

Company Number: 2422514

# **HENDERSON HIGH INCOME TRUST PLC**

## **REPORT for the six months ended 30 June 2017 (unaudited)**

2 August 2017

## HENDERSON HIGH INCOME TRUST PLC

### Unaudited results for the half year ended 30 June 2017

Legal Entity Identifier: 213800OEXAGFSF7Y6G11

*This announcement contains regulated information.*

#### 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 highlights for the six months ended 30 June 2017

- Net asset value ('NAV')<sup>1</sup> total return (debt at fair value) of 5.8% compared to a total return from the benchmark<sup>2</sup> of 4.9%.
- The mid-market share price total return (including dividends reinvested) of 7.1%.

	As at 30 June 2017	As at 31 December 2016
NAV per ordinary share (debt at fair value)	189.0p	183.4p
NAV per ordinary share (debt at par value)	190.8p	185.6p
Mid-market price per share	192.0p	183.6p
Net assets	£245.3m	£207.7m
Dividends paid	4.65p	9.15p
Dividend yield	4.8%	5.0%
Gearing	21.1%	21.8%
Premium to NAV (debt at fair value)	1.6%	0.1%

#### Total return performance for the six months ended 30 June 2017

	6 months	1 year	3 years	5 years	10 years
	%	%	%	%	%
NAV <sup>1</sup> Total Return (debt at fair value)	5.8	16.0	28.7	93.8	97.1
Share Price Total Return	7.1	20.4	27.1	92.5	105.9
Benchmark <sup>2</sup>	4.9	15.5	23.7	60.3	83.1
FTSE All-Share Index	5.5	18.1	23.9	65.3	68.5
Merrill Lynch Sterling Non-Gilts Index	2.3	5.5	22.3	39.2	89.6

<sup>1</sup> Net asset value total return including dividends reinvested and excluding transaction costs

<sup>2</sup> A composite of 80% of the FTSE All-Share Index (total return) and 20% of the Merrill Lynch Sterling Non-Gilts Index (total return)

Sources: Morningstar, AIC, Janus Henderson and Datastream

## **INTERIM MANAGEMENT REPORT**

### **Chairman's Statement**

#### **Performance**

During the six months to 30 June 2017 the Company delivered a net asset value total return (with debt at fair value) of 5.8%, outperforming the Company's benchmark. The share price total return was 7.1%, reflecting the small increase in premium at which the Company's shares traded to their net asset value over the period. It is pleasing to note that, despite the recent political upheavals and economic uncertainties, both domestically and overseas, the Company has performed strongly. For the 12 months ended 30 June 2017 the net asset value total return (with debt at fair value) was 16.0%. This is ahead of the Company's benchmark of 15.5% for the same period.

#### **Significant events**

We are delighted to welcome all those shareholders of Threadneedle UK Select Trust Limited ('UKT') who elected to roll over their holdings into the Company's shares at the end of June, following its scheme of reconstruction and voluntary winding up. 58% of UKT shareholders rolled over their investment on the terms offered in the Prospectus released on 30 May 2017. This resulted in the Company issuing approximately 15.2 million New Shares. At the same time, approximately 1.4 million New Shares were issued to new and existing shareholders at a 1% premium to net asset value under the terms of the Initial Placing and Offer contained within the same Prospectus. From this combined issue of shares, the Company raised in total just over £32 million of funds, thereby expanding its gross assets by 14% (including associated gearing). This share issuance was achieved at no cost to existing shareholders (apart from the transaction costs related to investing the proceeds).

#### **Gearing**

Following the increase in the Company's total assets due to this new share issuance, we have increased the existing loan facility with Scotiabank from £30 million to £42 million. Our gearing policy, as set out in our Annual Report for the year ended 31 December 2016, remains the same. The level of gearing employed during this period has not changed materially from year end and was 21.1% as at 30 June 2017. Over half of the borrowing is still being used to finance the fixed interest holdings within the portfolio.

