

**HENDERSON HIGH INCOME TRUST PLC**

**HALF-YEAR REPORT  
(unaudited)  
for the six months ended 30 June 2020**

# HENDERSON HIGH INCOME TRUST PLC

## Unaudited results for the half-year ended 30 June 2020

### 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 2020

- Net asset value ('NAV')<sup>1</sup> total return (debt at fair value) of -18.1% compared to a total return from the benchmark<sup>2</sup> of -13.3%.
- The mid-market share price total return (including dividends reinvested) of -22.1%.

	As at 30 June 2020	As at 31 December 2019
NAV per share <sup>3</sup>	<b>150.2p</b>	189.8p
Mid-market price per share	<b>144.0p</b>	191.8p
Net assets	<b>£201.3m</b>	£251.1m
Dividends paid/payable	<b>4.95p</b>	9.80p
Dividend yield	<b>6.9%</b>	5.1%
Gearing	<b>20.9%</b>	21.5%
Discount/premium to NAV (debt at fair value)	<b>-4.1%</b>	1.1%

### TOTAL RETURN PERFORMANCE OVER THE TEN YEARS TO 30 JUNE 2020

	6 months	1 year	3 years	5 years	10 years
	%	%	%	%	%
NAV <sup>1</sup> total return (debt at fair value)	<b>-18.1</b>	-11.0	-4.9	+11.5	+137.6
Share price total return	<b>-22.1</b>	-13.0	-10.9	+4.9	+133.7
Benchmark <sup>2</sup>	<b>-13.3</b>	-9.0	-0.6	+18.8	+89.6
FTSE All-Share Index	<b>-17.5</b>	-13.0	-4.6	+15.2	+91.8
ICE BofAML Sterling Non-Gilts Index	<b>+3.4</b>	+6.5	+13.6	+30.5	+82.0

<sup>1</sup> Net asset value total return (including dividends reinvested and excluding transaction costs) with debt at fair value

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

<sup>3</sup> Net asset value per share with debt at fair value as published by the AIC

Sources: Morningstar for the AIC, Janus Henderson and Refinitiv Datastream

## **INTERIM MANAGEMENT REPORT**

### **CHAIRMAN'S STATEMENT**

#### **Performance**

When I wrote my last statement for the 2019 Annual Report, COVID-19 had begun to spread rapidly across the globe and lockdown measures had just been introduced in the UK. Since then, five months have passed during which the UK experienced amongst the highest reported COVID-19 infection rates and deaths in Europe. Many of the restrictions imposed on households and businesses have gradually eased but there are now fears of a resurgence of the virus as winter approaches, of a rise in unemployment as the furlough scheme is reined back and of further disruption to this short lived "new normal". I hope that our investors have remained safe and well during these challenging times.

Stock markets have unsurprisingly suffered steep falls over the first six months of this year, with the FTSE All-Share as one of the worst performing markets. However, it would have been much worse if there had not been a rally in the second quarter. By the beginning of the UK lockdown in March, the FTSE All-Share had fallen dramatically by 35% but had risen from its lows by 25% at the end of June. The swift rebound in equities, not just in the UK but in all the major markets, was driven by the actions of central banks and governments who injected confidence back into the markets with significant monetary and fiscal stimulus, including substantial asset purchases, interest rate cuts, job furlough subsidies and business loans.

For the first half of 2020 the Company delivered a NAV total return (with debt at fair value) of -18.1%, compared to its benchmark total return of -13.3% and compared to the FTSE All-Share total return of -17.5% for the same period. Although its equity portfolio was positioned defensively, the Company underperformed its benchmark, primarily because of gearing, which is a necessary component of the Company's structure for generating a relatively high level of income.

#### **Gearing**

During this period the Company made the decision to reduce its borrowings by approximately £13 million, principally by selling US investment grade bonds which had performed well in capital terms since their purchase. About three quarters of the Company's loans are now being used to fund the Company's fixed interest holdings which effectively yield 5.0% compared to the Company's current average cost of borrowing of 2.4%. The overall level of gearing as at 30 June 2020 was 20.9%, but only about 6.0% relates to the financing of additional equities in the portfolio. The level of borrowing allocated to equities is therefore significantly lower than the headline gearing figure might suggest.

