Henderson High Income Trust plc

Report and Financial Statements for the year ended 31 December

2009

Henderson High Income Trust plc

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

Investment strategy

Approximately three quarters of the Company's assets are currently invested in ordinary shares of listed companies with the balance in listed fixed interest stocks. The Company invests predominantly in companies listed in the UK and does not expect to invest more than 20% of total assets in non-UK listed companies. The selection process seeks to identify companies with strong balance sheets and currently paying dividends. There is a focus on well-managed companies whose qualities may have been temporarily overlooked and which offer potential for capital appreciation over the medium term. The Company has an active policy of using appropriate levels of gearing.

Growth

The net asset value total return of the Company over the past five years is 19.6% (source: AIC Information Services Limited).

Independent board of directors

The directors, all of whom are independent of the Investment Manager, meet at least six times a year to consider investment strategy and monitor performance.

Performance Summary

Per ordinary share	31 December 2009	31 December 2008	Change %
Net asset value	**117.73p**	102.73p	+14.6
Market price	**114.50p**	95.00p	+20.5
Revenue return	**7.51p**	8.90p	-15.6
Annual dividend	**8.30p**	8.30p	–

Total return (with net dividends reinvested)	1 year %	3 years %	5 years %
Net asset value per ordinary share◆	+27.8	-21.9	+19.6
Market price per ordinary share	+31.4	-21.2	+35.7
Benchmark*	+22.3	+1.4	+34.5
FTSE All-Share Index	+30.1	-4.0	+36.8
FTA Government All Stocks Index†	-1.2	+17.4	+27.6

◆See page 55 for explanation of movement in the NAV.
*The benchmark is a composite of 75% of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index.
Source: AIC Information Services Limited.
†Source: Datastream, gross dividends reinvested.

Net dividend yield at 31 December	2009 %	2008 %
Henderson High Income Trust plc	**7.2**	8.7
FTSE All-Share Index†	**3.2**	4.5
FTA Government All Stocks Index†	**4.1**	3.5

†Source: Datastream.

Dividend Information and Payment Dates

A fourth interim dividend of 2.075p per ordinary share for the year ended 31 December 2009 will be paid on 30 April 2010 to shareholders registered on 9 April 2010. The shares will be quoted ex-dividend from 7 April 2010.

Details of the dividends paid during the year ended 31 December 2009 are given in the Reconciliation of Movements in Shareholders' Funds on page 29. The dividends in respect of 2010 are expected to be paid on the following dates:

First interim payable 29 July 2010
Second interim payable 29 October 2010
Third interim payable 31 January 2011
Fourth interim payable 29 April 2011

Contents

Chairman's Statement

Hugh Twiss

Assets and Performance

In reading back through my last few annual statements, I realise that references to the weather appear to feature quite often, so it is not surprising that I am tempted to make a reference to the recent 'big chill' which we have been enduring and the performance of markets which has been anything but a chill! Indeed the hope for decent weather, which I alluded to in my interim statement, came to pass with an Indian summer and was matched with markets continuing to recover and, at last, giving me some better news to be able to report to shareholders. Namely, that the share price total return was +31.4% in 2009, so outperforming our benchmark's total return of +22.3%. Although we have not yet recovered all of the falls suffered in recent years as a result of the global financial crisis, it is still a very welcome step in the right direction and it is encouraging to see that the share price total return over the previous five years was +35.7%, slightly ahead of the benchmark total return of +34.5%. This is, in light of the market volatility over this five year period, no mean achievement and underlines the benefits of taking a longer term view.

As so often with stock markets, they were quite perky at a time when the economic news, particularly in the UK, was still poor, albeit better than it had been in the nadir of the crisis. Indeed the UK was the weakest of the developed economies and slowest to emerge from recession, with this much longed for point only being achieved in the last quarter of 2009 with growth of 0.3%. The sorry state of the UK and other developed economies is in stark comparison to many emerging economies like Brazil, India and China which have all grown strongly, particularly China which has seen growth of over 10%. This has led to a strong recovery in commodity prices, particularly for metals and oil, which in turn was reflected in a strong recovery of the mining stocks. These are a major component of the UK stock market but not of our portfolio because of their lack of yield, so making it difficult for our NAV to enjoy the same increase as seen in the FTSE All-Share Index last year. This was also exacerbated by the 'dash for trash' which is typical of market recoveries when the change in sentiment, as seen in March 2009, encouraged some investors to chase those stocks which were the most distressed, reflecting their near death experiences. Such stocks do not pay dividends and, therefore, formed no part of our portfolio, and so did not allow us to benefit from this speculative dash. However, our bond portfolio with its heavy exposure to financial bonds, which had been so volatile previously, recovered very strongly as it became clear that the financial sector would survive. So it has not been an easy year for income funds like ours, which, as a sector, have lagged the equity market, albeit still making good positive returns. Our Portfolio Manager in his report will give you more chapter and verse as to what has been happening and tell you what he has been doing to strengthen our position going forward.

Dividends

It is particularly pleasing for your Board and Manager, and will I know be a great relief to all shareholders, that we have been able to maintain the dividend this year, against the background of the savage dividend cuts which had been happening across large parts of the UK stock market and is reflected in a 15.6% fall in our revenue return last year. We have been able to do this by dipping into our revenue reserve which is, of course, the reason for having it in the first place. As our Portfolio Manager alludes to in his report, we are hopeful that the worst of such dividend cuts are behind us and that we will now start to see not only the restoration of some dividends, but also even some increase in others. This is not to be taken as the start of a great panacea for dividend growth in the UK market, although hopefully over time that will happen, but it does give us more confidence that we will be able to continue to maintain the dividend we pay to our shareholders, even if again this year we have to dip into reserves. These are, of course, finite and without sustained dividend growth in the market will not last for ever. Our current aim remains to maintain distributions, although this aspiration will continue to be kept under review during the year in light of actual experience and the investment conditions at the time.

Chairman's Statement
continued

Gearing
An important feature of this Company is that we utilise an element of gearing principally to enable us to generate additional income, and hopefully also capital growth over time. We have for the last five years deployed gearing through bank borrowings, rather than through the previous structural gearing, and have had a five year banking facility in place. In current conditions in the banking sector, such long term facilities are almost impossible to find. In consequence, we have decided to renew it with a smaller facility for one year only which we consider is adequate for our current needs, and allows us the flexibility going forward to increase it and/or take advantage of any improvement in the terms being offered.

Continuation Vote
It is in our Articles of Association that shareholders should have the opportunity every fifth year to vote on whether they wish to continue the life of the Company or to wind it up. Shareholders will, therefore, be asked to vote on this at the forthcoming AGM. It is very important that all shareholders vote (by completing the enclosed voting card and returning it in the envelope provided) on this important motion which will have a direct impact on each and every shareholder, so should not be left to others to decide by failing to vote. Your Board is strongly recommending that you vote in favour so that the Company can continue to do the important job of providing you, the shareholders, with a high level of income (we currently yield 7%) while maintaining the prospect of capital growth over time. If shareholders should, however, decide to vote against the motion, then the Board would be required to wind the Company up and return the capital to shareholders. If you are in doubt as to what action you should take then I would urge you to consult your financial advisor. The directors will be voting their own combined holding of 86,425 shares in favour and urge all other shareholders to do the same.

Outlook
Sitting here in the UK, we face probably more uncertainty than others with our weak economic growth, not having been helped by the recent snow, the increase in VAT and the current cessation of quantitative easing by the Bank of England. This is without worrying about how the huge government borrowings are going to be reduced, the impact they will have and exactly which political party or parties will form the government that will tackle them. Indeed it is many years since political uncertainty last weighed on the UK stock market, but by the time we meet at our AGM we should at least know the answer. We could take some comfort from the fact that we are not entirely alone in this predicament; indeed other countries, like Greece and Ireland, appear worse placed than us. But this may not be wise as in today's global markets and economies we are not immune to contagion elsewhere, so we have as much interest in Greece and other countries successfully overcoming their problems, as we do in our own. Although a weaker euro would be welcome for those who enjoy holidaying in Europe, and I am sure you will get a very warm welcome in Greece, we really need to support our own economy by holidaying here too, despite the weather. Hopefully the Met Office's long range forecasting will be more accurate this year, although I suspect they have learned their lesson that it is a practice better avoided. I too will avoid making any forecasts, but I do remain confident that, despite whatever challenges we may or may not face in the years ahead, we have a well diversified portfolio, an experienced Portfolio Manager and a strong Board, so, with shareholders' support, we will continue to meet our objectives for the next five years.

Hugh Twiss, Chairman
18 March 2010

Investment Review

Alex Crooke

Review of the Year to 31 December 2009

I commented last year in my outlook statement that the world was in the grip of fear of a depression and a collapse in the banking system but that economies do eventually recover. The outcome over the past year has broadly borne this out but even a naturally cautious optimist as myself would have hoped that economic recovery would be more robust than the insipid 0.3% growth in the fourth quarter of 2009; the first positive quarter of growth in over 18 months.

During the first two months of 2009, shares and bonds continued to fall rapidly, with rumours of corporate failure and bank insolvencies. World trade stagnated and letters of credit proved hard to source from banks loathe to have any exposure to counterparties likely to default. Decisive action was required to restore confidence and in early March the Bank of England cut interest rates to 0.5% and announced that they intended to repurchase gilts in the open market. However, the turning point was the recapitalisation of banks through the government taking large equity stakes and the rights issue from HSBC. Slowly confidence returned and the stock market rallied as investors gained confidence in the measures being undertaken.

The year was certainly eventful for the variety and scale of schemes enacted to stimulate the UK economy. The government introduced a car scrappage scheme, and cut VAT to 15%, while also recapitalising both Royal Bank of Scotland and Lloyds, ending up owning 84% and 41% of the shares in issue of each, respectively. The Bank of England held interest rates at 0.5% from March onwards and began a programme of quantitative easing (QE), finally injecting £200bn into the economy by buying gilts in the open market, equivalent to almost 20% of the entire stock of gilts in issue.

Despite a considerable pick-up in global trade and the majority of countries pulling out of recession in the third quarter, the UK economy has struggled to recover and gained little momentum from the benefits of historically low levels of interest rates. Companies continued to cut jobs to maintain profits and rescheduled workers onto reduced working hours, impacting consumption within the economy. Towards the end of the year, there were more optimistic signs of growth, with retail sales at Christmas being strong and house prices and transactions growing once more, although new mortgages are still difficult to source.

Equities and bonds have both performed very well since early March, recovering some of their lost ground from 2008. Investment grade (non-financial) bonds in particular are now trading at prices last seen before the collapse of Lehman's, reflecting the exceptionally low government gilt yields. The performance within the equity market has been mixed with economically sensitive sectors like Mining, Retailers and Industrials performing extremely well at the expense of the

The ten largest Equity Investments at 31 December 2009 were:

Position	Company	Sector	**Fair value 2009 £'000**	Fair value 2008 £'000	**Percentage of portfolio 2009**	Percentage of portfolio 2008
1	BP	Oil & Gas	**8,400**	7,364	**6.8%**	6.9%
2	HSBC*	Financials	**5,998**	5,229	**4.9%**	4.9%
3	Vodafone	Telecommunications	**5,508**	5,328	**4.5%**	5.0%
4	Imperial Tobacco*	Consumer Goods	**5,355**	3,649	**4.4%**	3.4%
5	British American Tobacco*	Consumer Goods	**5,354**	4,756	**4.4%**	4.5%
6	National Grid*	Utilities	**4,773**	3,737	**3.9%**	3.5%
7	Aviva*	Financials	**4,723**	4,102	**3.8%**	3.9%
8	Catlin	Financials	**4,233**	4,010	**3.4%**	3.8%
9	Prodesse	Financials	**3,846**	2,700	**3.1%**	2.5%
10	GlaxoSmithKline	Health Care	**3,066**	1,477	**2.5%**	1.4%
			51,256	42,352	**41.7%**	39.8%

*includes fixed interest

Investment Review

continued

defensive sectors like Telecoms, Utilities and Pharmaceuticals. The large rights issues in 2009, combined with limited inflows into equity funds, have resulted in shares from larger, liquid companies being sold to fund the cash calls.

The performance at a stock level has largely been a mirror reversal of 2008, in that the bond portfolio has recovered much of its lost ground and materially outperformed UK gilts. The work done in broadening the portfolio away from financials produced improved performance as the industrial and consumer investment grade bonds turned first and now trade around fair value compared with comparable government bond yields. The equity portfolio, having outperformed in 2008, continued its recovery in value terms but through a lack of mining and bank holdings (both low yielding sectors), it did not recover to the same extent as the FTSE All-Share Index. There were plenty of positives in that the smaller companies in the portfolio performed exceptionally well and the degree of dividend cuts, while undesirable, has been manageable. The largest income-producing positions have been very stable and only **HSBC** and **Aviva** from last year's top 10 have cut their dividend payments.

Portfolio Activity

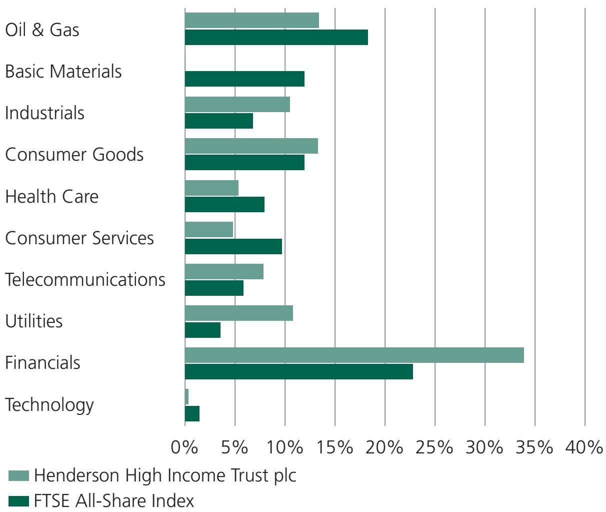
Managing the gearing is always the most difficult aspect of running an investment trust during highly volatile markets. When markets fall, the gearing can increase dramatically and covenant limits add further tension. The flexibility of the banking facility has once again shown the benefits of not having structural gearing, as during the market fall we were able to keep gearing under control and maintain equity exposure around 90% of net asset value. In the recovery phase we have been reducing bond investments to increase equity exposure, while also making sure that we increased investment to maintain gearing around 25%, as markets recovered over the summer.