#### **Dividend**

The first interim dividend of 2.325p per share was paid on 28 April 2017 and the second interim dividend for the same amount was paid on 28 July 2017. Although there are some uncertainties regarding the UK economy, we have sufficient confidence in the sustainability and growth of dividend payments from the Company's underlying holdings; hence I am pleased to announce that we have increased our third interim dividend to 2.375p representing over 2% growth on the previous interim dividend. This increased dividend will be paid on 27 October 2017.

It remains the Board's objective to increase the Company's dividend gradually, subject to investment conditions at the time and whether we determine such an increase to be sustainable in the years ahead. In order to assess this, we will continually monitor the level of income received by the Company, our investments' ability to grow their dividends and the level of our own revenue reserves.

#### **Outlook**

The health of the global economy is steadily improving. Europe is now beginning to recover from its financial difficulties and has lately shown more cohesion following the rejection by the Netherlands and France of extreme nationalism in their recent elections. Britain and the European Union, however, still need to resolve the significant issues raised by Brexit now that Article 50 has been triggered. Negotiations have been further complicated for the current Conservative Government by the loss of an overall majority. Until greater clarity about the terms of Britain's withdrawal from the EU emerges, the next couple of years are likely to be characterised by more market volatility. There may be increasing pressure on Central Banks, including the Bank of England, to begin reversing their accommodating policies of "easy money" by tapering their bond purchases and increasing interest rates in due course, should the recent rise in inflation prove persistent.

In these uncertain market conditions our Fund Manager, David Smith, will ensure that the Company's portfolio holdings remain diversified by sector and size and will continue to search for investment opportunities with the potential for both income and capital growth.

**Margaret Littlejohns**  
**Chairman**  
**2 August 2017**

## **Fund Manager's report**

### **Markets**

Equity markets started the year strongly despite the UK beginning the process of leaving the European Union by officially triggering Article 50. Good momentum in the global macro economy supported markets with the FTSE All-Share returning 5.5% over the first half of the year. In April Prime Minister Theresa May called a snap general election with the aim of increasing the Conservative Party's majority in parliament and providing a clearer political path into Brexit negotiations. During the campaign, however, the Labour Party gained support and the election ultimately resulted in a hung parliament. The Conservative Party lost 13 seats and arranged a confidence and supply agreement with the Democratic Unionist Party of Northern Ireland in order to maintain a workable majority. Sterling strengthened against the dollar over the period as markets started to discount a weakening in the Government's stance over a 'hard Brexit' and a signal from some members of the Bank of England's Monetary Policy Committee that interest rates could rise sooner than expected.

The UK economy, which had been resilient since the EU referendum result last year, started to slow with Q1 GDP growing at only 0.2% (quarter-on-quarter). Inflation, however, surprised on the upside which prompted fears that the Bank of England is getting closer to raising interest rates from their historical lows. This caused bond yields to rise sharply in June to finish the period higher. In a reversal of trends seen in 2016, mid-cap companies (FTSE 250 +8.5%) outperformed large cap companies (FTSE 100 +4.7%). At the sector level, worries over the health of the UK consumer led to underperformance of some domestic stocks with retailers underperforming. Oil & gas stocks also performed poorly as the oil price fell 14% during the period due to concerns about the ability of OPEC to enforce its agreement to cut production. Industrials, financial services and pharmaceuticals all outperformed during the period.

### **Portfolio activity**

Within the equity portfolio new positions were purchased in Britvic and Smiths Group. Britvic is one of the leading soft drink manufacturers in Britain and also a key bottler for PepsiCo. The management team are modernising the supply chain of the business which will generate both cost savings and new revenue opportunities. The valuation and dividend are also attractive. Smiths Group has strong market positions in a number of its manufacturing divisions; John Crane (mechanical seals for the oil & gas industry), Detection (airport security equipment) and Medical (consumable medical equipment and apparatus). The new management team are focused on improving operational efficiencies, selling non-core assets and increasing underlying cash generation which should lead to better dividend growth going forward. Elsewhere we initiated a new position in global asset management group Schroders. The company has a strong brand and distribution capabilities and is well-diversified through a spread of investment styles and geographical exposures.