#### **Dividends**

The first interim dividend of 2.475p per share was paid on 24 April 2020 and the second interim dividend for the same amount was paid on 31 July 2020. At the time that the second interim dividend was announced the Board recorded its current intention to use its revenue reserves where necessary to maintain the quarterly dividend of 2.475p per share for the remainder of this financial year. This continues to be our intention.

The Company's revenue stream this year has, of course, been adversely impacted by the recent dividend suspensions, deferrals and cuts by its investee companies. So far 24% of the Company's portfolio have made such announcements. However, the Company is in the fortunate position of being able to draw on revenue reserves which have been deliberately built up over the past 9 years for future "rainy days" and frankly it has been pouring this year! A third interim dividend of 2.475p per share was therefore announced on 23 July 2020, to be paid on 30 October 2020, and the Board currently anticipates a fourth interim dividend for the year at the same level, providing a total dividend for the year of 9.90p per share representing a 1.0% increase over the previous year.

It is difficult in these uncertain conditions to forecast the Company's revenues with much accuracy for the years ahead. David Smith, the Fund Manager, runs frequent stress testing of the company's revenue account under different scenarios and this gives the Board reassurance of the relative robustness of the company's revenue reserves in the medium term. As the timing and the level of investee companies' dividends become clearer in the future, we will be able to provide further guidance on the Company's dividend.

## **Board of Directors**

Having chaired the Board since 2016 and having been appointed to the Board in 2008, I will be standing down at the Annual General Meeting in May 2021, as already outlined in our succession plans. I am very pleased to announce that my colleagues have chosen Jeremy Rigg, who was appointed as a Director in April 2018, to succeed me as Chairman. Jeremy has over 25 years' experience in the investment management industry, has proven himself as a key member of the Board and I have no doubt that he will make an excellent Chairman.

Following many years of service to the Company, Anthony Newhouse, Senior Independent Director, retired from the Board at the Annual General Meeting in June which was held as a virtual "closed meeting". We were disappointed to have to say our farewells to Anthony through our computer screens, rather than in person, and the Board would like to take this opportunity to record our thanks to Anthony for his wise counsel and valuable contribution to the Company. Zoe King has since been appointed as the Company's Senior Independent Director and we are delighted to welcome to the Board Richard Cranfield who joined at the beginning of March.

## **Outlook**

At the beginning of the year when COVID-19 had only appeared in Asia, it was difficult to imagine its imminent transformation into a rapidly spreading pandemic or the subsequent dramatic fall in equity markets across the world. While markets have since recovered from their lows and investors have benefited from the generosity of central banks and governments, which has supported asset prices, there are still many challenges ahead. Monetary stimulus is likely to continue, as the US Federal Reserve has pledged future support, but the emergency fiscal measures introduced by governments to alleviate the economic crisis will gradually be withdrawn. A potential second wave of the virus, the UK's withdrawal from the EU at year end, a possible escalation of trade tensions between China and the US and the US government election itself in November are all likely to contribute to volatility and nervousness in the markets. The economic outlook and the timing and speed of any recovery are uncertain, so we remain cautious in these circumstances.

For managing the Company's portfolio, David Smith has a variety of tools at his disposal which will help mitigate some of the anticipated falls in dividend receipts in the market in the months ahead. He has already positioned the equity portfolio more defensively and is able to supplement income from the fixed interest holdings which account for 13.3% of the overall portfolio. He is also able to invest up to 20% of the Company's gross assets in overseas investments, diversifying the portfolio further and accessing reliable dividend payers beyond the concentrated UK market. The portfolio remains well balanced, owning both resilient businesses that continue to pay attractive dividends and those companies that have the potential for capital recovery. The Company is well positioned to address the challenges and opportunities that lie ahead.

**Margaret Littlejohns**  
**Chairman**  
**11 September 2020**

## **FUND MANAGER'S REPORT**

### **Markets**

It has been an extraordinary period for markets in the first half of the year. During the first quarter global equities experienced a sharp sell-off, with the FTSE All-Share falling 34% in only 22 trading days between February and March, as COVID-19 spread around the world and governments enforced "lockdowns" on their citizens. As the crisis escalated, investors sold out of risk assets, fearing the worst in terms of the impact on the global economy and corporate profitability. Saudi Arabia and Russia also entered into an unexpected oil price war, resulting in the oil price plummeting and even entering negative territory for a short period.

