of affordable homes in the UK, while its capital light business model provides a better return and cash flow profile. Post Woodside's merger with BHP's oil & gas assets, the business is well positioned in low cost, long life LNG (Liquefied Natural Gas) assets in Australia and high margin oil production in the US Gulf of Mexico. Sales in the period included media company Informa, auto parts supplier TI Fluids and European industrials UPM and Metso Outotec, to help lower the overall cyclicity of the equity portfolio.

**David Smith**  
**Fund Manager**  
**20 September 2022**

## INVESTMENT PORTFOLIO

### Classification of Investments by Sector

Company	Total 30 June 2022 %	Total 31 December 2021 %
<b>FIXED INTEREST</b>		
Preference shares	1.9	2.0
Other fixed interest	8.6	7.0
	-----	-----
<b>Total Fixed Interest</b>	<b>10.5</b>	<b>9.0</b>
	-----	-----
<b>EQUITIES</b>		
<b>Energy</b>		
Oil, gas and coal	5.0	3.3
	-----	-----
<b>Total Energy</b>	<b>5.0</b>	<b>3.3</b>
	-----	-----
<b>Basic Materials</b>		
Chemicals	1.6	1.8
Industrial materials	0.0	0.8
Industrial metals and mining	5.5	5.6
	-----	-----
<b>Total Basic Materials</b>	<b>7.1</b>	<b>8.2</b>
	-----	-----
<b>Industrials</b>		
General industrials	1.3	1.3
Industrial engineering	0.6	1.5
Industrial support services	0.8	0.9
Industrial transportation	1.7	0.9
	-----	-----
<b>Total Industrials</b>	<b>4.4</b>	<b>4.6</b>
	-----	-----
<b>Consumer Discretionary</b>		
Automobiles and parts	0.0	0.8
Consumer services	1.5	1.3
Household goods and home construction	2.1	2.1
Media	2.9	3.8
Personal goods	1.2	1.2
Retailers	2.1	1.9
Travel and leisure	2.7	2.7
	-----	-----
<b>Total Consumer Discretionary</b>	<b>12.5</b>	<b>13.8</b>
	-----	-----
<b>Health Care</b>		
Pharmaceuticals and biotechnology	6.3	5.2
	-----	-----
<b>Total Health Care</b>	<b>6.3</b>	<b>5.2</b>
	-----	-----
<b>Consumer Staples</b>		
Beverages	4.7	6.7
Food producers	3.4	2.8
Personal care, drug and grocery stores	5.7	5.4
Tobacco	7.2	5.2
	-----	-----
<b>Total Consumer Staples</b>	<b>21.0</b>	<b>20.1</b>
	-----	-----

<b>Telecommunications</b>		
Telecommunications service providers	2.0	1.7
	-----	-----
<b>Total Telecommunications</b>	<b>2.0</b>	<b>1.7</b>
	-----	-----
<b>Utilities</b>		
Electricity	1.7	2.3
Gas, water and multi-utilities	4.0	5.6
	-----	-----
<b>Total Utilities</b>	<b>5.7</b>	<b>7.9</b>
	-----	-----
<b>Financials</b>		
Banks	5.2	4.7
Closed end investments	2.5	2.1
Finance and credit services	1.0	1.3
Investment banking and brokerage services	6.6	7.7
Life insurance	2.4	2.5
Non-life insurance	3.0	2.5
	-----	-----
<b>Total Financials</b>	<b>20.7</b>	<b>20.8</b>
	-----	-----
<b>Technology</b>		
Software and computer services	1.1	1.5
Technology hardware and equipment	0.9	0.9
	-----	-----
<b>Total Technology</b>	<b>2.0</b>	<b>2.4</b>
	-----	-----
<b>Real Estate</b>		
Real estate investment trusts	2.8	3.0
	-----	-----
<b>Total Real Estate</b>	<b>2.8</b>	<b>3.0</b>
	-----	-----
<b>Total investments</b>	<b>100.0</b>	<b>100.0</b>
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## TWENTY LARGEST INVESTMENTS