Much of the bond portfolio restructuring was achieved in 2008 and during the past year we have benefited from a reduced exposure to financial bonds. The remaining banking preference shares and bonds experienced a challenging market but the recent banking bond exchanges have broadly been welcomed by the market. We had to reduce certain bond holdings at **Lloyds** in order to make sure all the investments produced income but we were better placed with the **NatWest** (RBS) investments. Elsewhere in fixed interest, it is pleasing to see the re-emergence of traditional convertible bonds with decent yields above 5%, as these are perfect investments for the Company. We purchased a newly issued 5 year convertible bond from **British Airways**, giving exposure to a recovery stock when the underlying equity pays no dividends. **British Airways** has many challenges but air travel is recovering and mergers with Iberia and American Airlines would transform the network and cost base.

Within the equity portfolio we reduced Telecom exposure because, despite large dividend yields, the industry fundamentals remain difficult. Intense competition and regulatory price cuts will create considerable headwinds and have already reduced profits. Following a recovery in prices we sold the **British Telecom** and **Cable and Wireless** holdings. Some positions, through good appreciation or rights issue, grew to a disproportionate level within the portfolio and we trimmed these holdings back to invest into other sectors. **Catlin** remains a firm conviction holding, being an insurance company with a solid underwriting record, operating globally. Following their recent rights issue to fund growth of the company, we scaled back the investment but it remains in the top 10 holdings. **Prodesse** was also cut back following a strong upward move in the share price, but sadly the management have decided to wind up the company. It has produced a highly attractive income flow over the years of the investment, yielding over 10%, whilst also growing the capital. Replacing the investment will bring a new challenge.

Areas of increased or new investment included Pharmaceuticals for defensive growth, Financials for recovery earnings and Industrials on cheap valuations. We increased

Sector Analysis of the Equity Portfolio at 31 December 2009



Source: Henderson Global Investors

Investment Review

continued

the **GlaxoSmithKline** holding and also purchased **AstraZeneca**. Both stocks are on very low valuations reflecting declining expectations for their pipeline of new drugs but the market is not adequately reflecting the quality of their cash flow and future ability to cut costs. New financial investments included the insurer **Hiscox** and property company **Land Securities**, while a number of other financials were sold to reinvest into the rights issues from **HSBC**, **Catlin** and **Intermediate Capital**.

Underwriting the plethora of rights issues in the UK proved an attractive trade last year, with stable fees and deep discounts protecting underwriters. In total we generated £258,000 in underwriting fees, generally from stocks and sectors to which we were not already exposed. The coming year should feature further rights issues, although there should be fewer rescue issues and more from companies seeking to grow or acquire, as economic growth recovers.

Outlook

In the year ahead we anticipate there will be increasing growth in the economy but it is unlikely to be robust because bank lending is limited and consumers have to contend with higher taxes and lower government stimulus. A consequence of low growth will be a continuation of the low interest rate policy and rates may be on hold for the remainder of the year. Rising funding requirements from governments will put upward pressure on the yield of fixed income, but may actually drive more investors into equities, especially those with higher and growing dividends. Equity valuations look fairly priced across the market but hide some wide discrepancies across sectors and stocks. In addition, there continue to be very attractive yields and ratings from many of the defensive sectors. If economic growth does remain subdued in the coming year, then there should be a rotation back into those stocks with reliable earnings relative to the more cyclical recovery sectors.

The challenge in running the portfolio will be twofold: growing the net asset value and generating income in the year ahead. We have undertaken a detailed analysis of the gearing requirements and feel that a reduced facility of £35m will be sufficient to allow the generation of income in support of dividends while also allowing flexibility to take advantage of market opportunities. The smaller facility will also reduce the market level at which covenant levels are reached and reduce costs should we not utilise the whole capacity. Equity exposure as a percentage of net assets will rise over the coming year as we switch bonds into equities which have greater growth potential and are less likely to be affected by removal of quantitative easing; however, equity gearing is not expected to exceed 120%. Low interest rates are likely to remain on hold over 2010. Therefore, despite a higher margin on the new facility, the overall cost of gearing will be low, and more than covered by new equity investments yielding 4% on average.

The outlook for income is improving from a low point as the number of companies cutting dividends should reduce in 2010, resulting in the overall market dividend turning positive, year on year, sometime in the second half. However, it is usual that companies are cautious in raising dividends after recessions until economic growth and profit recovery are well established; this especially applies to those that have passed or cut dividends. The income flows from the portfolio will continue to be impacted by reduced final dividends in the first half of 2010 but there should be a better pattern of recovery apparent in the second half. The current revenue forecasts project a similar shortfall in 2010 income as there was in 2009; however, we do require dividend growth in 2011 to eradicate this shortfall substantially. Revenue reserves have been built up in recent years and on current forecasts, and if conditions permit, we anticipate drawing on them again in 2010 to maintain current quarterly payments. This would allow time for a recovery in corporate profits to reduce our reliance on the release of revenue reserves.

Alex Crooke
Ben Lofthouse
18 March 2010

Top Ten Contributors to Income during the Year ended 31 December 2009

Holding	£'000
Prodesse	527
BP	510
Aviva*	335
Vodafone	301
Catlin	269
British American Tobacco*	260
HSBC*	225
National Grid*	200
Standard Chartered*	184
Imperial Tobacco*	184
Total	**2,995**

These represent 41% of the total income from investments during the year
* includes fixed interest income

Investments: Fixed Interest

Valuations at 31 December 2009

FIXED INTEREST	£'000
Preference Shares	
Aviva 8.75%	1,332
Co-Operative Bank 9 1/4%	845
General Accident 8.875%	392
Middlefield Canadian Inc Part Pref 7%	837
National Westminster Bank 9%	507
Royal & Sun Alliance 7 3/8%	591
Santander 10.375%	677
Total Preference Shares	**5,181**

FIXED INTEREST continued	£'000
Others	
AIB 12.5% 2019	514
Argon Capital 8.162% Perpetual 2012	353
Aviva 6.125% Perpetual	504
Barclays Bank 6% Perpetual 2049	281
Barclays Bank 10.179% 2021	1,444
BAT International Finance 7.25% 2024	1,119
BNP Paribas 7.436% Perpetual 2049	933
Bradford & Bingley Building Society 7.625% 2010	108
BSkyB Finance 5.75% 2017	518
Cadbury Schweppes 7.25% 2018	828
Carnival 7.125% 2012	767
Credit Suisse Group 8.514% 2015	1,518
Daily Mail & General Trust 7.5% 2013	753
HSBC Capital Funding 8.208% 2015	977
Hutchison Ports 6.75% 2015	615
Imperial Tobacco Finance 8.125% 2024	856
Imperial Tobacco Finance 9% 2022	369
Investec Finance 7.75% 2016	909
Legal & General 6.385% Perpetual	348
Lloyds Capital 11.04% 2020	752
National Grid 6.125% 2014	1,063
National Westminster Bank 7.625% 2049	332
Portman Building Society 7.125% 2016	1,028
Prudential 11.75% 2049	402
Rexam 6.75% 2067	744
Safeway 6.125% 2018	1,058
Severn Trent Finance 6% 2018	783
Société Générale 8.875% 2049	1,733
Standard Chartered Bank 8.103% Perpetual 2016	2,083
Standard Chartered Bank 9.5% Perpetual 2049	95
Total Others	**23,787**
TOTAL FIXED INTEREST	**28,968**

Investments: Equities (including convertibles and investment funds)

Valuations at 31 December 2009

OIL & GAS	£'000
Oil & Gas Producers	
BP	8,400
LASMO OPS	32
Royal Dutch Shell 'B'	2,649
Total Oil & Gas	**11,081**

INDUSTRIALS	£'000
Construction & Materials	
Balfour Beatty*	898
Galliford Try	2,345
Marshalls	444
Aerospace & Defence	
BAE Systems	1,258

INDUSTRIALS continued	£'000
Electronic & Electrical Equipment	
TT Electronics	227
Industrial Engineering	
Metalrax	46
Senior	428
Industrial Transportation	
British Airways*	792
Fisher J & Sons	890
Forth Ports	395
Goldenport	109
Wincanton	557

*includes convertibles

Investments: Equities (including convertibles and investment funds)
continued

INDUSTRIALS continued	£'000
Support Services	
Amec	1,980
Davis Service	605
De La Rue	475
Premier Farnell	287
Smiths News	1,517
Total Industrials	**13,253**

CONSUMER GOODS	£'000
Automobiles & Parts	
GKN	1,030
Beverages	
Diageo	1,301
Food Producers	
Dairy Crest	1,505
Hilton Food	766
Tobacco	
British American Tobacco	4,235
Imperial Tobacco	4,130
Total Consumer Goods	**12,967**

HEALTH CARE	£'000
Pharmaceuticals & Biotechnology	
AstraZeneca	2,122
GlaxoSmithKline	3,066
Total Health Care	**5,188**

CONSUMER SERVICES	£'000
General Retailers	
Findel	615
HMV	251
Sports Direct International	293
Media	
ITV	332
Trinity Mirror	611
Travel & Leisure	
The Hotel Corporation	913
Marston's	935
Wetherspoon (JD)	695
Total Consumer Services	**4,645**

TELECOMMUNICATIONS	£'000
Fixed Line Telecommunications	
Kcom	440
KPN	1,683

TELECOMMUNICATIONS continued	£'000
Mobile Telecommunications	
Vodafone	5,508
Total Telecommunications	**7,631**

UTILITIES	£'000
Electricity	
Scottish & Southern Energy	2,752
Gas Water & Multiutilities	
Centrica	773
National Grid	3,710
Northumbrian Water	2,162
Severn Trent	1,093
Total Utilities	**10,490**

FINANCIALS	£'000
Banks	
HSBC	5,021
Nonlife Insurance	
Catlin	4,233
Hiscox	792
Jardine Lloyd Thompson	2,902
Life Insurance	
Aviva	2,887
Chesnara	1,364
Prudential	1,828
Real Estate	
Conygar Investment	238
Land Securities	685
Mapeley*	61
General Financial	
Eurocastle	11
Intermediate Capital	1,367
Investec	760
Prodesse	3,846
Tullett Prebon	1,116
Equity Investment Instruments	
Henderson Diversified Income	1,547
Total Financials	**28,658**

TOTAL EQUITIES	**93,913**

*includes convertibles

Classification of Investments

at 31 December 2009

	Total 31 December 2009 %	Total 31 December 2008 %
FIXED INTEREST		
Preference Shares	**4.2**	7.3
Others	**19.4**	17.7
Total Fixed Interest	**23.6**	25.0
EQUITIES		
Oil & Gas		
Oil & Gas Producers	**9.0**	9.4
Total Oil & Gas	**9.0**	9.4
Industrials		
Construction & Materials	**3.0**	2.0
Aerospace & Defence	**1.0**	1.2
Electronic & Electrical Equipment	**0.2**	0.1
Industrial Engineering	**0.4**	0.3
Industrial Transportation	**2.2**	1.5
Support Services	**4.0**	3.1
Total Industrials	**10.8**	8.2
Consumer Goods		
Automobiles & Parts	**0.8**	0.4
Beverages	**1.1**	1.1
Food Producers	**1.8**	1.4
Tobacco	**6.8**	6.3
Total Consumer Goods	**10.5**	9.2
Health Care		
Pharmaceuticals & Biotechnology	**4.2**	1.4
Total Health Care	**4.2**	1.4
Consumer Services		
General Retailers	**0.9**	0.5
Media	**0.8**	0.5
Travel & Leisure	**2.1**	2.7
Total Consumer Services	**3.8**	3.7

	Total 31 December 2009 %	Total 31 December 2008 %
Telecommunications		
Fixed Line Telecommunications	**1.7**	2.9
Mobile Telecommunications	**4.5**	5.0
Total Telecommunications	**6.2**	7.9
Utilities		
Electricity	**2.2**	2.7
Gas Water & Multiutilities	**6.3**	8.7
Total Utilities	**8.5**	11.4
Financials		
Banks	**4.1**	4.8
Nonlife Insurance	**6.5**	6.3
Life Insurance	**4.9**	4.7
Real Estate	**0.8**	0.1
General Financial	**5.8**	4.7
Equity Investment Instruments	**1.3**	3.2
Total Financials	**23.4**	23.8
Total investments	**100.0**	100.0

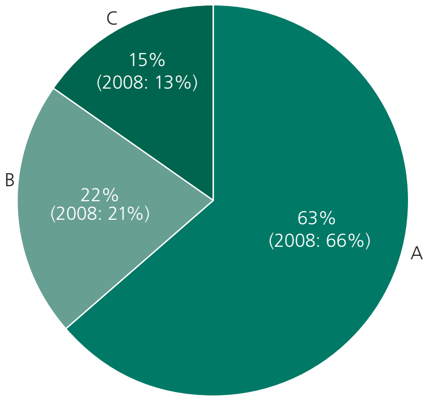
Distribution of the Equity Portfolio of Henderson High Income Trust plc

at 31 December 2009

A Large companies (constituents of the FTSE 100 Index)

B Medium-sized companies (constituents of the FTSE 250 Index)

C Small companies



Directors

Hugh Twiss

Vivian Bazalgette

Andrew Bell

Margaret Littlejohns

Anthony Newhouse

Janet Walker

Hugh J Twiss joined the Board on 1 October 2003 and was elected Chairman in May 2006, having been Chairman of the Nominations Committee since January 2004. He has more than 30 years' investment experience, predominantly with the Flemings Group where he was a senior member of their investment management operation for many years, including responsibility for investment teams and other business issues, before retiring in 2001. He has had many years' involvement with investment trusts, including as a director, manager, major institutional shareholder and long time personal investor. He is currently a non-executive director of INVESCO Income Growth Trust plc, a member of the Greenwich Hospital Advisory Panel and is involved with other charities, as well as doing various consultancy assignments, including working with Trust Associates.