Equity markets then staged an impressive recovery from their March lows, driven by unprecedented levels of monetary and fiscal stimulus and other government support schemes. They were further buoyed by the pace of new virus infections slowing and governments starting to relax lockdown restrictions. Despite the strong rebound in the second quarter, the FTSE All-Share was still down 17.5% over the half year. Defensive sectors outperformed, with the likes of pharmaceuticals and food retailers producing positive returns, while cyclical sectors and those most impacted from government lockdowns underperformed, such as housebuilders, banks and travel & leisure. Given the fears over global economic growth, bonds performed well over the period as investors sought their safe haven status. Government bond yields fell to record new lows in the period with the 10 year UK Gilt yield ending June at just 0.17%.

### **Performance**

The Company's NAV (with debt at fair value) was weak during the period, falling 18.1%, underperforming the benchmark's return of -13.3%, but performing broadly in line with the UK equity market. Despite the equity and bond portfolios outperforming their respective benchmarks, this was offset by the Company's gearing and overweight position in equities relative to the benchmark. Against the extreme market backdrop, the Company's holdings in more defensive sectors such as utilities, pharmaceuticals and consumer staples were positive for relative performance. Companies such as National Grid, Roche, Sanofi and Unilever are well placed for more difficult economic times and held up well as a result. Positions in Cranswick and Hilton Food Group also helped performance. Given these companies are involved in the production and packaging of food products respectively, the increased demand from consumers in the current environment helped support profits even with higher costs needed to safeguard employees and customers.

The most significant detractors from performance came from those companies that are most impacted from government "lockdowns", such as National Express, events company Informa and Premier Inn owner Whitbread. These companies' short term cash flows have been significantly affected by the restrictions on the movement of people and the reduced economic activity that has resulted. Along with many other companies in the UK market they have all suspended dividend payments and raised capital to protect their cash flow and financial strength in the short term. This is clearly the correct course of action for these companies in order to support their businesses at an unprecedented time. We supported each equity raise as we believe they are good quality businesses that will emerge from the current crisis in a strong position relative to their competition.

### **Portfolio Activity**

Early in the crisis we were quick to reduce the cyclicality of the equity portfolio, selling IAG (the holding company of British Airways) and Istock in January and Jupiter Fund Management, aerospace company Senior and housebuilder Vistry in March. The proceeds were used to increase holdings in more stable businesses that should have dependable cash flows and dividends, such as British American Tobacco, Unilever, Reckitt Benckiser and the French pharmaceutical company Sanofi. We also reduced the gearing of the Company in early March to more appropriate levels given the very uncertain outlook, selling £13m of holdings in US investment grade corporate bonds. These bonds had performed particularly well since purchase, with yields moving to extremely low levels which did not offer compelling value, especially against the Company's cost of borrowing. Gearing and the bond allocation finished the period at 20.9% and 13.3% respectively.

Dividend suspensions, deferrals and cuts have been extremely prevalent in the first half of the year as companies prioritise their financial security over shareholders' returns. Although the Company aims to own good quality businesses that can pay sustainable dividends, it has not been immune in the current environment. The focus has been to utilise the Company's structure to best support the revenue account and dividends but also maintaining potential for capital recovery. As mentioned above we have taken a pragmatic view to dividend cuts, supporting those companies we believe have

the best long term potential despite no dividends in the short term and sold those businesses that have cancelled dividends and where we have less faith over the medium term recovery prospects, such as HSBC, BT and Hammerson. We have materially increased the holdings in overseas companies, buying high quality businesses with good long term growth prospects that continue to pay attractive dividends, such as McDonald's and Coca-Cola in the US and European utilities EDP and RWE, which are both underpinned by growth in renewable power generation.