Company	Sector	Fair value	%	Fair value	%
		as at 30 June 2022 £'000	of portfolio 2022	as at 31 December 2021 £'000	of portfolio 2021
British American Tobacco	Consumer Staples	13,686	5.3	10,619	3.7
Unilever	Consumer Staples	8,938	3.5	9,476	3.3
AstraZeneca	Health Care	8,003	3.1	8,204	2.8
RELX (Netherlands)	Consumer Discretionary	7,504	2.9	8,314	2.9
Anglo American	Basic Materials	6,890	2.7	7,778	2.7
Diageo	Consumer Staples	6,864	2.6	9,753	3.4
GlaxoSmithKline	Health Care	6,546	2.5	6,876	2.4
Rio Tinto	Basic Materials	5,797	2.2	5,875	2.0
Tesco	Consumer Discretionary	5,771	2.2	6,077	2.1
NatWest	Financials	5,769	2.2	5,504	1.9
BP	Energy	5,753	2.2	5,305	1.8
Vodafone	Telecommunications	5,088	2.0	4,898	1.7
Imperial Brands	Consumer Staples	4,910	1.9	4,324	1.5
3i Group	Financials	4,892	1.9	6,138	2.1
Shell (formerly Royal Dutch Shell)	Energy	4,861	1.9	4,067	1.4
National Grid	Utilities	4,731	1.8	6,287	2.2
Lloyds Banking	Financials	4,702	1.8	5,312	1.8
SSE	Utilities	4,282	1.7	4,615	1.6
Hilton Food	Consumer Staples	4,264	1.7	4,765	1.6
Compass	Consumer Discretionary	3,968	1.5	3,898	1.3
<b>Total</b>		<b>123,219</b>	<b>47.6</b>	<b>128,085</b>	<b>44.2</b>

## EQUITY PORTFOLIO SECTOR EXPOSURE AS AT 30 JUNE 2022

	Equity portfolio weight %	FTSE All-Share Index %
Financials	25.0	22.4
Consumer Staples	23.2	15.8
Consumer Discretionary	13.8	10.2
Basic Materials	7.9	7.7
Health Care	6.4	12.4
Utilities	6.2	3.6
Energy	5.6	10.7
Industrials	4.8	10.5
Real Estate	3.1	3.0
Technology	2.2	1.3
Telecommunications	1.8	2.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Janus Henderson



## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal and emerging risks associated with the Company's business can be divided into the following main areas:

Principal risks:

- Investment risk
- Market/financial risk
- Operational risks including cyber risks, pandemic risks and epidemic risks and risks relating to terrorism and international conflicts
- Tax, legal and regulatory risk

Emerging risks:

- Risks associated with the conflict between Russia and Ukraine
- Risks associated with the legacy of Covid-19
- Risks associated with climate change

Information on these risks and how they are managed is given in the Company's Annual Report for the year-ended 31 December 2021. The Board has completed a thorough review of the principal and emerging risks and has considered the risks to investment performance associated with increasing interest rates and inflation and energy security and supply, which could potentially lead to a recession. All other principal and emerging risks at the year-end remain and are as applicable to the remaining six months of the financial year as they were to the six months under review.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors (listed in note 12) confirm that, to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with FRS 104 "Interim Financial Reporting" issued by the Financial Reporting Council;
- b) this report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) this report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**

**Jeremy Rigg**

**Chairman**

**20 September 2022**

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 30 June 2022 (Unaudited)			Half-year ended 30 June 2021 (Unaudited)			Year-ended 31 December 2021 (Audited)		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
(Losses)/gains on investments held at fair value through profit or loss	-	(25,159)	(25,159)	-	18,124	18,124	-	27,188	27,188
Income from investments held at fair value through profit or loss	8,203	-	8,203	6,804	-	6,804	13,470	-	13,470
Other interest receivable and similar income	176	-	176	11	-	11	98	-	98
<b>Gross revenue and capital (losses)/gains</b>	<b>8,379</b>	<b>(25,159)</b>	<b>(16,780)</b>	<b>6,815</b>	<b>18,124</b>	<b>24,939</b>	<b>13,568</b>	<b>27,188</b>	<b>40,756</b>
<b>Expenses</b>									
Management fees (note 2)	(276)	(415)	(691)	(281)	(421)	(702)	(564)	(846)	(1,410)
Other administrative expenses	(232)	-	(232)	(238)	-	(238)	(460)	-	(460)
<b>Net return before finance costs and taxation</b>	<b>7,871</b>	<b>(25,574)</b>	<b>(17,703)</b>	<b>6,296</b>	<b>17,703</b>	<b>23,999</b>	<b>12,544</b>	<b>26,342</b>	<b>38,886</b>
Finance costs	(163)	(487)	(650)	(143)	(428)	(571)	(295)	(885)	(1,180)
<b>Net return before taxation</b>	<b>7,708</b>	<b>(26,061)</b>	<b>(18,353)</b>	<b>6,153</b>	<b>17,275</b>	<b>23,428</b>	<b>12,249</b>	<b>25,457</b>	<b>37,706</b>
Taxation on net return	(54)	-	(54)	(83)	-	(83)	(104)	(7)	(111)
<b>Net return after taxation</b>	<b>7,654</b>	<b>(26,061)</b>	<b>(18,407)</b>	<b>6,070</b>	<b>17,275</b>	<b>23,345</b>	<b>12,145</b>	<b>25,450</b>	<b>37,595</b>
<b>Return/(loss) per ordinary share</b> (note 3)	<b>5.93p</b>	<b>(20.20p)</b>	<b>(14.27p)</b>	<b>4.72p</b>	<b>13.43p</b>	<b>18.15p</b>	<b>9.44p</b>	<b>19.79p</b>	<b>29.23p</b>