Towards the end of the period we reinvested the approximate £32m net proceeds raised from the UKT rollover and our own Placing and Offer across the portfolio. The proportion of bonds within the Company was kept at 10.5% while in the equity portfolio, apart from the introduction of Unilever, additions were made to existing holdings to maintain the current positioning towards good quality companies that offer an attractive dividend and good growth prospects.

### **Performance**

The Company had a good start to the year with the NAV (with debt at fair value) up 5.8%, outperforming the benchmark's return of 4.9%. While there was disappointment from some of the Company's holdings such as BT Group, Pearson and Next, this was outweighed by good performance from the likes of RELX and Hilton Food Group. Both companies announced strong results during the period. The Company's holdings in Jupiter Fund Management, Persimmon and Essentra also benefitted performance. Jupiter Fund Management reported a return to net inflows and positive investment performance while Persimmon further increased its dividend ahead of expectations. Essentra outperformed on expectations of a self-help turnaround following the appointment of the new Chief Executive. The Company also benefitted from outperformance within the bond portfolio.

**David Smith**  
**Fund Manager**  
**2 August 2017**

**Investment portfolio**  
**Classification of investments by sector**

	Total 30 June 2017 %	Total 30 June 2016 %
<b>FIXED INTEREST</b>		
Preference Shares	1.6	1.6
Other Fixed Interest	8.9	9.3
	-----	-----
<b>Total Fixed Interest</b>	<b>10.5</b>	<b>10.9</b>
	-----	-----
<b>EQUITIES</b>		
<b>Oil &amp; Gas</b>		
Oil & Gas Producers	5.6	6.2
	-----	-----
<b>Total Oil &amp; Gas</b>	<b>5.6</b>	<b>6.2</b>
	-----	-----
<b>Basic Materials</b>		
Chemicals	2.1	1.7
Mining	1.7	1.4
	-----	-----
<b>Total Basic Materials</b>	<b>3.8</b>	<b>3.1</b>
	-----	-----
<b>Industrials</b>		
Construction & Materials	1.0	0.9
Aerospace & Defence	1.5	1.4
General Industrials	2.2	0.8
Support Services	1.8	0.8
	-----	-----
<b>Total Industrials</b>	<b>6.5</b>	<b>3.9</b>
	-----	-----
<b>Consumer Goods</b>		
Beverages	4.0	3.2
Food Producers	3.6	3.3
Household Goods & Home Construction	2.4	2.2
Personal Goods	0.6	-
Tobacco	6.7	7.5
	-----	-----
<b>Total Consumer Goods</b>	<b>17.3</b>	<b>16.2</b>
	-----	-----
<b>Health Care</b>		
Pharmaceuticals & Biotechnology	6.0	6.1
	-----	-----
<b>Total Health Care</b>	<b>6.0</b>	<b>6.1</b>
	-----	-----

	<b>Total</b>	Total
	<b>30 June 2017</b>	30 June 2016
	%	%
<b>Consumer Services</b>		
General Retailers	2.3	1.6
Media	6.1	8.1
Travel & Leisure	4.2	4.8
	-----	-----
<b>Total Consumer Services</b>	<b>12.6</b>	14.5
	-----	-----
<b>Telecommunications</b>		
Fixed Line Telecommunications	3.5	5.0
Mobile Telecommunications	3.4	4.2
	-----	-----
<b>Total Telecommunications</b>	<b>6.9</b>	9.2
	-----	-----
<b>Utilities</b>		
Electricity	1.1	1.2
Gas, Water & Multiutilities	4.4	6.7
	-----	-----
<b>Total Utilities</b>	<b>5.5</b>	7.9
	-----	-----
<b>Financials</b>		
Banks	6.9	3.8
Nonlife Insurance	1.6	1.4
Life Insurance	5.6	5.2
Real Estate Investment Trusts	2.6	2.4
Financial Services	4.3	4.0
Equity Investment Instruments	3.3	4.1
	-----	-----
<b>Total Financials</b>	<b>24.3</b>	20.9
	-----	-----
<b>Technology</b>		
Software & Computer Services	1.0	1.1
	-----	-----
<b>Total Technology</b>	<b>1.0</b>	1.1
	-----	-----
	-----	-----
<b>TOTAL INVESTMENTS</b>	<b>100.0</b>	100.0
	=====	=====