**David Smith**  
**Fund Manager**  
**11 September 2020**

## INVESTMENT PORTFOLIO

### CLASSIFICATION OF INVESTMENTS BY SECTOR

	Total 30 June 2020 %	Total 31 December 2019 %
<b>FIXED INTEREST</b>		
Preference shares	1.9	1.5
Other fixed interest	11.4	13.5
	-----	-----
<b>Total Fixed Interest</b>	<b>13.3</b>	<b>15.0</b>
	-----	-----
<b>EQUITIES</b>		
<b>Oil &amp; Gas</b>		
Oil & gas producers	4.3	5.8
	-----	-----
<b>Total Oil &amp; Gas</b>	<b>4.3</b>	<b>5.8</b>
	-----	-----
<b>Basic Materials</b>		
Chemicals	1.8	2.6
Mining	3.1	2.1
	-----	-----
<b>Total Basic Materials</b>	<b>4.9</b>	<b>4.7</b>
	-----	-----
<b>Industrials</b>		
Aerospace & defence	-	0.6
Construction & materials	0.3	1.1
General industrials	2.7	2.8
Industrial engineering	1.7	0.8
Support services	1.6	2.1
	-----	-----
<b>Total Industrials</b>	<b>6.3</b>	<b>7.4</b>
	-----	-----
<b>Consumer Goods</b>		
Automobiles & parts	0.7	0.8
Beverages	6.0	5.9
Food producers	3.1	2.7
Household goods & home construction	3.0	2.6
Personal goods	3.7	1.8
Tobacco	6.4	4.4
	-----	-----
<b>Total Consumer Goods</b>	<b>22.9</b>	<b>18.2</b>
	-----	-----
<b>Health Care</b>		
Pharmaceuticals & biotechnology	7.8	8.2
	-----	-----
<b>Total Health Care</b>	<b>7.8</b>	<b>8.2</b>
	-----	-----
<b>Consumer Services</b>		
Food & drug retailers	2.1	1.7
General retailers	0.8	1.1
Media	3.4	3.5
Travel & leisure	3.8	5.3
	-----	-----
<b>Total Consumer Services</b>	<b>10.1</b>	<b>11.6</b>
	-----	-----
<b>Telecommunications</b>		
Fixed line telecommunications	0.9	1.4
Mobile telecommunications	2.2	1.6
	-----	-----
<b>Total Telecommunications</b>	<b>3.1</b>	<b>3.0</b>
	-----	-----

	<b>Total</b>	Total
	<b>30 June 2020</b>	31 December 2019
	%	%
<b>Utilities</b>		
Electricity	2.2	1.0
Gas, water & multi-utilities	6.8	4.4
	-----	-----
<b>Total Utilities</b>	<b>9.0</b>	5.4
	-----	-----
<b>Financials</b>		
Banks	1.2	3.9
Equity investment instruments	2.3	2.0
Financial services	4.3	5.2
Life insurance	4.7	4.3
Non-life insurance	2.6	1.0
Real estate investment trusts	2.0	3.2
	-----	-----
<b>Total Financials</b>	<b>17.1</b>	19.6
	-----	-----
<b>Technology</b>		
Software & computer services	1.2	1.1
	-----	-----
<b>Total Technology</b>	<b>1.2</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 2020 £'000</b>	<b>% of portfolio 2020</b>	<b>Fair value as at 31 December 2019 £'000</b>	<b>% of portfolio 2019</b>
British American Tobacco	Consumer Goods	11,408	4.7	8,015	2.6
GlaxoSmithKline	Health Care	11,033	4.5	11,993	3.9
Rio Tinto	Basic Materials	7,607	3.1	6,437	2.1
Tesco*	Consumer Services	7,276	3.0	7,395	2.4
National Grid	Utilities	7,259	3.0	6,930	2.3
Diageo	Consumer Goods	6,735	2.8	10,615	3.5
Unilever	Consumer Goods	6,673	2.7	5,449	1.8
RELX (Netherlands)	Consumer Services	5,940	2.4	6,417	2.1
Vodafone	Telecommunications	5,304	2.2	5,079	1.7
Royal Dutch Shell	Oil & Gas	5,213	2.1	9,882	3.2
BP	Oil & Gas	5,165	2.1	7,929	2.6
Hilton Food Group	Consumer Goods	4,570	1.9	5,005	1.6
Imperial Brands	Consumer Goods	4,115	1.7	5,525	1.8
Severn Trent	Utilities	3,935	1.6	3,369	1.1
Reckitt Benckiser	Consumer Goods	3,468	1.4	1,159	0.4
Lloyds Banking*	Financials	3,439	1.4	6,217	2.0
SSE	Utilities	3,388	1.4	3,054	1.0
AstraZeneca	Health Care	3,360	1.4	6,961	2.3
Bunzl	Industrials	3,310	1.4	3,972	1.3
Phoenix	Financials	3,310	1.4	4,779	1.6
<b>TOTAL INVESTMENTS</b>		<b>112,508</b>	<b>46.2</b>	<b>126,182</b>	<b>41.3</b>