Vivian P Bazalgette joined the Board on 1 November 2004 and was Chairman of the Audit Committee from May 2006 until September 2008. His career as an investment specialist began 30 years ago and included periods with James Capel, the stockbrokers, and Mercury Asset Management, before spending nearly 10 years at Gartmore where he became Managing Director of Pension Funds. In 1996 he joined M&G as Chief Investment Officer, retaining the same position until 2002 after M&G's acquisition by Prudential. He was also a director of M&G High Income Investment Trust plc. He is currently a non-executive director of Brunner Investment Trust plc and Perpetual Income and Growth Trust plc, an adviser to BAE Systems Pension Fund and the Nuffield Foundation, as well as being a member of the Investment Committee of St James's Place PLC. Among a number of charity involvements, he is deputy chairman of the governors of Dulwich College and a trustee of King's College Hospital Charity.

Andrew L C Bell joined the Board on 1 November 2004. He has worked in the City since 1987, initially specialising in European equities as a strategist at Barclays de Zoete Wedd (BZW), following which he was Co-Head of the Investment Trusts team at BZW and Credit Suisse First Boston. From there, in 2000 he joined Carr Sheppards Crosthwaite (now Rensburg Sheppards Investment Management Limited) where he was a director and Head of Research and Strategy until February 2010, leaving to take up appointment as a director and Chief Executive Officer of Witan Investment Trust plc from 8 February 2010. Prior to the City, he worked for Shell in Oman, leaving to take a Sloan Fellowship at the London Business School. He is a non-executive director of Framlington Innovative Growth Trust plc and of the Association of Investment Companies, as well as serving as a governor of Bedford School.

Margaret Littlejohns joined the Board on 1 July 2008. Following university she joined Citigroup, accumulating 18 years of experience in both commercial and investment banking and developing particular expertise in derivatives and in credit and market risk management. She has also worked as an independent consultant in the commercial, charitable and academic sectors. Since 2004 she has established two new self storage companies in the Midlands and is currently Finance Director and Company Secretary of The Space Place Self Storage (Telford) Ltd. In 2008 she was appointed as a non-executive director of JPMorgan Mid Cap Investment Trust plc. She is also a trustee of two charities involved in relieving and researching lymphatic cancer: The Lymphoma Association and The Lymphoma Research Trust.

Anthony J R Newhouse joined the Board on 1 July 2008. He is a solicitor who was a partner in Slaughter and May until 2008. He began his career in the City in banking and joined Slaughter and May in 1976, where he became a partner in 1984. He had a wide-based domestic and international corporate finance practice, advising many UK listed and other corporate entities. He is currently a member of the PricewaterhouseCoopers Advisory Panel and a visiting professor at the London Metropolitan University Business School.

Janet S Walker joined the Board on 1 June 2007 and was appointed Chairman of the Audit Committee on 1 October 2008. She is the Commercial & Finance Director of Ascot Racecourse and a non-executive director of the Design Council and Royal Holloway College. From 1980 until 2003 Miss Walker was employed in broadcasting, including roles as Director of Finance and Business Affairs at Channel Four Television from 1998 to 2003, Director of Finance at Granada Media Group from 1996 to 1998, Financial Controller, Regional Broadcasting for the BBC from 1994 to 1996 and Deputy Director of Finance and Corporation Secretary at Channel Four Television from 1988 to 1994.

All directors are non-executive and are members of the Audit, Management Engagement and Nominations Committees.

Management

Alex Crooke

Ben Lofthouse

Deborah Trickett

Alex Crooke has been Portfolio Manager of the Company since 1997. He is also manager of The Bankers Investment Trust PLC.
Ben Lofthouse has been Deputy Portfolio Manager since August 2006.
Deborah Trickett ACIS is the appointed representative of the Corporate Company Secretary, Henderson Secretarial Services Limited.

Report of the Directors

The directors present the audited financial statements of the Company and their report for the year ended 31 December 2009.

BUSINESS REVIEW

The following business review is designed to provide information primarily about the Company's business and results for the year ended 31 December 2009. The Business Review should be read in conjunction with the Investment Review on pages 5 to 7, which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"). It is required to seek approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2008, although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

b) Investment objective and policy

The Company's objective is to provide investors with a high dividend income stream while also maintaining the prospect of capital growth.

Investment approach

To achieve this objective, the Company invests in a prudently diversified selection of both equities and fixed interest securities. Historically, approximately three-quarters of the Company's assets have been invested in equities, namely the ordinary shares of listed companies, with the balance in listed fixed interest securities, such as convertibles, corporate bonds and sovereign debt. The proportion invested in equities (measured at the time of purchase) would be unlikely to exceed 90%, or fall below 50%. The Company invests predominantly in companies listed in the UK and does not expect to invest more than 20% of total assets in non-UK listed companies.

The selection process seeks to identify companies with strong balance sheets and currently paying dividends to their shareholders. The Company's Portfolio Manager employs an investment process that focuses on individual shares, trading at low valuations. Suitable investment opportunities are reviewed with particular regard to cash generation, growing dividends and being well-managed with shares being chosen for their combination of both expected income and capital appreciation. The portfolio is diverse, containing a sufficient range of investments (currently about 100) to ensure that no single investment puts undue risk on the sustainability of the income generated by the portfolio or indeed the capital value, as well as reflecting the value based investment approach. Regard is also given to having a broad mix of companies in the portfolio, as well as a spread of risk across a range of economic sectors.

Investment policy

The Company will not invest more than 15% of its total assets in any single investment, nor will it invest more than 15% of its total assets in other investment trusts or investment companies.

The Company has an active policy of using appropriate levels of gearing, usually in the form of bank borrowings, in order to enhance returns. A degree of gearing is usually employed with respect to the fixed interest portion of the Company's portfolio in order to generate additional income. The draw down of borrowings is principally in sterling but may be in other currencies, provided that these borrowings do not exceed the assets held in that particular currency. The gross level of borrowings at draw down will not be greater than 40% of the total value of the Company's investments.

Risk management and portfolio analysis

The Company looks to reduce investment risk and achieve an appropriate spread of investment risk principally through holding a broadly diversified portfolio containing both equities and fixed interest securities, as described above. The largest single exposure to any individual company at 31 December 2009 was BP, which accounted for 6.8% of the total portfolio. The top 10 holdings amounted to 41.7% (2008: 41.1%) of the total portfolio.

Report of the Directors

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Investment risk may also be further reduced through the use of financial futures and options. This will only be for the purposes of efficient portfolio management by reducing market, interest rate or credit risk within the portfolio.

Full details of the Company's portfolio can be found on pages 8 and 9, and an explanation of the movement in NAV against the Company's relevant composite benchmark index is contained on page 55. Further information regarding investment risk and portfolio activity throughout the year can be found in the Investment Review on pages 5 to 7.

c) Financial review

Assets

Total net assets at 31 December 2009 amounted to £100,763,000 compared with £87,764,000 at 31 December 2008, and the net asset value per ordinary share increased from 102.73p to 117.73p.

At 31 December 2009 there were 97 (2008: 97) separate investments, as detailed on pages 8 and 9.

Costs

In the year under review borrowing costs totalled £349,000, the management fee totalled £675,000 and other expenses totalled £275,000. These figures include VAT where applicable. No performance fee is payable as the Company did not outperform the benchmark index. During the year an amount of £145,000 was recognised as recoverable in respect of VAT borne on investment management fees in past years; this amount has been accounted for as a negative expense. Transaction costs, which include stamp duty and totalled £93,000, are included within the purchase costs or netted against the sales proceeds of investments.

Revenue

The Company's gross revenue totalled £7,727,000 (2008: £9,351,000). After deducting expenses, the revenue return for the year was £6,425,000, a decrease of 15.6% from the previous year's figure of £7,604,000.

Dividends paid and proposed

The directors have declared a fourth interim dividend of 2.075p per ordinary share. This dividend, together with the three other interim dividends, makes a total of 8.30p (2008: 8.30p) per share for the financial year. The fourth interim dividend will be paid on 30 April 2010 to members on the register at the close of business on 9 April 2010. The ex-dividend date for the payment will be 7 April 2010.

	2009	2008	% Change
Net asset value per share	**117.73p**	102.73p	+14.6
Revenue return per share	**7.51p**	8.90p	-15.6
Total dividend	**8.30p**	8.30p	–

Payment of suppliers

It is the payment policy for the financial year to 31 December 2010 to obtain the best possible terms for all business and thereafter to abide by such terms. Therefore, there is no single policy as to the terms used. There were no trade creditors at 31 December 2009.

Gearing and overdraft facility

The Board has in place a loan facility that allows it to borrow as and when appropriate. At 31 December 2009 the Company had a committed loan facility of £45m. Details of the facility are contained in note 12 on page 38. The facility expires on 31 March 2010. A new one year multi-currency facility of £35m has been agreed with ING Bank NV.
Net gearing at 31 December 2009 was 20%.

Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and policy in accordance with the strategy outlined above. Further comments on the outlook for the Company for the next year are set out in both the Chairman's Statement on pages 3 and 4 and the Investment Review on pages 5 to 7.

d) Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the directors take into account the following key performance indicators, and consider dividends and overall portfolio performance to be the most important.

Dividend policy

The Board places a high level of importance on maintaining the Company's dividend payments. The aim is to maintain a suitable asset allocation that will permit a progressive and steady increase over time in the annual level of dividend distributions to shareholders. The Board reviews the Company's revenue account at every Board meeting, along with the appropriateness of its dividend payments. The Board

Report of the Directors

continued

also compares the yield on the Company's shares to other relevant sectors of the AIC.

Shareholders must, however, recognise that increases in dividend distributions can never be guaranteed, and that circumstances may arise when it may be necessary to reduce a dividend payment. Equally, there may be instances when the level of payment must be increased in order to comply with Section 842 of the Income & Corporation Taxes Act 1988 which requires an investment trust to distribute at least 85% of its eligible investment income. Where such instances would result in a payment going beyond the Board's aim, one-off "special dividend" payments would be declared and paid.

Performance

The Board reviews at each meeting the performance of the portfolio as well as the net asset value and share price of the Company. The Board also compares the performance of the Company against the benchmark, which is a composite of 75% of the performance of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index. The Board has determined that this measure be used to calculate whether a performance fee is payable to the Manager as set out below.

Premium/Discount to net asset value ("NAV")

At each Board meeting, the Board monitors the level of the Company's premium or discount to NAV and reviews the average premium or discount for the AIC UK High Income sector.

The Company publishes the NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula, which since June 2008 has included current year revenue items. Prior to that date, the AIC formula and the daily NAV excluded current year revenue items.

Performance against the Company's peer group

The Company is included in the AIC UK High Income sector. In addition to comparison against the stated benchmark, the Board also considers at each meeting the performance of its AIC peer group.

Total expense ratio ("TER")

The TER is a measure of the Company's running costs (excluding finance costs). The definition used is "the total of the management fees and other administrative expenses (including expenses charged to capital) as a percentage of the average of shareholders' funds at the beginning and end of the year". The TER excludes transaction costs and the write-back of VAT.

The Board monitors and controls all the Company's expenses and reviews regularly its TER, comparing it to the TERs of other investment trust companies within its peer group.

The following table sets out, with comparatives, the key performance indicators:

	Year to 31 December 2009 %	Year to 31 December 2008 %
Net asset value total return	**+27.8**	–35.9
Benchmark total return	**+22.3**	–19.3
FTSE All-Share Index total return	**+30.1**	–29.9
FTA Government All Stocks Index total return	**-1.2**	+12.8
AIC UK High Income sector net asset value total return	**+41.9**	–38.1
Share price total return	**+31.4**	–31.3
AIC UK High Income sector share price total return	**+42.7**	–35.6
Discount at year end	**2.7**	7.5
TER (incl. performance fee)	**1.0**	1.0
TER (excl. performance fee)	**1.0**	1.0

e) Continuation vote and going concern

In accordance with the Company's Articles of Association, an ordinary resolution to continue the life of the Company is proposed at every fifth annual general meeting. An ordinary resolution was proposed and passed at the 2005 AGM and therefore an ordinary resolution will be proposed at the forthcoming AGM in May 2010 asking shareholders to approve the continuation of the Company. The Chairman discusses the continuation vote further in his statement on page 4. The directors are recommending that the shareholders should vote in favour of the resolution. The directors have no reason to believe that the resolution will not be passed. However, if it is not passed, proposals for the Company's liquidation or reconstruction will be put to shareholders.

As the assets of the Company consist mainly of a portfolio of diversified securities that are readily realisable, the Company has adequate financial resources to meet its liabilities and continue in operational existence for the foreseeable future.

The directors therefore believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council in October 2009.

Report of the Directors

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f) Related party transactions

Investment management, accounting, company secretarial and administration services are provided to the Company by wholly-owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson" or "Manager") and by BNP Paribas Securities Services. These are the only related party transactions currently in place. Other than fees payable by the Company in the ordinary course of business, there have been no material transactions with these related parties affecting the financial position or performance of the Company during the year under review.

During the year under review the Manager used certain services which were paid for, or provided by, various brokers. In return it placed business with those brokers, which may have included transactions relating to the Company.

UK custody services are provided by BNP Paribas Securities Services; non-UK custody services are provided by JPMorgan Chase Bank N.A.

g) Management arrangements

The management agreement provides for the payment of a composite annual management fee which is calculated as a percentage of the average value of assets under management on the last day of each of the two years preceding the calendar year in respect of which the calculation is made. The percentage applicable throughout the year ended 31 December 2009 was 0.5%.

The Company also has a performance-related fee arrangement. Performance is measured on the average performance of the Company's total assets (calculated in accordance with Global Investment Performance Standards) over a period of three years, compared with a performance benchmark. The benchmark is a composite of 75% of the performance of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index. The performance of both the Company and the composite benchmark is measured on a total return basis; returns for the Company and the FTSE All-Share Index are measured on the basis of net income re-invested, while returns for the FTA Government All Stocks Index are measured on a gross income basis.