## Twenty largest investments

<b>Company</b>	<b>Sector</b>	<b>Fair value as at 30 June 2017 £'000</b>	<b>% of portfolio 2017</b>	<b>Fair value as at 30 June 2016 £'000</b>	<b>% of portfolio 2016</b>
British American Tobacco	Consumer Goods	12,981	4.4	10,673	4.5
Diageo	Consumer Goods	9,315	3.1	7,496	3.2
AstraZeneca	Health Care	9,307	3.1	9,817	4.2
Royal Dutch Shell B	Oil & Gas	9,295	3.1	8,129	3.5
HSBC*	Financials	8,449	2.8	5,006	2.1
BP	Oil & Gas	7,445	2.5	6,429	2.7
Lloyds Banking Group*	Financials	7,295	2.5	2,676	1.1
Vodafone	Telecommunications	7,284	2.5	6,646	2.8
Standard Life*	Financials	7,208	2.4	4,388	1.9
Imperial Brands	Consumer Goods	6,978	2.4	6,857	2.9
RELX	Consumer Services	6,662	2.2	5,056	2.2
GlaxoSmithKline	Health Care	5,993	2.0	4,537	1.9
BT Group	Telecommunications	5,370	1.8	6,535	2.8
Rio Tinto	Basic Materials	5,078	1.7	3,144	1.3
Informa	Consumer Services	4,885	1.6	3,723	1.6
Phoenix	Financials	4,737	1.6	2,704	1.2
Barclays*	Financials	4,357	1.5	2,620	1.1
Hilton Food Group	Consumer Goods	4,233	1.5	2,760	1.2
National Grid	Utilities	4,204	1.4	6,469	2.8
Intermediate Capital	Financials	4,065	1.4	2,163	0.9
<b>Total Investments</b>		<b>135,141</b>	<b>45.5</b>	<b>107,828</b>	<b>45.9</b>

\* includes fixed interest



### Equity portfolio sector underweights/overweights at 30 June 2017

	Equity Portfolio Weight %	FTSE All-Share %
Financials	27.5	26.7
Consumer Goods	19.3	15.4
Consumer Services	14.1	11.3
Telecommunications	7.7	3.8
Industrials	7.0	11.4
Health Care	6.7	9.3
Oil & Gas	6.3	11.4
Utilities	6.1	3.2
Basic Materials	4.2	6.6
Technology	1.1	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Top ten holdings by contribution to income during the six month period ended 30 June 2017

Position	Holding	Sector	£'000
1	AstraZeneca	Health Care	306
2	Royal Dutch Shell B	Oil & Gas	299
3	British American Tobacco	Consumer Goods	256
4	Vodafone	Telecommunications	255
5	HSBC*	Financials	249
6	BP	Oil & Gas	234
7	Standard Life*	Financials	207
8	Carador Income Fund	Financials	201
9	Persimmon	Consumer Goods	173
10	Lloyds Banking Group*	Financials	170
	<b>Total</b>		<b>2,350</b>

\* Includes fixed interest income.

These constitute 32.0% of the total income from investments during the period.