The total columns of this statement represent the Company's Income Statement, prepared in accordance with FRS 104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

The Company has no other comprehensive income items recognised other than those disclosed in the Income Statement.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

Half-year ended 30 June 2022 (Unaudited)	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 2022	6,430	126,783	26,302	68,315	8,404	236,234
Net return after taxation	-	-	-	(26,061)	7,654	(18,407)
Issue of new shares	60	2,044	-	-	-	2,104
Fourth interim dividend (2.525p per share) for the year-ended 31 December 2021, paid 28 January 2022	-	-	-	-	(3,247)	(3,247)
First interim dividend (2.525p per share) for the year-ending 31 December 2022, paid 29 April 2022	-	-	-	-	(3,255)	(3,255)
Refund of unclaimed dividends	-	-	-	-	15	15
<b>At 30 June 2022</b>	<b>6,490</b>	<b>128,827</b>	<b>26,302</b>	<b>42,254</b>	<b>9,571</b>	<b>213,444</b>

  

Half-year ended 30 June 2021 (Unaudited)	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	-	-	-	17,275	6,070	23,345
Fourth interim dividend (2.475p per share) for the year-ended 31 December 2020, paid 29 January 2021	-	-	-	-	(3,183)	(3,183)
First interim dividend (2.475p per share) for the year-ended 31 December 2021, paid 30 April 2021	-	-	-	-	(3,183)	(3,183)
<b>At 30 June 2021</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>60,140</b>	<b>8,695</b>	<b>228,350</b>

  

Year-ended 31 December 2021 (Audited)	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
Fourth interim dividend (2.475p per share) for the year-ended 31 December 2020, paid 29 January 2021	-	-	-	-	(3,183)	(3,183)
First interim dividend (2.475p per share) for the year-ended 31 December 2021, paid 30 April 2021	-	-	-	-	(3,183)	(3,183)
Second interim dividend (2.475p per share) for the year-ended 31 December 2021, paid 30 July 2021	-	-	-	-	(3,183)	(3,183)
Third interim dividend (2.475p per share) for the year-ended 31 December 2021, paid 29 October 2021	-	-	-	-	(3,183)	(3,183)
<b>At 31 December 2021</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>68,315</b>	<b>8,404</b>	<b>236,234</b>

The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION

	30 June 2022 (Unaudited) £'000	30 June 2021 (Unaudited) £'000	31 December 2021 (Audited) £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss (note 4)	259,292	281,445	289,091
<b>Current assets</b>			
Debtors	3,514	2,033	1,934
Cash at bank and in hand	3,258	1,327	3,942
	6,772	3,360	5,876
<b>Creditors: amounts falling due within one year</b>	(32,767)	(36,611)	(38,884)
<b>Net current liabilities</b>	(25,995)	(33,251)	(33,008)
<b>Creditors: amounts falling due after more than one year</b>	(19,853)	(19,844)	(19,849)
<b>Net assets</b>	213,444	228,350	236,234
<b>Capital and reserves</b>			
Called up share capital (note 6)	6,490	6,430	6,430
Share premium account	128,827	126,783	126,783
Capital redemption reserve	26,302	26,302	26,302
Other capital reserves	42,254	60,140	68,315
Revenue reserve	9,571	8,695	8,404
<b>Total shareholders' funds</b>	213,444	228,350	236,234
<b>Net asset value per ordinary share (note 5)</b>	164.45p	177.57p	183.70p

The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED STATEMENT OF CASH FLOWS