Performance is measured on a three-year rolling basis. Thus, the fee calculated as at 31 December 2009 takes the average performance over the calendar years 2007 to 2009, that at 31 December 2010 performance over 2008 to 2010, and so on.

In any given year in which a performance fee is payable, the fee rate is increased by 0.15% for every 1% average outperformance on a sliding scale. The upper limit on the total fee, including both the annual management fee and any performance fee, for any given accounting year is 1.5% of average assets under management. While performance is measured over three years, only the current year's fee would be increased in the event of outperformance. No performance fee was earned in the year (2008: £nil).

The split of management fees and performance fees charged between the income and capital accounts is explained in note 1f on page 33.

The average annual total return of the Company's total assets over the three years to 31 December 2009 was -3.1% (2008: -3.2%). This compared with the benchmark return of 2.3% (2008: -0.8%).

Additional funds raised by the Company by way of an issue of securities are subject to a supplemental fee from the date on which the net proceeds are received and are added to the value of assets at 31 December preceding such fundraising for the purpose of calculating the following year's management fee. Investments in any funds managed by Henderson are wholly excluded from the fee calculation. The management fee is payable quarterly in arrears.

The management agreement may be terminated by either party but in certain events the Company may be required to pay compensation to Henderson of an amount up to one year's management fees. Compensation is not payable if one or more years' notice of termination is given. No director is entitled to any compensation for loss of office in the event of a change of control or termination of the management agreement.

h) Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Investment activity and performance

An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index

Report of the Directors

continued

and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.

Financial

By its nature as an investment trust, the Company's business activities are exposed to market risk (including currency risk, interest rate risk and other price risk), liquidity risk, and credit and counterparty risk.

Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The Board reviews the portfolio each month and mitigates this risk through diversification of investments in the portfolio.

Further details of these risks and how they are managed are contained in note 13 on pages 38 to 43.

Regulatory

A breach of Section 842 of ICTA would lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Manager has contracted to provide investment, company secretarial, accounting and administration services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm regulatory compliance.

Operational

Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the corporate governance statement on page 20.

i) Employee and Environmental matters

The Company has no employees other than its directors and outsources its investment management and company secretarial services to Henderson. Henderson has implemented environmental management practices, which include systems to limit the use of non-renewable resources and minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible.

CORPORATE GOVERNANCE STATEMENT

a) Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined Code. As an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the directors are all non-executive. So, not all the provisions of the 2008 Combined Code are directly applicable to the Company.

The Financial Reporting Council (the "FRC") confirmed in February 2009 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies in March 2009 (the "AIC Guide"), boards of investment companies should fully meet their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules. The AIC Code of Corporate Governance published in March 2009 (the "AIC Code"), as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board believes that reporting against the AIC Code by reference to the AIC Guide will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk

b) Statement of compliance

The AIC Code comprises 21 principles. The directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the Combined Code except as noted below.

Report of the Directors
continued

Senior independent director
A senior independent director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead when issues arise and to whom concerns can be conveyed.

The role of chief executive
Since all directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive.

Executive directors' remuneration
As the Board has no executive directors, it is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 24.

Internal audit function
As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended. The Manager has its own internal audit function.

c) Directors
Board composition
The Articles of Association provide that the total number of directors shall not be less than two nor more than ten; the Board currently consists of six non-executive directors. The biographies of the directors holding office at the date of this report, which are set out on page 11, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors. The Board believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders.

All the directors served on the Board throughout the year.

Directors' appointment, retirement and rotation
The Board may appoint directors to the Board without shareholder approval. No directors were appointed during the year.

All directors are appointed for an initial term of three years, after which time they are subject to re-appointment.

In accordance with the Articles of Association, directors stand for election at the first Annual General Meeting following their appointment. At every annual general meeting any director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or who has held office with the Company for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members. Mr Twiss, who was last re-elected at the AGM in 2007, will therefore retire by rotation and has offered himself for re-election.

Under the Articles of Association shareholders may remove a director before the end of his term by passing an ordinary resolution at a meeting. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

Board independence
The directors have reviewed their independence and confirm that all directors remain wholly independent of the Manager. All directors have a wide range of other interests and are not dependent on the Company itself.

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' remuneration
A report on directors' remuneration is on pages 24 and 25.

Directors' interests in shares
The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

Ordinary shares of 5p	**31 December 2009**	31 December 2008
Beneficial:		
Vivian Bazalgette	**10,000**	10,000
Andrew Bell	**30,000**	30,000
Margaret Littlejohns	**3,000**	3,000
Anthony Newhouse	**–**	–
Hugh Twiss	**36,747**	33,755
Janet Walker	**6,000**	6,000

Report of the Directors

continued

Since the end of the financial year Mr Twiss has acquired a further 678 ordinary shares in the Company. There have been no other changes in the directors' interests between the end of the financial year and the date of this report.

Directors' conflicts of interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 (the "Act") has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the articles of association contain a provision to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty: either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's current Articles of Association, which were adopted by shareholders on 3 November 2008, give the directors the relevant authority required to deal with conflicts of interest.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. All the directors have also undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which is reviewed annually by the Board.

It has also been agreed that directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the Act in advance of joining the Board.
The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts has operated effectively since they were introduced. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors.

Directors' professional development

When a new director is appointed he or she is offered a training seminar that is held by the Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors also participate in relevant training and industry seminars.

Directors' indemnity

Directors' and officers' liability insurance cover is in place in respect of the directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court.

d) The Board

Responsibilities of the Board and relationship with the Manager

The Board meets at least six times each year and is responsible for the effective stewardship of the Company's affairs. The Board has also established Audit, Management Engagement and Nominations Committees, details of which are set out below. The terms of reference for these Committees are available on the Company's website. In addition to formal Board and Committee meetings, directors may also be required to attend a number of additional ad hoc meetings to represent the interests of the Company.

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 26, the Independent Auditor's Report on page 27 and the statement of going concern on page 14.

The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance, conflicts of interest and Board membership and appointments. A procedure has been adopted for directors, in the

Report of the Directors

continued

furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Board has delegated to the Manager, the management of the investment portfolio, accounting, company secretarial and administration services.

The Board monitors compliance with the Company's objectives and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act and thus supervises the management of the investment portfolio. The Board also approves any unquoted investments and/or any investments in in-house funds managed or advised by the Manager.

The Manager takes decisions as to the purchase and sale of individual investments and also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. Representatives of the Manager attend each Board meeting enabling the directors to probe further on matters of concern. The Board and the Manager operate in a supportive, co-operative and open environment.

In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. It also has direct access to company secretarial advice and services provided by the Manager, which, through its nominated representative, is responsible for ensuring compliance with Board and Committee procedures and with all applicable regulations. In addition, the Chairman attends meetings of all the chairmen of the investment companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

Audit Committee

The Audit Committee consists of all the directors. The Chairman is Miss Walker. The Audit Committee comprises more than two independent members and at least one member who has recent and relevant financial experience. The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the financial statements.

The Committee meets at least three times a year to review the internal financial and non-financial controls, to consider and recommend to the Board for approval the contents of the draft half year and annual reports to shareholders and to review the accounting policies and significant financial reporting judgments. In addition, the Committee reviews the auditor's independence, objectivity and effectiveness, appointment and remuneration. It also reviews, together with the Manager, the Company's compliance with financial reporting and regulatory requirements. Representatives of the Manager's internal audit and compliance department may attend these meetings at the request of the Chairman of the Audit Committee.

Representatives of Grant Thornton UK LLP, the Company's auditor, attend the Committee meeting at which the draft annual report and financial statements are reviewed and is given the opportunity to speak to the Committee members without the presence of the representatives of the Manager.

During the year under review the Company's auditor did not provide any non-audit services. Grant Thornton UK LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint Grant Thornton UK LLP as auditor to the Company, and to authorise the directors to determine the auditor's remuneration, will be proposed at the AGM.

Management Engagement Committee

The Management Engagement Committee's membership comprises all members of the Board. The Chairman of the Committee is Mr Twiss.

The Board has delegated contractually to external third parties, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Management Engagement Committee meets at least annually to review the performance and the continuing appointment of the Manager. In determining whether the Manager should be retained, the Committee also reviews the terms of the management agreement to ensure that it remains competitive and sensible for shareholders. Details of the review undertaken during the year are contained in section (g) on page 21.

Report of the Directors
continued

Nominations Committee
The Nominations Committee comprises all members of the Board. The Chairman of the Committee is Mr Twiss, but he would not participate if his successor was being considered. The Committee, which meets at least annually, reviews the Board's size and structure and is responsible for Board succession planning.

The Committee also reviews the directors retiring by rotation and makes recommendations to the Board on their re-election. Reappointment as a director is not automatic and will follow a process of evaluation of each director's performance. In accordance with the Combined Code any director serving for longer than six years would be subject to particularly rigorous assessment of his/her contribution and any director serving for longer than nine years would be subject to annual re-election by shareholders.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge and experience existing on the Board and will recommend when the further recruitment of non-executive directors is required. Once a decision is made to recruit additional directors to the Board, nominations are gathered from as wide a range of internal and external sources as possible and these are considered in accordance with the Board's agreed procedures. The Committee may also use external agencies or open advertising when appointing new directors if it believes that either method is likely to provide any meaningful advantage over the above process.

The Committee met in January 2010 to carry out its annual review of the Board, its composition and size and its Committees.

Board attendance
Attendance at the Board and committees meetings held during the financial year are shown below. All directors usually attend the Annual General Meeting.

	Board	Audit Committee	Nominations Committee	Management Engagement Committee
No. of meetings	**6**	**3**	**2**	**1**
Hugh Twiss	6	3	2	1
Vivian Bazalgette	6	3	2	1
Andrew Bell	6	3	2	1
Margaret Littlejohns	6	3	2	1
Anthony Newhouse	6	3	2	1
Janet Walker	6	3	2	1

e) Performance evaluation
In order to review the effectiveness of the Board, the Committees and the individual directors, the Chairman has put in place a thorough appraisal process. This is implemented by way of a questionnaire and interviews with the Chairman. In respect of the Chairman, he is interviewed by another nominated director. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual directors, as well as building on and developing individual and collective strengths.

The work of the Board as a whole, the Board Committees and the performance of individual directors were reviewed during the year and no areas of concern were identified.

f) Internal controls
The Board retains overall responsibility for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained, and that the financial information used internally and externally is reliable.

The Board has therefore established a process for identifying, evaluating and managing any major risks faced by the Company, including risks that are not directly the responsibility of the Manager. The process is subject to regular review by the Board and accords with the Financial Reporting Council's Internal Control Guidance for Directors on the Combined Code published in October 2005. Key risks, and the controls that have been put in place to mitigate such risks, are recorded in a risk map that is reviewed regularly by the Board. The Board also receives a quarterly report from the Manager that details any internal control failures.

The Manager and the custodian have established their own internal controls framework to provide reasonable, but not absolute assurance, on the effectiveness of the internal controls operated on behalf of their clients. The effectiveness of these systems is regularly assessed by the Manager's compliance and risk department and the Board receives an annual report from the Manager on internal controls, including a report from the Manager's own auditors on the control policies and procedures in operation.

Report of the Directors

continued

g) Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are detailed on page 15.

The Board reviews investment performance at each Board meeting and a formal review of the Manager is conducted annually. At its meeting in November 2009 the Management Engagement Committee confirmed that, in the opinion of the directors, the continuing appointment of the Manager on the terms set out in the management agreement is in the interests of the Company's shareholders as a whole and that Henderson should be retained as the Manager for the financial year ending 31 December 2010. The main reasons for this opinion are the long-term performance of the Manager in managing the Company, the extensive investment management resources and its experience in managing and administering investment trust companies.

h) Share capital and shareholders

Share capital

The Company's share capital comprises ordinary shares of 5p nominal value. The voting rights of the ordinary shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares and there are no shares that carry specific rights with regards to control of the Company.

At the beginning of the year, there were 85,835,744 shares in issue (which included 400,000 shares held in treasury). During the year, the Company sold 150,000 shares out of treasury for a total consideration of £152,000. At 31 December 2009 the number of shares in issue was still 85,835,744 (which includes 250,000 shares held in treasury).

Since 31 December 2009 and up to the date of this document, there has been no further change in the Company's share capital.

Substantial share interests

Declarations of interests in the voting rights of the Company, at 28 February 2010, are set out below.

Shareholder	% of voting rights
UBS Wealth Management	6.9%
Legal & General Investment Management	4.1%

The Board is aware that, as at 28 February 2010, 11.2% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products and 4.7% on behalf of participants in Henderson products. The participants in these products are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. Halifax Share Dealing has stated that it will instruct its nominee company to exercise the voting rights of any shares held through its products that have not been exercised by the individual participants. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Relations with shareholders

Shareholder relations are given high priority by the Board and the Manager. The prime medium by which the Company communicates with its shareholders is through the half year and annual reports, which aim to provide shareholders with a clear understanding of the Company's activities and their results, and the Company's website (www.hendersonhighincome.com). The daily calculation of the net asset value of the Company's ordinary shares and a monthly fact sheet are announced to the London Stock Exchange and are also available on the website.

At each AGM a presentation is made by the Portfolio Manager. Shareholders have the opportunity to address questions to the Chairman and the other directors. All shareholders are encouraged to attend. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and is available from the Company's website.

It is the intention of the Board that the annual report and financial statements and the notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the meeting. Shareholders wishing to lodge questions in advance of the meeting are invited to do so by writing to the Company Secretary at the registered office address given on the inside back cover. At other times the Company responds to letters from shareholders on a range of issues. General presentations to both shareholders and analysts follow the publication of the annual results and all meetings between the Manager and shareholders are reported to the Board.