**Principal risks and uncertainties**

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

- Investment
- Market/Financial
- Operational
- Legal and Regulatory

Information on these risks and how they are managed is given in the Company's Annual Report for the year ended 31 December 2016. In the view of the Board these principal risks and uncertainties were unchanged over the last six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

**Related party transactions**

The Company's transactions with related parties in the half year were with the Directors and Janus Henderson ('the Manager'). There have been no material transactions between the Company and its Directors during the period. The only amounts paid to the Directors were in respect of remuneration for which there were no outstanding amounts payable at the period end. In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business, the provision of sales and marketing services and the contribution of costs referred to in note 8, there have been no material transactions with the Manager affecting the financial position of the Company during the period under review.

**Statement of Directors' responsibilities**

Each of the Director's confirms that, to the best of his or her 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**

**Margaret Littlejohns**

**Chairman**

**2 August 2017**

## Condensed Income Statement

	(Unaudited) Half year ended 30 June 2017			(Unaudited) Half year ended 30 June 2016			(Audited) Year ended 31 December 2016		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	return £'000	return £'000		return £'000	return £'000		return £'000	return £'000	
Gains/(losses) on investments held at fair value through profit or loss	-	4,806	4,806	-	(6,645)	(6,645)	-	9,561	9,561
Income from investments held at fair value through profit or loss	7,337	-	7,337	6,873	-	6,873	12,306	-	12,306
Other interest receivable and similar income	12	-	12	8	-	8	57	-	57
<b>Gross revenue and capital gains/(losses)</b>	<b>7,349</b>	<b>4,806</b>	<b>12,155</b>	<b>6,881</b>	<b>(6,645)</b>	<b>236</b>	<b>12,363</b>	<b>9,561</b>	<b>21,924</b>
Management and performance fees (note 2)	(250)	(375)	(625)	(240)	(360)	(600)	(481)	(721)	(1,202)
Other administrative expenses	(179)	-	(179)	(188)	-	(188)	(378)	-	(378)
<b>Net return on ordinary activities before finance costs and taxation</b>	<b>6,920</b>	<b>4,431</b>	<b>11,351</b>	<b>6,453</b>	<b>(7,005)</b>	<b>(552)</b>	<b>11,504</b>	<b>8,840</b>	<b>20,344</b>
Finance costs	(136)	(407)	(543)	(141)	(424)	(565)	(279)	(836)	(1,115)
<b>Net return on ordinary activities before taxation</b>	<b>6,784</b>	<b>4,024</b>	<b>10,808</b>	<b>6,312</b>	<b>(7,429)</b>	<b>(1,117)</b>	<b>11,225</b>	<b>8,004</b>	<b>19,229</b>
Taxation on net return on ordinary activities	(82)	20	(62)	(79)	31	(48)	(159)	72	(87)
<b>Net return on ordinary activities after taxation</b>	<b>6,702</b>	<b>4,044</b>	<b>10,746</b>	<b>6,233</b>	<b>(7,398)</b>	<b>(1,165)</b>	<b>11,066</b>	<b>8,076</b>	<b>19,142</b>
<b>Return per ordinary share (note 3)</b>	<b>5.98p</b>	<b>3.60p</b>	<b>9.58p</b>	<b>5.60p</b>	<b>(6.65)p</b>	<b>(1.05)p</b>	<b>9.93p</b>	<b>7.25p</b>	<b>17.18p</b>

The total columns of this statement represent the income statement of the Company, 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

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Half year ended 30 June 2017 (unaudited)</b>						
At 1 January 2017	5,597	95,595	26,302	72,657	7,572	207,723
Net return on ordinary activities after taxation	-	-	-	4,044	6,702	10,746
Issue of new shares	833	31,213	-	-	-	32,046
Fourth interim dividend (2.325p per share) for the year ended 31 December 2016, paid 27 January 2017	-	-	-	-	(2,603)	(2,603)
First interim dividend (2.325p per share) for the year ending 31 December 2017, paid 28 April 2017	-	-	-	-	(2,603)	(2,603)
<b>At 30 June 2017</b>	<b>6,430</b>	<b>126,808</b>	<b>26,302</b>	<b>76,701</b>	<b>9,068</b>	<b>245,309</b>