\*includes fixed interest

## EQUITY PORTFOLIO SECTOR EXPOSURE AT 30 JUNE 2020

	Equity portfolio weight %	FTSE All-Share Index %
Consumer Goods	26.1	15.7
Financials	21.2	25.2
Consumer Services	11.3	11.7
Utilities	10.0	3.6
Health Care	8.9	11.4
Industrials	7.2	12.1
Basic Materials	5.6	8.4
Oil & Gas	4.9	8.4
Telecommunications	3.5	2.4
Technology	1.3	1.1
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## TOP TEN HOLDINGS BY CONTRIBUTION TO INCOME DURING THE SIX MONTHS ENDED 30 JUNE 2020

Position	Holding	Sector	£'000
1	Rio Tinto	Basic Materials	297
2	M&G	Financials	287
3	GlaxoSmithKline	Health Care	283
4	BP	Oil & Gas	277
5	Imperial Brands	Consumer Goods	269
6	Royal Dutch Shell	Oil & Gas	215
7	Tesco*	Consumer Services	200
8	British American Tobacco	Consumer Goods	193
9	Vodafone	Telecommunications	151
10	Phoenix	Financials	149
	<b>TOTAL</b>		<b>2,321</b>

\* includes fixed interest income

These constitute 35.9% of the total income from investments during the period.

## **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 risk and risks relating to pandemics and epidemics, terrorism and international conflicts
- Tax, legal and regulatory risk

Emerging risks:

- Risks associated with Brexit
- 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 2019. In the view of the Board these principal and emerging risks have not changed 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.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Each of the Directors 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**

**11 September 2020**

## CONDENSED INCOME STATEMENT

	(Unaudited) Half-year ended 30 June 2020			(Unaudited) Half-year ended 30 June 2019			(Audited) Year-ended 31 December 2019		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss		- (48,456)	(48,456)	-	26,837	26,837	-	41,212	41,212
Income from investments held at fair value through profit or loss	6,463	-	6,463	7,892	-	7,892	15,041	-	15,041
Other interest receivable and similar income	325	-	325	3	-	3	6	-	6
<b>Gross revenue and capital gains/(losses)</b>	<b>6,788</b>	<b>(48,456)</b>	<b>(41,668)</b>	<b>7,895</b>	<b>26,837</b>	<b>34,732</b>	<b>15,047</b>	<b>42,212</b>	<b>56,259</b>
Management and performance fees (note 2)	(285)	(429)	(714)	(288)	(431)	(719)	(575)	(864)	(1,439)
Other administrative expenses	(233)	-	(233)	(191)	-	(191)	(405)	-	(405)
<b>Net return before finance costs and taxation</b>	<b>6,270</b>	<b>(48,885)</b>	<b>(42,615)</b>	<b>7,416</b>	<b>26,406</b>	<b>33,822</b>	<b>14,067</b>	<b>40,348</b>	<b>54,415</b>
Finance costs	(155)	(465)	(620)	(200)	(598)	(798)	(385)	(1,156)	(1,541)
<b>Net return before taxation</b>	<b>6,115</b>	<b>(49,350)</b>	<b>(43,235)</b>	<b>7,216</b>	<b>25,808</b>	<b>33,024</b>	<b>13,682</b>	<b>39,192</b>	<b>52,874</b>
Taxation on net return	(160)	-	(160)	(50)	-	(50)	(63)	-	(63)
<b>Net return after taxation</b>	<b>5,955</b>	<b>(49,350)</b>	<b>(43,395)</b>	<b>7,166</b>	<b>25,808</b>	<b>32,974</b>	<b>13,619</b>	<b>39,192</b>	<b>52,811</b>
<b>Return per ordinary share</b> (note 3)	<b>4.63p</b>	<b>(38.38p)</b>	<b>(33.75p)</b>	<b>5.57p</b>	<b>20.07p</b>	<b>25.64p</b>	<b>10.59p</b>	<b>30.48p</b>	<b>41.07p</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	Share premium account	Capital redemption reserve	Other capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Half-year ended 30 June 2020 (unaudited)</b>						
At 1 January 2020	6,430	126,783	26,302	80,899	10,674	251,088
Net return after taxation	-	-	-	(49,350)	5,955	(43,395)
Fourth interim dividend (2.475p per share) for the year-ended 31 December 2019, paid 31 January 2020	-	-	-	-	(3,183)	(3,183)
First interim dividend (2.475p per share) for the year-ending 31 December 2020, paid 24 April 2020	-	-	-	-	(3,183)	(3,183)
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<b>At 30 June 2020</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>31,549</b>	<b>10,263</b>	<b>201,327</b>
	=====	=====	=====	=====	=====	=====