Board authorities to issue and buy back share capital

At each AGM the directors seek authority from the shareholders to allot new ordinary shares, to disapply the pre-

Report of the Directors

continued

emption rights of existing shareholders, and to buy back for cancellation or to hold in treasury the Company's ordinary shares. More details of the authorities sought at the AGM are set out in the Annual General Meeting section below.

i) Exercise of voting powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

ANNUAL GENERAL MEETING ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your voting rights in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Tuesday 11 May 2010 at 12.00 noon. The formal notice of the AGM is set out on pages 47 and 48. In addition to the routine items of business, resolutions relating to the following items of business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Act 2006.

Resolution 6 – Continuation vote (ordinary resolution)

An ordinary resolution that the Company should continue as an investment trust for a further five year period will be put to shareholders at the 2010 AGM.

Resolution 7 – Authority to allot shares (ordinary resolution)

At the AGM on 5 May 2009 the directors were granted authority to allot a limited number of authorised but unissued ordinary shares. No shares have been allotted under this authority. This authority will expire at the forthcoming AGM in May 2010. An ordinary resolution to renew this authority will be proposed at the 2010 AGM to authorise the directors to allot shares up to a maximum aggregate nominal amount of £427,928 (being 10% of the issued share capital as at the date of the Notice of the AGM). The resolution is set out in full in the Notice of the AGM on page 47.

Resolution 8 – Power to disapply pre-emption rights (special resolution)

At the AGM on 5 May 2009 the directors were also empowered to allot securities or to sell shares out of treasury of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. Since the 2009 AGM, the directors have used this power to issue 150,000 shares out of treasury. The power will expire at the 2010 AGM. Resolution 8 will give the directors power to allot securities, or sell shares out of treasury, for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £427,928 (being 10% of the issued share capital as at the date of the Notice of the AGM). The resolution is set out in full on page 47.

The directors do not intend to allot shares pursuant to resolutions 7 and 8 other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so. Shares will only be allotted at a premium to net asset value (the net asset value being calculated with debt at fair value), ie there will be no dilution in the net asset value per share.

Resolution 9 – Authority to make market purchases of the Company's own shares (special resolution)

On 5 May 2009 the directors were granted authority to buy back 12,806,818 ordinary shares (with a nominal value of £640,341) for cancellation or to be held in treasury; no shares have been repurchased under this authority and the Company therefore has remaining authority to buy back 12,806,818 shares. This authority will expire at the forthcoming AGM in May 2010.

In Resolution 9 the Board is seeking shareholder approval to renew the authority to purchase on the London Stock Exchange up to a maximum of 14.99% of the Company's ordinary shares in issue at the date of the AGM (equivalent to 12,829,303 ordinary shares of 5p, with a nominal value of £641,465, at 18 March 2010, the date of the Notice of the AGM). The resolution is set out in full on page 48.

The directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of shareholders generally. The authority being sought provides an additional source of potential demand for the Company's shares. The Company may utilise the authority to purchase

Report of the Directors

continued

shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. The Board considers that the use of share buy-backs can enhance shareholder value. Shares are only purchased at a price below the prevailing NAV per share, thereby increasing the NAV of the remaining shares. The maximum purchase price that may be paid for an ordinary share will not be more than 5% above the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase. The minimum price will be 5p, being the nominal value per ordinary share.

The resolution to be put to shareholders will also authorise the Board to hold any repurchased shares in treasury on the condition that the treasury shares would only be resold at a premium to net asset value. The Board considers that the use of treasury shares can be beneficial to the Company's shareholders.

Resolution 10 – Adoption of new Articles of Association (special resolution)

Under the Companies Act 2006 (the "**Act**"), a company may only amend its articles of association if the shareholders pass a special resolution to that effect. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

As a result of the implementation of the final stages of the Act on 1 October 2009, the directors propose to amend the current articles of association (the "**Current Articles**") to bring them in line with the Act. The principal changes to the new articles of association (the "**New Articles**") are described in the appendix to the Notice of AGM on pages 53 and 54.

Resolution 11 – Authority to hold a general meeting on 14 days' notice (special resolution)

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increased the notice period required for general meetings of the Company to 21 clear days. Companies are, however, permitted to seek shareholder approval, by way of a special resolution, for general meetings (other than the AGM) to be called on 14 days' notice. In order to ensure maximum flexibility in communicating with shareholders, the Board is seeking authority at the forthcoming AGM to be able to call general meetings (other than the AGM) on the shortest permissable notice. Resolution 11 seeks such approval, which will be effective until the Company's 2011 AGM, when it is intended that a similar resolution will be proposed.

The shorter notice period will only be used if to do so will be in the best interests of shareholders. In addition, the Company will only be able to provide a shorter notice period if all shareholders are given the option (but not the obligation) to vote at such general meeting by electronic means. AGMs will continue to require at least 21 clear days' notice.

Recommendation

The Board considers that the resolutions to be put at the AGM are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were members of the Board at the time of approving this Report are listed on page 11. Each of those directors confirms that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

D J Trickett ACIS
For and on behalf of Henderson Secretarial Services Limited
Secretary
18 March 2010

Directors' Remuneration Report

Introduction

This report is submitted in accordance with sections 420-422 of the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by section 439 of the Act, a resolution to approve the report will be proposed at the AGM.

The Company's auditors are required to report on certain information contained within this report. Where information set out below has been audited, it is indicated as such.

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive directors, who are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally at the expiry of that period and every three years thereafter by the Board as a whole. None of the directors has a contract of service and a director may resign by notice in writing to the Board at any time: there are no notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by that director. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively.

The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other directors in recognition of their more onerous roles.

The current annual rates of fees paid to the members of the Board are Chairman: £27,750, Chairman of the Audit Committee: £22,200 and directors: £18,500. The policy is to review these rates annually, although such review will not necessarily result in any change to the rates. The fees were last increased in 2008. The actual amounts paid to the directors during the financial year under review are as shown in the following column.

Directors' and officers' liability insurance cover is held by the Company in respect of the directors.

Consideration by the Directors of Matters relating to Directors' Remuneration

The Board as a whole considers directors' remuneration. Accordingly a committee to consider matters relating to directors' remuneration has not been appointed. The Board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration.

Amount of each Director's Emoluments (audited)

The fees payable in respect of each of the directors who served during the year, and during 2008, were as follows:

	2009 £	2008 £
V P Bazalgette[(1)]	**18,500**	20,975
A L C Bell	**18,500**	18,250
C Dunkerley[(2)]	**–**	6,627
M Littlejohns[(3)]	**18,500**	9,250
A J R Newhouse[(3)]	**18,500**	9,250
H J Twiss	**27,750**	27,375
J S Walker[(4)]	**22,200**	19,175
TOTAL	**123,950**	110,902

Notes:

(1) Mr Bazalgette was Chairman of the Audit Committee to 30 September 2008.
(2) Mr Dunkerley retired from the Board on 13 May 2008.
(3) Mrs Littlejohns and Mr Newhouse were appointed to the Board on 1 July 2008.
(4) Miss Walker became Chairman of the Audit Committee on 1 October 2008.

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

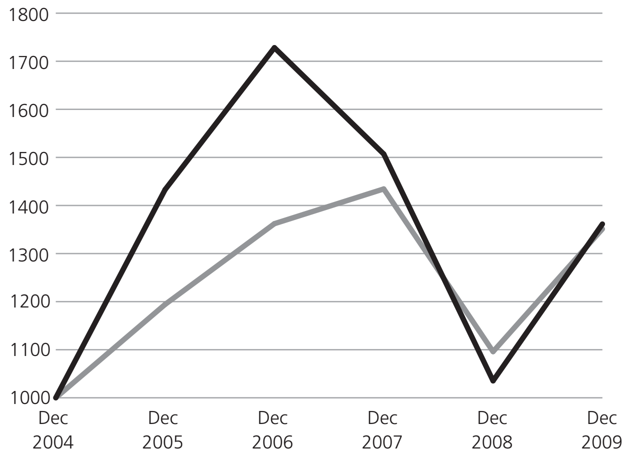
The following expenses were claimed and paid:

	2009 £	2008 £
C Dunkerley	**–**	467

Directors’ Remuneration Report

continued

Performance Graph



Henderson High Income Trust ordinary share price total return, assuming an investment of £1,000 on 31 December 2004 and the reinvestment of all dividends (excluding dealing expenses) (Source: Fundamental Data for the AIC).

The total return of a composite of 75% of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index (the Company’s benchmark), assuming the notional investment of £1,000 on 31 December 2004 and the reinvestment of all income (excluding dealing expenses) (Source: Datastream).

The graph above compares the Company’s performance for the past five years against its benchmark.

The benchmark is selected because it most closely matches the Company’s portfolio of equities and fixed interest securities.

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
18 March 2010

Statement of Directors' Responsibilities

in respect of the Annual Report, the Directors' Remuneration Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have chosen to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement under DTR 4.1.12

To the best of our knowledge:

a) the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

b) the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
Hugh Twiss
Chairman
18 March 2010

The financial statements are published on websites maintained by the Company's Manager, Henderson Global Investors Limited ("Henderson").

The maintenance and integrity of these websites are the responsibility of Henderson; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Henderson High Income Trust plc

Independent auditor's report to the members of Henderson High Income Trust plc

We have audited the financial statements of Henderson High Income Trust plc for the year ended 31 December 2009 which comprises the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the directors' statement, on page 14 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
18 March 2010

Income Statement

for the year ended 31 December 2009

Notes		Year ended 31 December 2009 Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 December 2008 Revenue return £'000	Capital return £'000	Total £'000
2	Gains/(losses) on investments held at fair value through profit or loss	**–**	**13,382**	**13,382**	–	(54,313)	(54,313)
3	Income from investments held at fair value through profit or loss	**7,355**	**–**	**7,355**	9,062	–	9,062
4	Other interest receivable and similar income	**372**	**–**	**372**	289	–	289
	Gross revenue and capital gains/(losses)	**7,727**	**13,382**	**21,109**	9,351	(54,313)	(44,962)
5	Management fees	**(270)**	**(405)**	**(675)**	(358)	(537)	(895)
18	Write-back of prior years' VAT	**62**	**83**	**145**	39	58	97
6	Other administrative expenses	**(275)**	**–**	**(275)**	(276)	–	(276)
	Net return/(loss) on ordinary activities before finance costs and taxation	**7,244**	**13,060**	**20,304**	8,756	(54,792)	(46,036)
7	Finance costs	**(87)**	**(262)**	**(349)**	(428)	(1,285)	(1,713)
	Net return/(loss) on ordinary activities before taxation	**7,157**	**12,798**	**19,955**	8,328	(56,077)	(47,749)
8	Taxation on net return/(loss) on ordinary activities	**(732)**	**718**	**(14)**	(724)	724	–
	Net return/(loss) on ordinary activities after taxation	**6,425**	**13,516**	**19,941**	7,604	(55,353)	(47,749)
9	**Return/(loss) per ordinary share**	**7.51p**	**15.81p**	**23.32p**	8.90p	(64.79)p	(55.89)p

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

The notes on pages 32 to 46 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2009

Year ended 31 December 2009	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
At 31 December 2008	**4,291**	**56,877**	**26,302**	**(4,387)**	**4,681**	**87,764**
Net return on ordinary activities after taxation	**–**	**–**	**–**	**13,516**	**6,425**	**19,941**
Sale of shares held in treasury	**–**	**–**	**–**	**152**	**–**	**152**
Third interim dividend (2.075p per share) for the year ended 31 December 2008 paid 30 January 2009	**–**	**–**	**–**	**–**	**(1,773)**	**(1,773)**
Fourth interim dividend (2.075p per share) for the year ended 31 December 2008 paid 30 April 2009	**–**	**–**	**–**	**–**	**(1,773)**	**(1,773)**
First interim dividend (2.075p per share) for the year ended 31 December 2009 paid 31 July 2009	**–**	**–**	**–**	**–**	**(1,776)**	**(1,776)**
Second interim dividend (2.075p per share) for the year ended 31 December 2009 paid 30 October 2009	**–**	**–**	**–**	**–**	**(1,776)**	**(1,776)**
Refund of statute-barred dividends	**–**	**–**	**–**	**–**	**4**	**4**
At 31 December 2009	**4,291**	**56,877**	**26,302**	**9,281**	**4,012**	**100,763**

Year ended 31 December 2008	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2007	4,291	56,877	26,302	50,966	4,169	142,605
Net (loss)/return on ordinary activities after taxation	–	–	–	(55,353)	7,604	(47,749)
Third interim dividend (2.075p per share) for the year ended 31 December 2007 paid 31 January 2008	–	–	–	–	(1,773)	(1,773)
Fourth interim dividend (2.075p per share) for the year ended 31 December 2007 paid 30 April 2008	–	–	–	–	(1,773)	(1,773)
First interim dividend (2.075p per share) for the year ended 31 December 2008 paid 31 July 2008	–	–	–	–	(1,773)	(1,773)
Second interim dividend (2.075p per share) for the year ended 31 December 2008 paid 31 October 2008	–	–	–	–	(1,773)	(1,773)
At 31 December 2008	4,291	56,877	26,302	(4,387)	4,681	87,764

The notes on pages 32 to 46 form part of these financial statements

Balance Sheet

at 31 December 2009

Notes		2009 £'000	2008 £'000
10	**Investments held at fair value through profit or loss**	**122,881**	106,000
	Current assets		
11	Debtors	**1,509**	3,018
	Cash at bank	**1,345**	3,198
		2,854	6,216
12	**Creditors:** amounts falling due within one year	**(24,972)**	(24,452)
	Net current liabilities	**(22,118)**	(18,236)
	Total assets less current liabilities	**100,763**	87,764
	Capital and reserves		
14	Share capital	**4,291**	4,291
15	Share premium account	**56,877**	56,877
15	Capital redemption reserve	**26,302**	26,302
15	Other capital reserves	**9,281**	(4,387)
15	Revenue reserve	**4,012**	4,681
	Equity shareholders' funds	**100,763**	87,764
16	**Net asset value per ordinary share**	**117.73p**	102.73p

The financial statements were approved by the directors on 18 March 2010, and signed on their behalf by:

Hugh Twiss

Chairman

The notes on pages 32 to 46 form part of these financial statements

Cash Flow Statement

for the year ended 31 December 2009

Notes		2009 £'000	2009 £'000	2008 £'000	2008 £'000
19	**Net cash inflow from operating activities**		**8,381**		7,772
	Servicing of finance				
	Bank overdraft and loan interest paid		**(371)**		(1,750)
	Taxation				
	Tax recovered		**12**		–
	Financial investment				
	Purchases of investments	**(19,154)**		(32,229)	
	Sales of investments	**18,769**		45,434	
	Net cash (outflow)/inflow from financial investment		**(385)**		13,205
	Equity dividends paid		**(7,094)**		(7,092)
	Net cash inflow before financing		**543**		12,135
	Financing				
	Sale of shares held in treasury	**152**		–	
	Repayment of loans	**(2,556)**		(8,997)	
	Net cash outflow from financing		**(2,404)**		(8,997)
20	**(Decrease)/increase in cash in the year**		**(1,861)**		3,138
	Reconciliation of net cash flow to movement in net debt				
	(Decrease)/increase in cash as above		**(1,861)**		3,138
	Cash outflow from repayment of loans		**2,556**		8,997
	Exchange movements		**8**		37
	Movement in net debt		**703**		12,172
	Net debt at 1 January		**(20,887)**		(33,059)
20	**Net debt at 31 December**		**(20,184)**		(20,887)

The notes on pages 32 to 46 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared on the historical cost basis except for the measurement at fair value of investments. The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies* ("the SORP") dated January 2009. All of the Company's operations are of a continuing nature.

