Henderson High Income Trust plc – Annual Report 2022

Annual Report 2022

Henderson High Income Trust plc

Seeking superior income generation and long-term capital growth

MANAGED BY
Janus Henderson
INVESTORS

JHI9212/2022

Objective

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

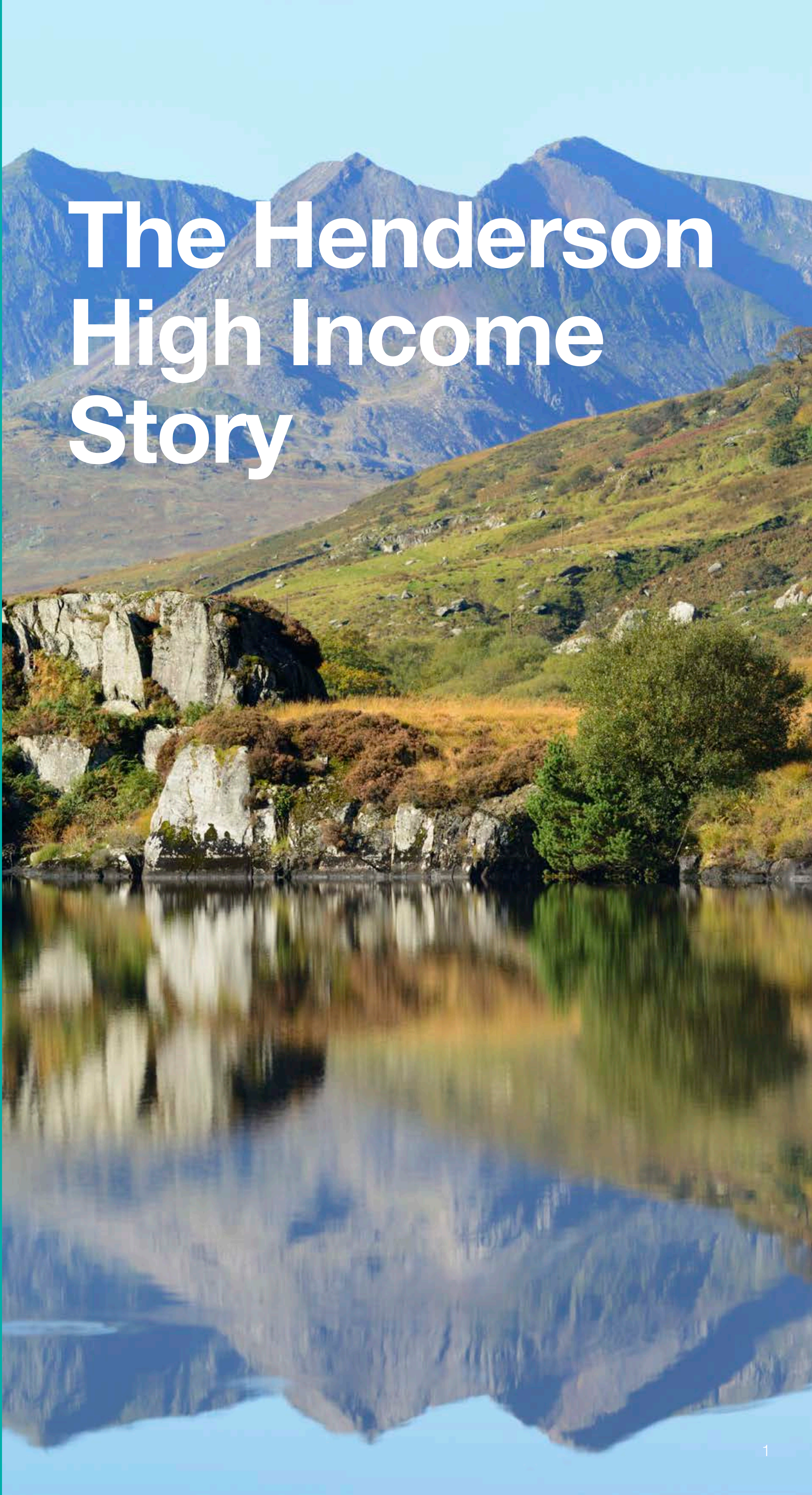
Strategic Report

Governance

Financial Statements

Additional Shareholder Information

The Henderson High Income Story



What we look for in companies

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth. To gain a full understanding of these companies, the stock selection process places emphasis on examining what each company does, its market position and the dynamics of that market. Combining this with analysis of the company's financial health provides valuable insight into the company's ability to not only sustain its dividend but grow it in the long-term, a crucial element for generating total returns for shareholders. The stock selection process is broken down into three key component parts: fundamentals, financials and valuation.