	Called up share capital	Share premium account	Capital redemption reserve	Other capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Half-year ended 30 June 2019 (unaudited)</b>						
At 1 January 2019	6,430	126,783	26,302	41,707	9,566	210,788
Net return after taxation	-	-	-	25,808	7,166	32,974
Fourth interim dividend (2.425p per share) for the year-ended 31 December 2018, paid 25 January 2019	-	-	-	-	(3,118)	(3,118)
First interim dividend (2.425p per share) for the year-ending 31 December 2019, paid 26 April 2019	-	-	-	-	(3,118)	(3,118)
Unclaimed dividends	-	-	-	-	27	27
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<b>At 30 June 2019</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>67,515</b>	<b>10,523</b>	<b>237,553</b>
	=====	=====	=====	=====	=====	=====

	Called up share capital	Share premium account	Capital redemption reserve	Other capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Year-ended 31 December 2019 (audited)</b>						
At 1 January 2019	6,430	126,783	26,302	41,707	9,566	210,788
Net return after taxation	-	-	-	39,192	13,619	52,811
Fourth interim dividend (2.425p per share) for the year-ended 31 December 2018, paid 25 January 2019	-	-	-	-	(3,118)	(3,118)
First interim dividend (2.425p per share) for the year-ended 31 December 2019, paid 26 April 2019	-	-	-	-	(3,118)	(3,118)
Second interim dividend (2.425p per share) for the year-ended 31 December 2019, paid 26 July 2019	-	-	-	-	(3,118)	(3,118)
Third interim dividend (2.475p per share) for the year-ended 31 December 2019, paid 25 October 2019	-	-	-	-	(3,183)	(3,183)
Unclaimed dividends	-	-	-	-	26	26
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<b>At 31 December 2019</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>80,899</b>	<b>10,674</b>	<b>251,088</b>
	=====	=====	=====	=====	=====	=====

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

## CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 June 2020 £'000	(Unaudited) 30 June 2019 £'000	(Audited) 31 December 2019 £'000
Investments held at fair value through profit or loss (note 4)	243,385	292,385	305,064
<b>Current assets</b>			
Debtors	1,773	2,168	2,069
Cash at bank and in hand	3,361	2,540	2,701
	5,134	4,708	4,770
<b>Creditors: amounts falling due within one year</b>	(27,358)	(39,715)	(38,917)
<b>Net current liabilities</b>	(22,224)	(35,007)	(34,147)
<b>Creditors: amounts falling due after more than one year</b>	(19,834)	(19,825)	(19,829)
<b>Net assets</b>	201,327	237,553	251,088
<b>Capital and reserves</b>			
Called up share capital (note 6)	6,430	6,430	6,430
Share premium account	126,783	126,783	126,783
Capital redemption reserve	26,302	26,302	26,302
Other capital reserves	31,549	67,515	80,899
Revenue reserve	10,263	10,523	10,674
<b>Total shareholders' funds</b>	201,327	237,553	251,088
<b>Net asset value per ordinary share (note 5)</b>	156.56p	184.73p	195.25p