(b) Going concern

The Company's Articles of Association require that at the annual general meeting of the Company to be held in 2005, and at every fifth year thereafter, an ordinary resolution be put to shareholders to approve the continuation of the Company. The resolution put to the annual general meeting in 2005 was duly passed. There will be a further resolution put at the 2010 annual general meeting and the directors are recommending the Company's shareholders to vote in favour of the resolution.

In addition, 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 the foreseeable future. For these reasons, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

(c) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost. Subsequently, the investments are valued at fair value, which is measured as follows:

– UK listed investments are valued at quoted bid prices.

– Investments listed overseas are valued at bid prices (where a bid price is available) or otherwise at fair value based on published price quotations.

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

(d) Capital gains and losses

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

(e) Income

Dividends receivable from equity shares are taken to the income statement on an ex-dividend basis. Income from fixed interest debt securities and preference shares with no fixed maturity date is recognised on a time-apportionment basis. Income from other fixed interest securities is recognised so as to reflect the effective interest rate on these securities. In accordance with FRS 16 – Current Taxation, franked investment income is shown net of the related tax credits.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(f) Expenses

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

(g) Taxation

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's effective rate of tax for the year. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the income statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the income statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not been reversed by the balance sheet date, other than those differences regarded as permanent. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(h) Foreign currency

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rate. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date. Differences arising from translation at this rate of exchange are dealt with in the income statement as a capital item and then transferred to capital reserves.

(i) Trade receivables and trade payables

Trade receivables: – Other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for any estimated irrecoverable amounts. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade payables: – Other payables do not carry any interest and are stated at their nominal value. The directors consider that the carrying amount of trade payables approximates to their value.

(j) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement, using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements

continued

2	**Gains/(losses) from investments held at fair value through profit or loss**	**2009 £'000**	2008 £'000
	Losses on sale of investments based on historical cost	**(10,639)**	(4,306)
	Add/(less): revaluation losses/(gains) recognised in previous years	**7,786**	(6,915)
	Losses on investments sold in the year based on carrying value at the previous balance sheet date	**(2,853)**	(11,221)
	Net movement in revaluation of investments	**16,227**	(43,129)
	Exchange gains	**8**	37
		13,382	(54,313)

3	**Income from investments held at fair value through profit or loss**	**2009 £'000**	2008 £'000
	Franked:		
	Listed – dividends	**4,071**	5,751
	Unfranked:		
	Listed – interest income	**1,996**	1,822
	– dividend income	**1,288**	1,462
	– stock dividends	**–**	27
		3,284	3,311
		7,355	9,062

4	**Other interest receivable and similar income**	**2009 £'000**	2008 £'000
	Bank interest	**3**	40
	Underwriting commission	**258**	65
	Interest on VAT repayment (see note 18)	**111**	184
		372	289

5	**Management fees**	**2009 Revenue return £'000**	**2009 Capital return £'000**	**2009 Total £'000**	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
	Management fee	**270**	**405**	**675**	358	537	895

A summary of the terms of the management agreement is given on page 15 in the Report of the Directors. An explanation of the split between revenue and capital is contained in accounting policy 1(f) on page 33. No performance fee was earned during the year (2008: £nil).

VAT is no longer payable on management fees – see note 18 on page 45.

Notes to the Financial Statements

continued

6	**Other administrative expenses (including irrecoverable VAT)**	**2009 £'000**	2008 £'000
	Directors' fees (see Directors' Remuneration Report on page 24)	**124**	111
	Auditor's remuneration (also see table below)	**21**	19
	Other expenses payable to the management company*	**18**	–
	Other expenses	**112**	146
		275	276

*Other expenses payable to the management company relate to sales and marketing.

Audit services (excluding VAT)	**2009 £'000**	2008 £'000
Audit of the Company's financial statements, including the Directors' Remuneration Report, Corporate Governance statement and Report of the Directors	**18**	17

7	**Finance costs**	**2009 £'000**	2008 £'000
	On bank loans and overdrafts repayable within one year	**349**	1,713
	Less: allocated to capital	**(262)**	(1,285)
		87	428

8	**Taxation on net return/(loss) on ordinary activities**	**2009 Revenue return £'000**	**2009 Capital return £'000**	**2009 Total £'000**	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
8.1	Irrecoverable overseas tax	**14**	**–**	**14**	–	–	–
	Tax relief on expenses charged to capital	**718**	**(718)**	**–**	724	(724)	–
	Tax charge in respect of the current year	**732**	**(718)**	**14**	724	(724)	–

Notes to the Financial Statements

continued

8 Taxation on net return/(loss) on ordinary activities (continued)

8.2 The tax assessed for the year is lower than the 28% effective rate of corporation tax in the UK for the year ended 31 December 2009 (2008: 28.5%). The differences are explained below:

	2009 Revenue return £'000	**2009 Capital return £'000**	**2009 Total £'000**	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
Net return/(loss) on ordinary activities before taxation	**7,157**	**12,798**	**19,955**	8,328	(56,077)	(47,749)
Theoretical tax at UK corporation tax rate of 28% (2008: 28.5%)	**2,004**	**3,583**	**5,587**	2,373	(15,982)	(13,609)
Effects of:						
– UK dividends which are not taxable	**(1,140)**	**–**	**(1,140)**	(1,647)	–	(1,647)
– Non-taxable overseas dividends	**(148)**	**–**	**(148)**	–	–	–
– Decrease in excess management expenses	**(459)**	**–**	**(459)**	(208)	–	(208)
– Expenses not deductible for tax purposes	**5**	**(23)**	**(18)**	(2)	(16)	(18)
– Irrecoverable overseas tax suffered	**(60)**	**–**	**(60)**	–	–	–
– Income taxable in different years	**(2)**	**–**	**(2)**	3	–	3
– (Gains)/losses on investments held at fair value	**–**	**(3,746)**	**(3,746)**	–	15,479	15,479
– Adjustment for tax relief on expenses charged to capital	**532**	**(532)**	**–**	205	(205)	–
Tax charge in respect of the current year	**732**	**(718)**	**14**	724	(724)	–

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

8.3 Factors that may affect future tax charges

The Company has expenses in excess of taxable income of £3,163,000 (2008: £4,801,000) and surplus eligible unrelieved foreign tax of £nil (2008: £65,000) that are available to offset future taxable revenue. A deferred tax asset of £886,000 (2008: £1,344,000) has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

Notes to the Financial Statements
continued

9 Return/(loss) per ordinary share

The return per ordinary share figure is based on the gains attributable to the ordinary shares of £19,941,000 (2008: loss of £47,749,000) and on the 85,519,991 weighted average number of ordinary shares in issue (excluding shares held in treasury) during the year (2008: 85,435,744).

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

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

	2009 £'000	2008 £'000
Net revenue return	**6,425**	7,604
Net capital return/(loss)	**13,516**	(55,353)
Net total return/(loss)	**19,941**	(47,749)
Weighted average number of ordinary shares in issue during the year	**85,519,991**	85,435,744
	Pence	Pence
Revenue return per ordinary share	**7.51**	8.90
Capital return/(loss) per ordinary share	**15.81**	(64.79)
Total return/(loss) per ordinary share	**23.32**	(55.89)

10 Investments held at fair value through profit or loss

	2009 £'000	2008 £'000
Valuation at 1 January	**106,000**	173,662
Investment holding losses/(gains) at 1 January	**22,113**	(27,988)
Cost at 1 January	**128,113**	145,674
Acquisitions at cost	**22,310**	32,253
Sales at cost	**(29,408)**	(49,814)
Cost at 31 December	**121,015**	128,113
Investment holding gains/(losses) at 31 December	**1,866**	(22,113)
Valuation at 31 December	**122,881**	106,000

Purchase transaction costs for the year to 31 December 2009 were £51,000 (2008: £103,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year to 31 December 2009 were £42,000 (2008: £52,000).

Notes to the Financial Statements

continued

11 Debtors	2009 £'000	2008 £'000
Taxation recoverable	**54**	34
Prepayments and accrued income	**1,364**	1,800
VAT recoverable	**–**	1,127
Unrealised gains on index derivatives	**91**	57
	1,509	3,018

12 **Creditors:** amounts falling due within one year	2009 £'000	2008 £'000
Purchases for future settlement	**3,156**	–
Bank loans and overdrafts	**21,529**	24,085
Accruals	**287**	367
	24,972	24,452

The Company has a multi-currency loan facility with ING Bank NV of £45,000,000 (2008: £45,000,000) which is due to expire on 31 March 2010. A new one year multi-currency loan facility of £35,000,000 has been agreed with ING Bank NV to commence on 1 April 2010. At 31 December 2009 the Company had short-term sterling loans under the loan facility amounting to £21,529,000, repayable in January 2010 (2008: £24,085,000, repayable in January 2009). The average interest rate payable on these loans was 1.02% (2008: 2.90%).

13 Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on pages 12 and 13. In pursuing its investment objective and policy, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These risks – market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit and counterparty risk – and the directors' approach to the management of them are set out below. The Board and the Portfolio Manager coordinate the Company's risk management.

The objectives, policies and processes for managing the risks, and the methods used to manage the risks that are set out below, have not changed from the previous accounting period.

13.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see note 13.1.1), interest rate risk (see note 13.1.2) and other price risk, in particular the risk of fluctuations in prices of securities (see note 13.1.3). The Board reviews and agrees policies for managing these risks and agrees investment guidelines and restrictions for managing the portfolio; these have remained substantially unchanged from those applying in the year ended 31 December 2008. The Portfolio Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. This risk is mitigated through diversification of investments in the portfolio.

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.1.1 Currency risk

A small proportion of the Company's assets, liabilities and income is denominated in currencies other than sterling (the Company's functional currency and the one in which it reports its results). As a result, movements in exchange rates may affect the sterling value of those items. The Board does not deem this to be material.

13.1.2 Interest rate risk

Interest rate movements may affect:

– the fair value of investments in fixed interest securities

– the level of income receivable from interest-bearing securities and cash at bank and on deposit

– the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the multi-currency loan facility. The Company generally, does not hold significant cash balances; short term borrowings are used when required. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts may sometimes be used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure at 31 December of financial assets and financial liabilities to interest rate risk is shown by reference to:

– floating interest rates: when the interest rate is due to be re-set

– fixed interest rates: when the financial instrument is due for repayment. These dates are shown on page 8.

	2009 Within one year £'000	**2009 More than one year £'000**	**2009 Total £'000**	2008 Within one year £'000	2008 More than one year £'000	2008 Total £'000
Exposure to floating interest rates:						
Cash at bank	**1,345**	**–**	**1,345**	3,198	–	3,198
Creditors – within one year:						
Borrowings under multi-currency loan facility	**(21,529)**	**–**	**(21,529)**	(24,085)	–	(24,085)
	(20,184)	**–**	**(20,184)**	(20,887)	–	(20,887)
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	**–**	**28,968**	**28,968**	–	26,577	26,577
Total exposure to interest rates	**(20,184)**	**28,968**	**8,784**	(20,887)	26,577	5,690

Notes to the Financial Statements
continued

13 Risk management policies and procedures (continued)

13.1.2 Interest rate risk (continued)

Interest receivable and finance costs are at the following rates:

– Interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR or its foreign currency equivalent (2008: same)

– Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan. The weighted average interest rate of these is 1.02% as at 31 December 2009 (2008: 2.90%)

– The nominal interest rates on the investments held at fair value through profit or loss are shown on page 8. The weighted average interest rate on these investments is 7.96% (2008: 10.22%).

Interest rate risk sensitivity

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

– Loan sensitivity: Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £21,529,000 (note 12) and if that level of borrowings were maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total net return on ordinary activities after taxation by approximately £215,000.

– Fixed interest investment sensitivity – The Company's fixed interest portfolio at the year end was valued at £28,968,000, and it had a modified duration (interest rate sensitivity) of approximately 4.9 years. A 100 basis points change in short term interest rates (up or down), which is mirrored by an equivalent change in long term interest rates, would be expected to decrease or increase this portfolio's value by approximately £1,420,000, all other factors being equal.

13.1.3 Other price risk

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

Management of the risk

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

When appropriate, the Company may manage its exposure to risk by buying/selling put and call options and futures on indices and on equity investments in its portfolio. At 31 December 2009 the derivative exposure related to a short position in UK gilt futures, in order to moderate the duration of the bond portfolio; the fair value of the derivatives was £91,000 (2008: £57,000).