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Half year ended 30 June 2016 (unaudited)</b>						
At 1 January 2016	5,553	94,038	26,302	64,581	6,637	197,111
Net return on ordinary activities after taxation	-	-	-	(7,398)	6,233	(1,165)
Issue of new shares	10	343	-	-	-	353
Fourth interim dividend (2.275p per share) for the year ended 31 December 2015, paid 29 January 2016	-	-	-	-	(2,527)	(2,527)
First interim dividend (2.275p per share) for the year ended 31 December 2016, paid 30 April 2016	-	-	-	-	(2,531)	(2,531)
<b>At 30 June 2016</b>	<b>5,563</b>	<b>94,381</b>	<b>26,302</b>	<b>57,183</b>	<b>7,812</b>	<b>191,241</b>

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Year ended 31 December 2016 (audited)</b>						
At 1 January 2016	5,553	94,038	26,302	64,581	6,637	197,111
Net return on ordinary activities after taxation	-	-	-	8,076	11,066	19,142
Issue of new shares	44	1,557	-	-	-	1,601
Fourth interim dividend (2.275p per share) for the year ended 31 December 2015, paid 29 January 2016	-	-	-	-	(2,527)	(2,527)
First interim dividend (2.275p per share) for the year ended 31 December 2016, paid 29 April 2016	-	-	-	-	(2,531)	(2,531)
Second interim dividend (2.275p per share) for the year ended 31 December 2016, paid 29 July 2016	-	-	-	-	(2,531)	(2,531)
Third interim dividend (2.275p per share) for the year ended 31 December 2016, paid 28 October 2016	-	-	-	-	(2,542)	(2,542)
<b>At 31 December 2016</b>	<b>5,597</b>	<b>95,595</b>	<b>26,302</b>	<b>72,657</b>	<b>7,572</b>	<b>207,723</b>

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

## Condensed Statement of Financial Position

	(Unaudited) 30 June 2017 £'000	(Unaudited) 30 June 2016 £'000	(Audited) 31 December 2016 £'000
<b>Investments held at fair value through profit or loss</b> (note 6)	<b>297,188</b>	235,016	252,990
<b>Current assets</b>			
Debtors	2,578	1,976	1,340
Cash at bank and in hand	2,506	1,888	1,742
	<b>5,084</b>	3,864	3,082
<b>Creditors: amounts falling due within one year</b>	<b>(37,154)</b>	(27,838)	(28,543)
<b>Net current liabilities</b>	<b>(32,070)</b>	(23,974)	(25,461)
<b>Creditors: amounts falling due after more than one year</b>	<b>(19,809)</b>	(19,801)	(19,806)
<b>Net assets</b>	<b>245,309</b>	191,241	207,723
<b>Capital and reserves</b>			
Share capital (note 5)	6,430	5,563	5,597
Share premium account	126,808	94,381	95,595
Capital redemption reserve	26,302	26,302	26,302
Other capital reserves	76,701	57,183	72,657
Revenue reserve	9,068	7,812	7,572
<b>Total shareholders' funds</b>	<b>245,309</b>	191,241	207,723
<b>Net asset value per ordinary share</b> (note 4)	<b>190.76p</b>	171.87p	185.56p