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

## CONDENSED CASH FLOW STATEMENT

	(Unaudited) Half-year ended 30 June 2020 £'000	(Unaudited) Half-year ended 30 June 2019 £'000	(Audited) Year-ended 31 December 2019 £'000
<b>Cash flows from operating activities</b>			
Net (loss)/return before taxation	(43,235)	33,024	52,874
Add back: finance costs	620	798	1,541
Add: losses/(gains) on investments held at fair value through profit or loss	48,456	(26,837)	(41,212)
Withholding tax on dividends deducted at source	(160)	(50)	(63)
Decrease/(increase) in prepayments and accrued income	297	(402)	(302)
Increase/(decrease) in accruals and deferred income	391	(392)	(287)
<b>Net cash inflow from operating activities</b>	<b>6,369</b>	<b>6,141</b>	<b>12,551</b>
<b>Cash flows from investing activities</b>			
Sales of investments held at fair value through profit or loss	75,890	37,695	59,656
Purchases of investments held at fair value through profit or loss	(61,744)	(35,089)	(56,240)
<b>Net cash inflow from investing activities</b>	<b>14,146</b>	<b>2,606</b>	<b>3,416</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid (net of refund of unclaimed distributions)	(6,366)	(6,209)	(12,511)
Repayment of loans	(13,639)	(1,821)	(1,847)
Interest paid	(615)	(794)	(1,533)
<b>Net cash outflow from financing activities</b>	<b>(20,620)</b>	<b>(8,824)</b>	<b>(15,891)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(105)</b>	<b>(77)</b>	<b>76</b>
Cash and cash equivalents at beginning of period	2,701	2,581	2,581
Exchange movements	765	36	44
<b>Cash and cash equivalents at end of period</b>	<b>3,361</b>	<b>2,540</b>	<b>2,701</b>
Comprising:			
Cash at bank	3,361	2,540	2,701

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 October 2019.

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 2019. The condensed set of financial statements has been neither audited nor reviewed by the Company's auditor.

### 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 2019. Performance fees are provided for based on the outperformance against the Company's net asset value versus the benchmark index. For the half-year ended 30 June 2020 there was no provision for a performance fee (half-year ended 30 June 2019: no provision; year-ended 31 December 2019: no provision). The actual performance fee, if any, payable to the Manager for the year to 31 December 2020 requires outperformance above a hurdle of 1% over the full financial year after covering any prior years' underperformance. The performance fee is subject to a 0.4% cap of the average gross assets in any one year.

### 3. Revenue return per ordinary share

The revenue return per ordinary share is based on the following figures:

	<b>(Unaudited) Half-year ended 30 June 2020 £'000</b>	(Unaudited) Half-year ended 30 June 2019 £'000	(Audited) Year-ended 31 December 2019 £'000
Net revenue return	5,955	7,165	13,619
Net capital return	<b>(49,350)</b>	25,808	39,192
<b>Total return</b>	<b>(43,395)</b>	32,973	52,811
Weighted average number of ordinary shares	<b>128,596,278</b>	128,596,278	128,596,278
Revenue return per ordinary share	<b>4.63p</b>	5.57p	10.59p
Capital return per ordinary share	<b>(38.38p)</b>	20.07p	30.48p
<b>Total return per ordinary share</b>	<b>(33.75p)</b>	25.64p	41.07p

The Company does not have any dilutive securities.

### 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 2020 the fair value of the senior unsecured note has been estimated to be to be



£24,985,000 (30 June 2019: £23,560,000; 31 December 2019: £23,921,000) 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. As of 30 June 2019, the methodology for determining the credit spread changed and is now based on the spread between the yield of the ICE BofAML 10-15 Year A Sterling Non-Gilt Index and the redemption yield of the ICE BofAML 10-15 Year UK Gilt Index. The discount rate is calculated and updated at each month end and applied daily to determine the Company's published fair value NAVs.

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(d) in the Company's Annual Report for the year-ended 31 December 2019. 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 2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Equity investments</b>	<b>210,490</b>	-	-	<b>210,490</b>
<b>Convertibles</b>	<b>657</b>	-	-	<b>657</b>
<b>Fixed interest investments:</b>				
- Preference shares	4,659	-	-	4,659
- Other	27,579	-	-	27,579
<b>Written options</b>	-	<b>(244)</b>	-	<b>(244)</b>
<b>Total</b>	<b>243,385</b>	<b>(244)</b>	-	<b>243,141</b>
Financial assets at fair value through profit or loss at 30 June 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	247,153	-	-	247,153
Convertibles	697	-	-	697
Fixed interest investments:				
- Preference shares	1,504	-	-	1,504
- Other	43,031	-	-	43,031
<b>Total</b>	<b>292,385</b>	-	-	<b>292,385</b>

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

The Company's holdings in options are included within Level 2.