Notes to the Financial Statements
continued

13 Risk management policies and procedures (continued)

13.1.3 Other price risk (continued)

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 8 and 9. The majority of the investments are in UK companies. Accordingly, there is a concentration of exposure to the UK, and particularly the financial sector, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

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

	2009 20% increase in fair value £'000	**2009 20% decrease in fair value £'000**	2008 20% increase in fair value £'000	2008 20% decrease in fair value £'000
Income statement – net return after tax				
Revenue return	**(24)**	**24**	(21)	21
Capital return	**24,543**	**(24,543)**	21,184	(21,184)
Net return after tax for the year	**24,519**	**(24,519)**	21,163	(21,163)
Equity shareholders' funds	**24,519**	**(24,519)**	21,163	(21,163)

13.2 Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £45,000,000 with ING Bank NV (2008: same), due to expire on 31 March 2010, and an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review. A new one year multi-currency loan facility for £35,000,000 has been agreed with ING Bank NV to commence on 1 April 2010.

Liquidity risk exposure

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

	2009 Due within one month £'000	2008 Due within one month £'000
Bank loans and overdrafts (including accrued interest)	**21,543**	24,144
Other creditors and accruals	**3,443**	367
	24,986	24,511

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is managed as follows:

– transactions involving derivatives are entered into only with investment banks, whose creditworthiness is carefully assessed so as to minimise the risk to the Company of default

– investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Portfolio Manager, and limits are set on the amount that may be due from any one broker

– cash at bank is held only with banks considered to be credit-worthy

– with regards to the corporate bonds in the portfolio, there is a credit risk that the borrowers do not repay principal or make interest payments. This is managed through careful selection, supported by monitoring of credit ratings, and is reviewed regularly.

None of the Company's financial assets or liabilities is secured by collateral or other credit enhancements.

13.4 Fair values of financial assets and financial liabilities

The fair values of the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet 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).

13.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the FRS 29 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 December 2009	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	93,060	–	–	**93,060**
Convertibles	792	61	–	**853**
Fixed interest investments:				
Preference shares	5,181	–	–	**5,181**
Other	23,787	–	–	**23,787**
Derivative instrument	91	–	–	**91**
Total	122,911	61	–	**122,972**

Notes to the Financial Statements
continued

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures (continued)

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 as follows:

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

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 on page 32.

There have been no transfers during the year between levels.

13.6 Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that it will be able to continue as a going concern, and

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

The Company's capital is its equity share capital and reserves that are shown in the balance sheet at a total of £100,763,000 (2008: £87,764,000).

The Board, with the assistance of the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes into account the Manager's view on the market

– the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount)

– the need for new issues of equity shares, including sales from treasury

– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

– borrowings under the loan facility are not to exceed 40% of the total assets

– as a public company, the Company has a minimum share capital of £50,000

– in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital retention tests imposed on investment companies by company law.

The Company has complied with these requirements.

Notes to the Financial Statements

continued

14 Share capital	Shares held in treasury	Shares entitled to dividend	Total shares in issue	Nominal value in issue £'000
Issued ordinary shares of 5p each				
At 31 December 2008	400,000	85,435,744	85,835,744	4,291
Sold out of treasury	(150,000)	150,000	–	–
At 31 December 2009	**250,000**	**85,585,744**	**85,835,744**	**4,291**

During the year the Company sold 150,000 shares out of treasury for proceeds of £152,000.

Since the year end there have been no further shares issued, sold or repurchased.

15 Reserves	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
Reserves at 1 January 2009	56,877	26,302	17,669	(22,056)	4,681
Transfer on disposal of investments	–	–	(7,786)	7,786	–
Net (losses)/gains from investments	–	–	(2,853)	16,227	–
Foreign exchange gains	–	–	8	–	–
Sale of shares held in treasury	–	–	152	–	–
Management fee and finance costs charged to capital	–	–	(584)	–	–
Tax relief thereon	–	–	718	–	–
Net revenue after tax for the year	–	–	–	–	6,425
Dividends paid	–	–	–	–	(7,094)
At 31 December 2009	**56,877**	**26,302**	**7,324**	**1,957**	**4,012**

The revenue reserve is distributable by way of dividend.

16 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 £100,763,000 (2008: £87,764,000) and on the 85,585,744 ordinary shares in issue (excluding treasury shares) at 31 December 2009 (2008: 85,435,744 ordinary shares).

17 Contingent liabilities

There were no partly paid shares or underwriting commitments at 31 December 2009 (2008: £nil).

Notes to the Financial Statements

continued

18 Value Added Tax

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should have been charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgment on the case in favour of the AIC. Since then HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies. VAT has not been applied to investment management fees invoiced in respect of periods since 1 July 2007.

An estimate of £1,030,000 for VAT borne by the Company on investment management fees invoiced in the period from 1 October 2000 to 30 June 2007 was written back in 2007 and a further £97,000 was recognised in 2008. The Company received £1,127,000 in February 2009.

The Company has also been able to recover VAT charged on investment management fees invoiced in the period from 1 January 1990 to 4 December 1996 (following the decision of the House of Lords in the Fleming/Condé Nast case) amounting to £145,000. That amount has been recognised in these financial statements.

The write-back of VAT has been allocated between revenue return and capital return according to the allocation of the amounts originally paid.

The Company has also received from the Manager interest paid by HMRC on the amounts recovered. During 2009 the Company received £190,000 in interest in respect of the VAT reclaim for the 2000 – 2007 period. An estimate of £184,000 was recognised in the prior year; therefore the balance of £6,000 has been recognised in these financial statements. The Company also received £105,000 in interest in respect of the VAT reclaim for the 1990 – 1996 period. That amount has been recognised in these financial statements. Interest has been included in "other interest receivable and similar income" in the income statement.

The possibility of recovering any VAT paid on management fees during the period from 5 December 1996 to 30 September 2000 is remote and consequently there is no recognition of VAT reclaims for that period in these financial statements.

19 Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2009 £'000	2008 £'000
Net return/(loss) before finance costs and taxation	**20,304**	(46,036)
(Gains)/losses on investments held at fair value through profit or loss	**(13,382)**	54,313
Decrease/(increase) in accrued income and debtors of a revenue nature	**436**	(443)
Decrease in other debtors	**1,127**	–
Decrease in creditors	**(58)**	(35)
Tax deducted on investment income	**(46)**	–
Stock dividends included in investment income	**–**	(27)
Net cash inflow from operating activities	**8,381**	7,772

Notes to the Financial Statements

continued

20 Analysis of changes in net debt

	1 January 2009 £'000	Cash flow £'000	Exchange movement £'000	31 December 2009 £'000
Cash at bank and overdrafts	3,198	(1,861)	8	**1,345**
Debt due within one year	(24,085)	2,556	–	**(21,529)**
	(20,887)	695	8	**(20,184)**

21 Transactions with the Manager

The Company has appointed wholly-owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and BNP Paribas Securities Services to provide investment management, accounting, administrative and company secretarial services. Details of the fee arrangements for these services are given on pages 14 and 15 in the Report of the Directors. The total of the fees payable by the Company to Henderson in respect of the year ended 31 December 2009 was £675,000 (2008: £895,000) of which £152,000 was outstanding at 31 December 2009 (2008: £199,000).

With effect from 1 July 2007 VAT is no longer charged on management fees or performance fees.

In addition to the above services, Henderson provides the Company with sales and marketing services. The total fees payable for these services for the year ended 31 December 2009 (excluding VAT) amounted to £15,000 (2008: £nil). At 31 December 2009, £4,000 was outstanding (2008: £nil).

22 Dividends

In respect of the year ended 31 December 2009, a fourth interim dividend of 2.075p per ordinary share has been declared. The aggregate cost of this dividend based on the number of eligible shares is estimated to be £1,776,000. This dividend, together with the third interim dividend paid on 29 January 2010, will be reflected in the 2010 financial statements.

	£'000
Revenue available for distribution by way of dividend for the year	**6,425**
First interim dividend (2.075p)	**(1,776)**
Second interim dividend (2.075p)	**(1,776)**
Third interim dividend (2.075p) paid on 29 January 2010	**(1,776)**
Fourth interim dividend (2.075p) payable on 30 April 2010	**(1,776)**
Transferred from reserves	**(679)**

After payment of the four interim dividends detailed above, the Company will have distributed all of its net revenue for the year ended 31 December 2009 and therefore for section 842 purposes there is no undistributed revenue for the year.

Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting of Henderson High Income Trust plc will be held at 201 Bishopsgate, London EC2M 3AE on Tuesday 11 May 2010 at 12.00 noon for the transaction of the following business:

To consider and, if thought fit, pass the following resolutions:

Ordinary Resolutions

1 To receive the report of the directors and the audited financial statements for the year ended 31 December 2009.

2 To approve the directors' remuneration report for the year ended 31 December 2009.

3 To re-elect Mr H J Twiss as a director of the Company.

4 To re-appoint the auditor, Grant Thornton UK LLP.

5 To authorise the directors to determine the remuneration of the auditor for the period of appointment.

6 THAT the Company should continue as an investment trust for a further five year period.

7 THAT in substitution for all existing authorities the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights together being "relevant securities") up to a maximum aggregate nominal amount of £427,928 (being 10% of the Company's issued ordinary share capital on 18 March 2010) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting in 2011 or, if earlier, on the expiry of 15 months from the passing of this resolution, but so that the Company may make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

8 THAT, in substitution for all existing authorities and subject to the passing of resolution 7 the directors be empowered pursuant to section 570 and/or section 573 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 7 as if section 561 of the Act did not apply to the allotment and to sell ordinary shares held by the Company as treasury shares (as defined in section 724(5) of the Act) for cash as if section 561 of the Act did not apply to any such sale. This power shall be limited:

(a) to the allotment of equity securities and/or the sale of shares held in treasury for cash whether by way of a rights issue, open offer or otherwise to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities at a price not less than the net asset value per share at allotment, as determined by the directors, up to a maximum aggregate nominal value of £427,928 (being 10% of the Company's issued ordinary share capital (excluding treasury shares) on 18 March 2010;

and shall expire at the conclusion of the Annual General Meeting of the Company in 2011, or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time, save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

continued

9 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") upon and subject to the following conditions:

(a) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's ordinary shares in issue at the date of the Annual General Meeting (equivalent to 12,829,303 ordinary shares at the date of this Notice);

(b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed 105% of the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase or such other amount as may be specified by the UK Listing Authority from time to time;

(c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 5p, being the nominal value per ordinary share;

(d) the authority hereby conferred will expire at the conclusion of the Annual General Meeting of the Company in 2011, or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time;

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract; and

(f) any ordinary shares so purchased shall be:

(i) cancelled immediately upon completion of the purchase; or

(ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 2006.

10 THAT:

(a) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association; and

(b) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

11 THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
18 March 2010

Registered Office:
201 Bishopsgate, London EC2M 3AE

Notice of Annual General Meeting

continued

Annual General Meeting Venue

Shown left is a map of the location of Henderson Global Investors' offices at 201 Bishopsgate, London EC2M 3AE where the AGM will be held at 12.00 noon on Tuesday 11 May 2010.

Henderson Global Investors is located in the City of London and is a few minutes walk from Liverpool Street mainline and underground stations and Moorgate underground station.

Notes

Resolutions 1 to 7 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 8 to 11 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

1. Voting record date

Only members registered in the Register of Members of the Company at 6.00pm on 7 May 2010 shall be entitled to attend and vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after 6.00pm on 7 May 2010 shall be disregarded in determining the rights of any person to attend and vote at the meeting. In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

2. Rights to attend and vote

Members are entitled to attend and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof. On a poll each member has one vote for every one share held.

3. Right to appoint proxies

Pursuant to section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

A form of proxy is enclosed. The completion of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting.

Notice of Annual General Meeting

continued

Section 324 does not apply to persons nominated to receive information rights pursuant to section 146 of the Companies Act 2006. Persons nominated to receive information rights under section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

4. Proxies' rights to vote at the meeting

On a vote on a show of hands, each proxy has one vote. If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

On a poll all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, section 285(4) of the Companies Act 2006 does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

5. Voting by corporate representatives

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006.

6. Receipt and termination of proxies

To be valid the form of proxy must be lodged with the Company's Registrars no later than 48 hours before the time appointed for the meeting (excluding weekends and bank holidays) or any adjournment of the meeting. A member may terminate a proxy's authority at any time before the commencement of the meeting. Termination must be provided in writing and submitted to the Company's Registrar.

In accordance with the Company's articles of association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

7. Electronic receipt of proxies

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in note 6 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Annual General Meeting
continued

8. Questions at the Annual General Meeting
Section 319A of the Companies Act 2006 requires the directors to answer any question raised at the AGM which relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on a website in the form of an answer to a question; or (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9. Website
Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website in accordance with section 527 of the Companies Act 2006 must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required in accordance with section 527 of the Companies Act 2006 to publish on its website.

By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.

A copy of the notice of the Annual General Meeting, including these explanatory notes, is included on the Company's website, **www.hendersonhighincome.com**

10. Total voting rights at date of notice
As at 18 March 2010 (being the last practicable date prior to the publication of this Notice) the total number of votes in the Company is 85,585,744.

11. Members' right to require circulation of resolution to be proposed at the AGM
Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 13 may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that:

(i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise).

(ii) The resolution must not be defamatory of any person, frivolous or vexatious.

(iii) The request:

- (a) may be in hard copy form or in electronic form (see note 14);
- (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported;
- (c) must be authenticated by the person or persons making it (see note 14); and
- (d) must be received by the Company not later than six weeks before the AGM.

(iv) In the case of a request made in hard copy form, such request must be:

- (a) authenticated by signing, giving full name and address and providing evidence of the number of shares held; and
- (b) sent to the Company Secretary, Henderson High Income Trust plc, 201 Bishopsgate, London EC2M 3AE.

(v) In the case of a request made in electronic form, such request must be:

- (a) authenticated by signing and scanning a copy of the request, giving full name and address and providing evidence of the number of shares held; and
- (b) sent to **itsecretariat@henderson.com**

12. Members' right to have a matter of business dealt with at the meeting
Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 13, may, subject to conditions, require the Company to include in the business to be dealt with at the AGM a matter

Notice of Annual General Meeting

continued

(other than a proposed resolution) which may properly be included in the business (a matter of business).