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

## Condensed Cash Flow Statement

	(Unaudited) Half year ended 30 June 2017 £'000	(Unaudited) Half year ended 30 June 2016 £'000	(Audited) Year ended 31 December 2016 £'000
<b>Cash flows from operating activities</b>			
Net return on ordinary activities before taxation	10,808	(1,117)	19,229
Add back: finance costs	543	565	1,115
(Less)/add: (gains)/losses on investments held at fair value through profit and loss	(4,806)	6,645	(9,561)
Withholding tax on dividends deducted at source	(62)	(48)	(87)
Taxation recovered	8	-	5
(Increase)/decrease in prepayments and accrued income	(768)	(626)	4
Increase/(decrease) in accruals and deferred income	24	(1,351)	(1,396)
	-----	-----	-----
<b>Net cash inflow from operating activities</b>	<b>5,747</b>	4,068	9,309
	-----	-----	-----
<b>Cash flows from investing activities</b>			
Sales of investments held at fair value through profit or loss	24,294	25,406	46,171
Purchases of investments held at fair value through profit or loss	(46,734)	(24,257)	(46,468)
	-----	-----	-----
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(22,440)</b>	1,149	(297)
	-----	-----	-----
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	16,062	353	1,601
Equity dividends paid	(5,206)	(5,058)	(10,131)
Drawdown of loans	7,049	753	1,191
Interest paid	(539)	(560)	(1,105)
	-----	-----	-----
<b>Net cash inflow/(outflow) in financing activities</b>	<b>17,366</b>	(4,512)	(8,444)
	-----	-----	-----
<b>Net increase in cash and cash equivalents</b>	<b>673</b>	705	568
Cash and cash equivalents at beginning of period	1,742	1,223	1,223
Exchange movements	91	(40)	(49)
	-----	-----	-----
<b>Cash and cash equivalents at end of period</b>	<b>2,506</b>	1,888	1,742
	=====	=====	=====
Comprising:			
Cash at bank	2,506	1,888	1,742
	=====	=====	=====

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

## Notes

### 1. Accounting policies – basis of accounting

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, issued in March 2015, the reporting standard for half year reporting that accompanies FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015, and the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('the SORP') issued by the Association of Investment Companies in November 2014 and updated in January 2017 with consequential amendments. The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

The condensed set of financial statements has been neither audited nor reviewed by the Company's auditors.

### 2. Management and performance fees

Management and performance 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 2016. Performance fees are provided for based on the out-performance against the Company's net asset value versus the benchmark index. For the half year ended 30 June 2017 there was no provision for a performance fee (half year ended 30 June 2016: no provision and year ended 31 December 2016: no provision). The actual performance fee, if any, payable to the Manager for the year to 31 December 2017 requires outperformance above a hurdle of 1% over the full financial year. The fee is subject to a 1% cap on the total fees paid to the Manager based on the average of gross assets less current liabilities (other than loans or other debt for investment purposes treated as current liabilities), over the four quarter ends in the year.

### 3. Return per ordinary share

	(Unaudited) Half year ended 30 June 2017 £'000	(Unaudited) Half year ended 30 June 2016 £'000	(Audited) Year ended 31 December 2016 £'000
The return per share is based on the following figures:			
Net revenue return	6,702	6,233	11,066
Net capital return	4,044	(7,398)	8,076
<b>Total</b>	<b>10,746</b>	<b>(1,165)</b>	<b>19,142</b>
Weighted average number of ordinary shares	112,126,387	111,261,871	111,434,989
Revenue return per share	5.98p	5.60p	9.93p
Capital return per share	3.60p	(6.65)p	7.25p
<b>Total</b>	<b>9.58p</b>	<b>(1.05)p</b>	<b>17.18p</b>

The Company does not have any dilutive securities.

### 4. 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 £245,309,000 (30 June 2016: £191,241,000; 31 December 2016: £207,723,000) and on the 128,596,278 ordinary shares in issue at 30 June 2017 (30 June 2016: 111,267,365; 31 December 2016: 111,942,365).

### 5. Called-up share capital

During the half year ended 30 June 2017, 16,653,913 new ordinary shares were issued for net proceeds of £32,046,000 (half year ended 30 June 2016: 200,000 new ordinary shares were issued for net proceeds of £353,000; year ended 31 December 2016: 875,000 new ordinary shares were issued for net proceeds of £1,601,000). At 30 June 2017 there were 128,596,278 ordinary shares of 5p nominal value in issue. Since 30 June 2017, no further shares have been issued. The Company has no shares held in Treasury.