Premiums from written options during the half-year ended 30 June 2020 were £319,000 (half-year ended 30 June 2019: £nil, year-ended 31 December 2019: £nil).

### 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 £201,327,000 (30 June 2019: £237,553,000; 31 December 2019: £251,088,000) and on the 128,596,278 ordinary shares in issue at 30 June 2020 (30 June 2019: 128,596,278; 31 December 2019: 128,596,278).

### 6. Called up share capital

During the half-year ended 30 June 2020, no ordinary shares were issued (half-year ended 30 June 2019: none; year-ended 31 December 2019: none). At 30 June 2020 there were 128,596,278 ordinary shares of 5p nominal value in issue. Between 1 July 2020 and 11 September 2020, no further shares have been issued. The Company has no shares held in Treasury.

### 7. Dividends

In respect of the year-ended 31 December 2019, a fourth interim dividend of 2.475p per share (2018: 2.425p) was paid on 31 January 2020 to shareholders on the register at close of business on 13 December 2019. In respect of the year ending 31 December 2020, a first interim dividend of 2.475p per share (2019: 2.425p) was paid on 24 April 2020 to shareholders on the register at close of business on 3 April 2020. These dividends are reflected in the half-year financial statements.

A second interim dividend of 2.475p per share (2019: 2.425p) was paid on 31 July 2020 to shareholders on the register at close of business on 19 June 2020. The shares went ex-dividend on 18 June 2020. A third interim dividend of 2.475p per share (2019: 2.475p) will be paid on 30 October 2020 to shareholders on the register on 18 September 2020. The shares will go ex-dividend on 17 September 2020. 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 and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
<b>Net debt as at 1 January 2020</b>	<b>2,701</b>	<b>(37,967)</b>	<b>(19,829)</b>	<b>(55,095)</b>
<b>Cash flows</b>	<b>(105)</b>	<b>13,639</b>	<b>-</b>	<b>13,534</b>
<b>Exchange movements</b>	<b>765</b>	<b>(1,604)</b>	<b>-</b>	<b>(839)</b>
<b>Non cash flow:</b>				
<b>Effective interest movements</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(5)</b>
<b>Net debt as at 30 June 2020</b>	<b>3,361</b>	<b>(25,932)</b>	<b>(19,834)</b>	<b>(42,405)</b>

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt as at 1 January 2019	2,581	(40,468)	(19,821)	(57,708)
Cash flows	(77)	1,821	-	1,744
Exchange movements	36	(222)	-	(186)
Non cash flow:				
Effective interest movements	-	-	(4)	(4)
Net debt as at 30 June 2019	2,540	(38,869)	(19,825)	(56,154)

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

## 9. Related party transactions

The Company's transactions with related parties in the half year were with the Directors and Janus Henderson ("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 and the provision of sales and marketing activities, there have been no material transactions with the Manager 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. Having assessed these factors, the principal and emerging risks and other matters discussed in connection with the viability statement, and the recent renewal of the Scotiabank loan facility, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. In coming to this conclusion, the Directors also considered the implications of the ongoing COVID-19 pandemic on the Company's revenue reserves, NAV and share price.

## 11. 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 2019 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.

## **12. General information**

### **Company status**

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

London Stock Exchange Daily Official List (SEDOL): 0958057

ISIN Number: GB0009580571

London Stock Exchange (TIDM) Code: HHI

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

### **Registered office**

201 Bishopsgate, London EC2M 3AE

### **Directors**

The Directors of the Company are Margaret Littlejohns (Chairman), Jonathan Silver (Chairman of the Audit & Risk Committee), Zoe King (Senior Independent Director), Richard Cranfield and Jeremy Rigg.

### **Corporate Secretary**

Henderson Secretarial Services Limited, represented by Hannah Gibson, FCG.

### **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).

For further information please contact:

David Smith  
Fund Manager  
Henderson High Income Trust plc  
Telephone: 020 7818 4443

James de Sausmarez  
Director & Head of Investment Trusts  
Janus Henderson Investors  
Telephone: 020 7818 3349

Laura Thomas  
Investment Trust PR Manager  
Janus Henderson Investors  
Telephone: 020 7818 2636

*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) is incorporated into, or forms part of, this report.*