The conditions are that:

(i) The matter of business must not be defamatory of any person, frivolous or vexatious.

(ii) The request:

- (a) may be in hard copy form or in electronic form (see note 14);
- (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported;
- (c) must be accompanied by a statement setting out the grounds for the request;
- (d) must be authenticated by the person or persons making it (see note 13); and
- (e) must be received by the Company not later than six weeks before the AGM.

13. Members' qualification criteria

In order to be able to exercise the members' right to require:

(a) circulation of a resolution to be proposed at the AGM (see note 11); or

(b) a matter of business to be dealt with at the AGM (see note 12);

the relevant request must be made by:

(i) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or

(ii) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total number of voting rights, see notes 2 and 10.

14. Submission of hard copy and electronic requests and authentication requirements

Where a member (or members) wishes to request the Company to:

(a) circulate a resolution to be proposed at the AGM (see note 11); or

(b) include a matter of business to be dealt with at the AGM (see note 12);

such request must be must in writing and signed by the member(s) and must include the full name and address of the member(s) and provide evidence of the number of shares held. The request should be submitted to the Company in one of the following ways:

(i) The hard copy of the request can be sent to the Company Secretary, Henderson High Income Trust plc, at 201 Bishopsgate, London EC2M 3AE; or

(ii) A copy of the signed request can be faxed to 020 7818 1819 marked for the attention of the Company Secretary, Henderson High Income Trust plc or Investment Trust Secretariat; or

(iii) A scanned copy of the signed request can be emailed to **itsecretariat@henderson.com** Please state "AGM" in the subject line of the e-mail.

15. Documents on display

The following documents will be available for inspection at the registered office, 201 Bishopsgate, London EC2M 3AE from 18 March 2010 until the time of the meeting and at the meeting itself for at least 15 minutes prior to the meeting until the end of the meeting:

(a) copies of the letters of appointment of the directors of the Company; and

(b) a copy of the proposed new articles of association of the Company, together with a copy of the existing articles of association of the Company marked to show the changes being proposed.

16. Communication

Except as provided above, members who have general queries about the meeting should send such queries to the Company Secretary, Henderson High Income Trust plc, 201 Bishopsgate, London EC2M 3AE.

You may not use any electronic address provided either in this notice of AGM or any related documents to communicate with the Company for any purposes other than those expressly stated.

Appendix – Explanatory Notes to Resolutions 10 and 11

A) PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities that the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 (the "**Act**") significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act, the objects clause and all other provisions which are contained in an existing company's memorandum are, with effect from 1 October 2009, now deemed to be contained in the Company's articles of association.

The Act also states that, unless a company's articles provide otherwise, a company's objects are unrestricted, which abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause altogether, along with all other provisions of its memorandum which are now treated as forming part of its articles of association. Resolution 10(a) confirms the removal of these provisions for the Company. As the effect of this resolution will also be to remove the statement currently in the Company's memorandum of association regarding limited liability, the new articles of association (the "**New Articles**") also contain an express statement regarding the limited liability of shareholders. References to the Company's Memorandum of Association have also been removed in the New Articles.

2. Articles which duplicate statutory provisions

Provisions in the Company's current articles of association (the "**Current Articles**") which replicate provisions contained in the Act are in the main to be removed in the Company's New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of name

Under the Companies Act 1985 ("the 1985 Act"), a company could only change its name by special resolution. Under the Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The Act abolishes the requirement for a company to have an authorised share capital, and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot, because allotment authority continues to be required under the Act.

5. Redeemable shares

Under the 1985 Act, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation for the Board. The Company has no current plans to issue redeemable shares.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves, as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

7. Use of seals

Under the 1985 Act, a company required authority in its articles to have an official seal for use abroad. Under the Act, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one director in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors, or by such other person or persons as the directors may approve.

8. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

Appendix – Explanatory Notes to Resolutions 10 and 11

continued

9. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member. In this latter case, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. This has been reflected in the New Articles.

10. Untraced shareholders

The Current Articles provide that if a member has failed to claim dividends on his shares or communicate with the Company for 12 years, then the Company may sell the untraced member's shares and the proceeds of such sale shall become a debt owed by the Company to the untraced member. The New Articles retain this provision and further provide that if the untraced member does not claim the proceeds of sale of his shares within six years of such sale (ie it has been at least 18 years since the member last claimed a dividend or communicated with the Company) then the proceeds of sale are forfeited and belong to the Company absolutely.

11. Appointment and removal of the Secretary

This article has been removed on the basis that the model articles prescribed by the Secretary of State pursuant to his power under section 19 of the Act (the "**Model Articles**") do not contain such an article.

12. Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes at a general meeting, as this is no longer permitted under the Act.

13. Adjournments for lack of quorum

Under the Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. This has been reflected in the New Articles.

In addition, in the New Articles notice of adjournment is now only required to be given in the same manner as for the original meeting where the adjournment is for more than three months, or where new business is to be dealt with at the adjourned meeting that was not specified in the original notice.

14. Duration of the Company

For the purposes of clarity, the New Articles have been updated to reflect the next date when a continuation vote may be held at its annual general meeting.

15. Remuneration

At the 2007 annual general meeting, the maximum total remuneration for all the directors of the Company was increased from £50,000 to £150,000 per annum. The New Articles reflect this increase.

16. Indemnity

The Current Articles contain an indemnity in favour of the directors as regards the costs of successfully defending an action and permit the giving of a wider indemnity.
The New Articles simplify the provisions relating to the indemnification by the Company of directors and former directors against liability (to the extent permitted by law) and permit the Company to provide such an indemnity. This change has been made as it is considered more appropriate to set out indemnity provisions in a separate document; it is the Company's current practice to indemnify directors and former directors in wider terms than, but including, the indemnity contained in the Current Articles.

17. General

Generally the opportunity has been taken to make further minor, technical and clarifying amendments and to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the Model Articles for public companies produced by the Department for Business, Innovation and Skills.

B) NOTICE OF GENERAL MEETINGS

The Shareholders' Rights Regulations amend the Act to require the Company to give 21 clear days' notice of general meetings, unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 clear days has been passed at the most recent annual general meeting (or a general meeting held since such date). Annual general meetings must always be held on 21 clear days' notice. This has been reflected in the New Articles, and Resolution 11 authorises the Company to hold general meetings (other than annual general meetings) on 14 days' clear notice.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Ten Year Record

Year to 31 December	Total net assets	Net asset value per ordinary share	Net asset value per unit	Market price per ordinary share	Market price per unit	Dividends per ordinary share/unit
2000	£99.0m	136.7p	188.2p	126.5p	179.5p	8.55p
2001	£97.2m	127.6p	183.3p	131.3p	195.8p	9.90p
2002	£84.2m	94.7p	155.0p	97.5p	161.8p	9.90p
2003†	£103.6m	114.6p	179.8p	106.0p	175.0p	9.90p
2004†	£110.7m	131.3p	201.8p	116.3p	186.8p	9.90p
2005*	£106.6m	155.3p	–	153.8p	–	8.83p
2006*	£126.6m	181.7p	–	177.3p	–	7.91p
2007	£142.6m	166.9p	–	147.8p	–	8.18p
2008	£87.8m	102.7p	–	95.0p	–	8.30p
2009	**£100.8m**	**117.7p**	**–**	**114.5p**	**–**	**8.30p**

†Restated in accordance with new accounting policies.

*The level of dividends was reduced following the capital reorganisation in September 2005.

Explanation of Movement in Net Asset Value (total return) per Ordinary Share

Over the year to 31 December 2009, the Net Asset Value (total return, with dividends reinvested) was 27.8% compared to the benchmark index total return (with dividends reinvested) (75% FTSE All-Share Index and 25% FTA Government All Stocks Index) of 22.3%.

Details of the portfolio performance are given below. Other factors accounting for the remainder of the difference between the opening and closing net asset value per share are the proportions of management fee and finance costs charged to capital, as shown below. All data is geometrically compounded to calculate returns.

Portfolio performance	**Performance of Composite Index (total return)**		**22.3%**
	Performance of portfolio against benchmark		
	Due to asset allocation	0.6%	
	Due to stock selection – Equities	-7.0%	
	– Fixed interest	5.2%	
	Due to gearing	6.9%	
Other factors	Management fee and finance costs charged to capital	-0.6%	
	Performance of Net Asset Value (total return)		**27.8%**

General Shareholder Information

Release of Results
The full year results were announced on 18 March 2010. The half year results will be announced in early August.

Annual General Meeting
The AGM of Henderson High Income Trust plc will be held in London at 12.00 noon on 11 May 2010. The notice of this meeting setting out the business that will be proposed is on pages 47 and 48.

Dividend Payment Dates
Dividends are normally paid on the ordinary shares quarterly, on the last business day in July (first interim), October (second interim), January (third interim) and April (fourth interim).

Dividend Payments
Dividends can be paid to ordinary shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on the inside back cover) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Share Price Listings
The market price of the Company's ordinary shares is published daily in the Financial Times, which also shows figures for the estimated net asset value and the discount/premium. Some of this information is published in other leading newspapers.

Website
Details of the market price and net asset value of the shares can be found on the Company's website. The address is **www.hendersonhighincome.com**

Shareholders who hold their shares in certificated form can check their holdings with the Registrar, Computershare Investor Services PLC (**www.computershare.com**). Please note that to gain access to your details on this site you will need the holder reference number stated on the top left corner of your share certificate.

ISIN/SEDOL numbers
The ISIN/SEDOL (Stock Exchange Daily Official List) code number is as follows GB0009580571/0958057.

Nominee Share Code
Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Disability Act
Copies of this Annual Report and Financial Statements and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing-impaired people who have their own textphone to contact them directly, without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) you should dial 18001 followed by the number you wish to dial.

General Shareholder Information

continued

Capital Gains Tax

The market prices of the Company's shares and units at the close of business on 17 August 2000, the first day of dealings in the shares and units following the capital reorganisation that came into effect on 16 August 2000, were as follows:

- Ordinary shares of 5p in Henderson High Income Trust plc: 117p
- Zero dividend preference shares of 50p in Henderson High Income Trust Securities plc: 50p
- Units (each unit comprising one ordinary share of 5p in Henderson High Income Trust plc and one zero dividend preference share of 50p in Henderson High Income Trust Securities plc): 165p

On 30 September 2005 all the zero dividend preference shares in Henderson High Income Trust Securities plc were redeemed and new ordinary shares of 5p each were issued by Henderson High Income Trust plc to shareholders who elected to receive them at the following prices:

- Zero dividend preference shares of 50p each were redeemed at a price of 74.87p per ZDP
- Ordinary shares of 5p each were issued at a price of 147.25p per share

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. We are unable to give tax advice or assist with calculations for capital gains tax. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on the inside back cover.

Glossary of Terms

Ordinary shares
Confer certain rights to the holder as laid down in the Articles of Association. These include entitlements to any income distributions paid by the Company, to all undistributed net income if the Company is wound up, and voting rights. They rank for payment of capital after repayment of borrowings.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Net Asset Value
The value of the total assets less the liabilities. Liabilities for this purpose include both current and long-term liabilities. To calculate the net asset value per ordinary share, divide the net asset value by the number of shares in issue (excluding treasury shares).

The AIC net asset value total return on ordinary shares over one year differs from the net asset value total return including net dividends reinvested calculated from the financial statements as a result of timing and methodology differences.

Discount
The amount by which the market price per share of an investment trust company is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Premium
The amount by which the market price per share of an investment trust company exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Gearing
Total assets including all current liabilities being used for investment purposes (irrespective of how long the debt has to run until repayment) divided by shareholders' funds.

Effective Interest Rate
The rate of interest applicable to a financial asset or liability taking into account all related cash flows from its acquisition to its redemption date.

A Brief History

The Company was launched in November 1989 with the name TR High Income Trust PLC. The share capital comprised ordinary shares of 25p each and subscription shares of 0.01p each, there being one subscription share for every five ordinary shares. In 1991 further shares of both classes were issued by way of a rights issue. The conversion of the subscription shares into ordinary shares was completed in 1996.

In March 1997 the Company changed its name to Henderson High Income Trust plc and announced proposals for a merger with Henderson Highland Trust plc. The merger, by means of a Scheme of Arrangement under Section 425 of the Companies Act 1985, became effective on 23 April 1997 and new ordinary shares of 25p each were issued to the former Highland shareholders.

On 16 August 2000 the Company's capital was reorganised. In place of the ordinary shares of 25p each in issue at 15 August 2000, shareholders received one ordinary share of 5p each in the Company and one zero dividend preference share of 50p each in a new subsidiary company, Henderson High Income Trust Securities plc.

On 30 September 2005 the Group's capital was reorganised. The zero dividend preference shares were repaid and the subsidiary company was placed in members' voluntary liquidation. The subsidiary was dissolved on 10 January 2008.

On 30 April 2007 the Company issued 16,147,946 shares to those shareholders of Martin Currie Income & Growth Trust plc who elected to roll over their shares into the Company.

Directors and other Information

Directors
H J Twiss (Chairman)
V P Bazalgette
A L C Bell
M Littlejohns
A J R Newhouse
J S Walker

Registered Office
201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818
Facsimile: 020 7818 1819
www.hendersonhighincome.com

Registered Number
Registered as an investment company in England and Wales:
No. 2422514

Investment Manager
Henderson Global Investors Limited, authorised and regulated by the Financial Services Authority

Portfolio Manager: A A Crooke
Deputy Portfolio Manager: B Lofthouse

Secretary
Henderson Secretarial Services Limited, represented by D J Trickett ACIS

Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH
Telephone: 0870 707 1039

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Stockbrokers
JPMorgan Cazenove
20 Moorgate
London
EC2R 6DA

Solicitors
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Halifax Share Dealing Limited
Lovell Park Road
Leeds
LS1 1NS
Telephone: 0845 609 0408
Email: communications@halifax.co.uk
Website: www.halifax.co.uk

Henderson ISA Scheme
ISA Department
Henderson Global Investors
PO Box 10665
Chelmsford
CM99 2BF
Telephone: 0800 856 5656

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