Included in the issue of 16,653,913 new ordinary shares during the period were 15,232,843 shares issued following the reconstruction of UKT whereby investors in UKT were given the option of receiving shares in Henderson High Income Trust plc. The net proceeds of £29,280,000 received from this transaction comprised of £15,504,000 investments and cash of £13,776,000.

## 6. 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 multicurrency loan facility). At 30 June 2017 the fair value of the senior unsecured note has been estimated to be £22,124,000 (31 December 2016: £22,224,000) and is categorised as Level 3 in the fair value hierarchy. Since 30 September 2016, the senior unsecured note has been valued at fair value for the purposes of the daily net asset value reporting. Under the previous valuation policy, the fair value of the senior unsecured note as at 30 June 2016 was deemed to be the par value of £20,000,000. The fair value at 31 December 2016 was £22,224,000.

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

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 – valued using quoted prices in active markets for identical assets;

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in 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 the accounting policies note 1(c) in the Company's Annual Report for the year ended 31 December 2016. The Company does not hold any Level 2 or Level 3 financial assets.

There have been no transfers between levels of the fair value hierarchy during the period.

### Fair value hierarchy disclosures

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

<b>Financial assets at fair value through profit or loss at 30 June 2017</b>	<b>Level 1 £'000</b>	<b>Total £'000</b>
<b>Equity investments</b>	<b>265,282</b>	<b>265,282</b>
<b>Convertibles</b>	<b>771</b>	<b>771</b>
<b>Fixed interest investments</b>		
- Preference shares	4,713	4,713
- Other	26,422	26,422
<b>Total</b>	<b>297,188</b>	<b>297,188</b>

Financial assets at fair value through profit or loss at 30 June 2016	Level 1 £'000	Total £'000
Equity investments	208,642	208,642
Convertibles	737	737
Fixed interest investments		
- Preference shares	3,917	3,917
- Other	21,720	21,720
Total	235,016	235,016



Financial assets at fair value through profit or loss at 31 December 2016	Level 1 £'000	Total £'000
Equity investments	226,055	226,055
Convertibles	794	794
Fixed interest investments		
- Preference shares	4,285	4,285
- Other	21,856	21,856
<b>Total</b>	<b>252,990</b>	<b>252,990</b>

## 7. Dividends

In respect of the year ended 31 December 2016, a fourth interim dividend of 2.325p per share (2015: 2.275p) was paid on 27 January 2017 to shareholders on the register at close of business on 16 December 2016.

In respect of the year ending 31 December 2017, a first interim dividend of 2.325p per share (2016: 2.275p) was paid on 28 April 2017 to shareholders on the register at close of business on 7 April 2017.

These dividends are reflected in these half year financial statements.

A second interim dividend of 2.325p per share (2016: 2.275p) was paid on 28 July 2017 to shareholders on the register at close of business on 23 June 2017.

A third interim dividend of 2.375p per share (2016: 2.275p) will be paid on 27 October 2017 to shareholders on the register on 22 September 2017. The shares will go ex-dividend on 21 September 2017.

In accordance with FRS 102, the second and third interim dividends have not been accrued for in the half year financial statements as they are paid after the period end.

## 8. Transactions with Janus Henderson

The Manager agreed to make a contribution to the costs incurred by the Company in relation to the roll over from UKT and the Initial Placing and Offer. Accordingly, the Company did not bear any costs in issuing the Prospectus, participating in the roll over or issuing shares under the Initial Placing and Offer (apart from the transaction costs related to investing the proceeds). The total value of the cost contribution was £257,000.

## 9. 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 5 May 2015. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

## 10. Comparative information

The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The figures and financial information for the year ended 31 December 2016 are extracted from the latest published accounts, and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditors, which was unqualified and did not include a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 11. Half year report

An update containing extracts from this half year report will be posted to Shareholders in early August 2017. Copies of the Half Year Report will be available to download shortly from the Company's website ([www.hendersonhighincome.com](http://www.hendersonhighincome.com)) or can be requested from the Corporate Secretary at the registered office, 201 Bishopsgate, London EC2M 3AE.

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