	Half-year ended 30 June 2022 (Unaudited) £'000	Half-year ended 30 June 2021 (Unaudited) £'000	Year-ended 31 December 2021 (Audited) £'000
<b>Cash flows from operating activities</b>			
Net (loss)/return before taxation	(18,353)	23,428	37,706
Add back: finance costs	650	571	1,180
Less: losses/(gains) on investments held at fair value through profit or loss	25,159	(18,124)	(27,188)
Withholding tax on dividends deducted at source	(54)	(83)	(111)
(Increase)/decrease in debtors	(484)	(8)	(37)
Increase in creditors	36	(67)	38
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<b>Net cash inflow from operating activities</b>	<b>6,954</b>	<b>5,717</b>	<b>11,588</b>
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<b>Cash flows from investing activities</b>			
Sales of investments held at fair value through profit or loss	40,692	26,719	46,326
Purchases of investments held at fair value through profit or loss	(34,604)	(30,796)	(48,879)
	-----	-----	-----
<b>Net cash inflow/(outflow) from investing activities</b>	<b>6,088</b>	<b>(4,077)</b>	<b>(2,553)</b>
	-----	-----	-----
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	2,104	-	-
Equity dividends paid (net of refund of unclaimed distributions)	(6,487)	(6,366)	(12,732)
(Repayment)/drawdown of loans	(9,519)	6,032	8,231
Interest paid	(645)	(566)	(1,171)
	-----	-----	-----
<b>Net cash outflow from financing activities</b>	<b>(14,547)</b>	<b>(900)</b>	<b>(5,672)</b>
	-----	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,505)</b>	<b>740</b>	<b>3,363</b>
Cash and cash equivalents at beginning of period	3,942	595	595
Exchange movements	821	(8)	(16)
	-----	-----	-----
<b>Cash and cash equivalents at end of period</b>	<b>3,258</b>	<b>1,327</b>	<b>3,942</b>
Comprising:	-----	-----	-----
Cash at bank	3,258	1,327	3,942
	=====	=====	=====

The accompanying notes are an integral part of the condensed financial statements.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Accounting policies: basis of accounting

The Company is a registered investment company as defined by Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010.

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts", which was updated by the Association of Investment Companies in April 2021.

For the period under review the Company's accounting policies have not varied from those described in the Annual Report for the year-ended 31 December 2021. The condensed set of financial statements has been neither audited nor reviewed by the Company's auditor.

### 2. Management fees

Management fees are charged in accordance with the terms of the management agreement which are set out in the Company's Annual Report for the year-ended 31 December 2021. With effect from 1 January 2022 the performance fee arrangement with the Manager was removed (half-year ended 30 June 2021: no provision; year-ended 31 December 2021: no provision).

### 3. Revenue return/(loss) per ordinary share

The revenue return/(loss) per ordinary share is based on the following figures:

	Half-year ended 30 June 2022 (Unaudited) £'000	Half-year ended 30 June 2021 (Unaudited) £'000	Year-ended 31 December 2021 (Audited) £'000
Net revenue return	7,654	6,070	12,145
Net capital return	(26,061)	17,275	25,450
Total return	(18,407)	23,345	37,595
Weighted average number of ordinary shares	128,999,455	128,596,278	128,596,278
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Revenue return per ordinary share	5.93	4.72	9.44
Capital (loss)/return per ordinary share	(20.20)	13.43	19.79
Total (loss)/return per ordinary share	(14.27)	18.15	29.23

The Company does not have any dilutive securities therefore the basic and diluted returns per share are the same.

### 4. Fair values of financial assets and financial liabilities

The fair values of the financial assets and liabilities are either carried in the Statement of Financial Position at their fair value (investments and derivatives), or the statement of financial position amount is a reasonable approximation of fair value (due from brokers, dividends, and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility). At 30 June 2022 the fair value of the senior unsecured note has been estimated to be £19,636,000 (30 June 2021: £24,527,000; 31 December 2021: £25,051,000) and is categorised as Level 3 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.

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 in Level 1.
- Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data.

Financial assets and financial liabilities at fair value through profit or loss at 30 June 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	232,005	-	-	232,005
Fixed interest investments:				
- Preference shares	4,842	-	-	4,842
- Other	22,445	-	-	22,445
Options	-	(209)	-	(209)
<b>Total</b>	<b>259,292</b>	<b>(209)</b>	<b>-</b>	<b>259,083</b>

Financial assets and financial liabilities at fair value through profit or loss at 30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	255,499	-	-	255,499
Fixed interest investments:				
- Preference shares	5,732	-	-	5,732
- Other	20,214	-	-	20,214
<b>Total</b>	<b>281,445</b>	<b>-</b>	<b>-</b>	<b>281,445</b>

Financial assets and financial liabilities 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 investments:				
- Preference shares	5,755	-	-	5,755
- Other	20,169	-	-	20,169
<b>Total</b>	<b>289,091</b>	<b>-</b>	<b>-</b>	<b>289,091</b>

The Company's holdings in options are included within Level 2 and are included in creditors amounts falling due within one year in the Statement of Financial Position.

Premiums from written options during the half-year ended 30 June 2022 were £175,000 (half-year ended 30 June 2021: £nil; year-ended 31 December 2021: £79,000).

## 5. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £213,444,000 (half-year ended 30 June 2021: £228,350,000; year ended 31 December 2021: £236,234,000) and on the 129,796,278 ordinary shares in issue at 30 June 2022 (30 June 2021: 128,596,278; 31 December 2021: 128,596,278).

## 6. Share capital

During the six months under review, the Company issued a total of 1,200,000 shares for a total consideration of £2,104,000 (half-year ended 30 June 2021: nil; year ended 31 December 2021: nil). Between 1 July and 20 September 2022, no further shares have been issued. The Company has no shares held in Treasury.

## 7. Dividends

The Company pays dividends on a quarterly basis. In respect of the year ended 31 December 2021, a fourth interim dividend of 2.525p per share (2020: 2.475p) was paid on 28 January 2022 to shareholders on the register at close of business on 17 December 2021. In respect of the year ending 31 December 2022, a first interim dividend of 2.525p per share (2021: 2.475p) was paid on 29 April 2022 to shareholders on the register at close of business on 8 April 2022. These dividends are reflected in the half-year financial statements.

A second interim dividend of 2.525p per share (2021: 2.475p) for the year ending 31 December 2022 was paid on 29 July 2022 to shareholders on the register at close of business on 17 June 2022. A third interim dividend of 2.525p per share (2021: 2.475p) for the year ending 31 December 2022 will be paid on 28 October 2022 to shareholders on the register at close of business on 16 September 2022. The shares were quoted ex-dividend on 15 September 2022. In accordance with FRS 102, the second and third interim dividends have not been accrued for in the half-year financial statements as they will be paid after the period end.

## 8. 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 2022	3,942	(37,593)	(19,849)	(53,500)
Cash flows	(1,505)	9,519	-	8,014
Exchange movements	821	(2,525)	-	(1,704)
Non cash flow:				
Effective interest movements	-	-	(4)	(4)
Net debt as at 30 June 2022	3,258	(30,599)	(19,853)	(47,194)

	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	740	(6,032)	-	(5,292)
Exchange movements	(8)	480	-	472
Non cash flow:				
Effective interest movements	-	-	(4)	(4)
Net debt as at 30 June 2021	1,327	(35,424)	(19,844)	(53,941)

	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)

## 9. Related party transactions

The Company's current related parties are its directors and Janus Henderson. There have been no material transactions between the Company and its directors during the period and the only amounts paid to them were in respect of expenses and remuneration, for which there were no outstanding amounts payable at the period end.

In relation to the provision of services by Janus Henderson, 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 Janus Henderson affecting the financial position of the Company during the period under review.

## 10. 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, the risks associated with the conflict between Russia and Ukraine and the risks associated with increasing rates and inflation and energy security and supply, which could potentially lead to a recession, 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.

## **11. Half-year report**

The half-year report is available at [www.hendersonhighincome.com](http://www.hendersonhighincome.com) or in hard copy from the Corporate Secretary by emailing [itsecretariat@janushenderson.com](mailto:itsecretariat@janushenderson.com). An abbreviated version of this half-year report, the 'Update', will be circulated to shareholders in September 2022.

## **12. General information**

### **a) Company Status**

The Company is a UK domiciled investment trust company with registered number 02422514.

SEDOL/ISIN number: 0958057

London Stock Exchange (TIDM) code: HHI

Global Intermediary Identification Number (GIIN): JBA08I.99999.SL.826

Legal Entity Identifier (LEI): 213800OEXAGFSF7Y6G11

### **b) Directors, Corporate Secretary and Registered Office**

The directors of the Company are Jeremy Rigg (Chairman), Jonathan Silver (Chairman of the Audit & Risk Committee), Zoe King (Senior Independent Director), Richard Cranfield and Penny Lovell. The Corporate Secretary is Janus Henderson Secretarial Services UK Limited, represented by Samantha McDonald, ACG. The registered office is 201 Bishopsgate, London EC2M 3AE.

### **c) Website**

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.hendersonhighincome.com](http://www.hendersonhighincome.com)

***Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) are incorporated into, or forms part of, this report.***