Fundamentals

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

The following key attributes are typically looked for:

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

Financials

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

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

Valuation

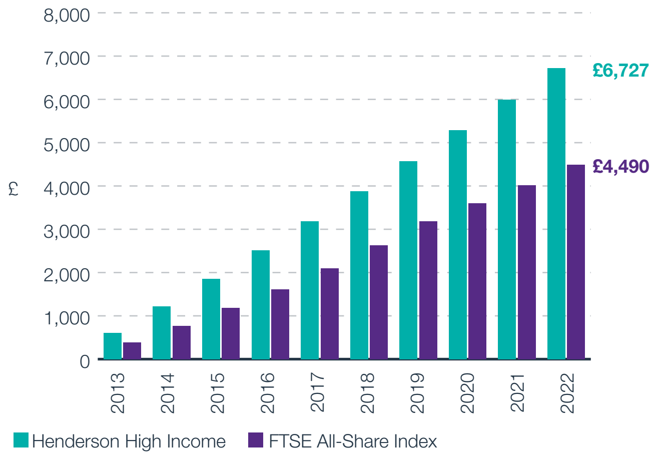
Valuation is the final part of analysing a company but underpins the whole process. Even when companies with strong fundamentals and financials are found, their valuations also need to be attractive, otherwise capital appreciation may be limited. Various valuation metrics are used, such as price to earnings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

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

10 years of consecutive dividend growth

In 2022, the Company increased its dividend for the 10th consecutive year. Over that period, the Company has increased the dividend by a compound average growth rate of 2% per annum, in line with the long-term historical average for UK inflation (as measured by CPI). With 2% dividend growth per year combined with a high starting dividend yield, it has produced a significant return for income seeking investors. For example, a £10,000 initial investment in the Company's shares 10 years ago has generated a gross dividend income of £6,700. This is almost 50% more income than an investor would have earned from an investment that tracks the FTSE All-Share Index over the same period and over eight times more than could have been earned from a savings account, based on the Bank of England's base rate. Furthermore, the Company's NAV (with debt at fair value) and share price total return over the last ten years of 107.0% and 107.2% respectively has also beaten both the total return of the Company's benchmark (75.1%) and the FTSE All-Share Index (88.2%).

Cumulative income from an initial £10,000 investment



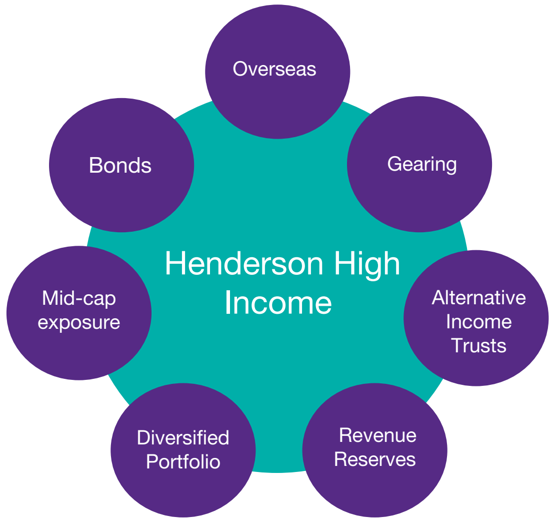
Source: Janus Henderson and Refinitiv Datastream

Utilising Henderson High Income's unique structure

The Company's unique structure has significantly aided its ability to deliver an attractive income return to shareholders. The allocation of a portion of its portfolio to fixed interest securities has provided a valuable source of alternative income and differentiates it from most other equity income investment companies. Bond interest paid by companies is usually more sustainable than dividends during times of economic stress, hence having the ability to allocate towards bonds provides a diversified source of income.

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

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



Revenue Reserves

The Company has also utilised the investment trust structure to deliver strong income returns to shareholders. One of the main advantages of investment trusts is the ability to retain surplus income to create revenue reserves. The Company can add to these reserves in profitable years and pay them out in the leaner years, thereby smoothing the level of their dividend payments when appropriate. The Company was able to utilise its reserves in 2020 and 2021 to continue to pay and grow its own dividend despite the significant dividend cuts and suspensions experienced across the UK market during the pandemic. The good news is that the Company once again covered the full dividend from earnings in 2022 with a surplus carried to revenue reserves, which increased to £8.8 million – over 67% cover of the annual dividend payment as at 31 December 2022.

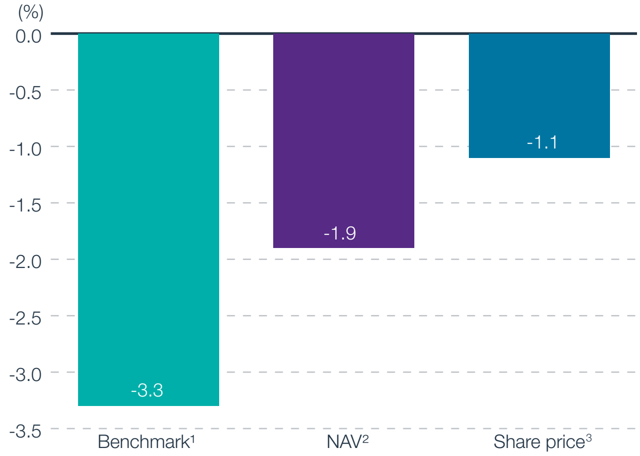
The last 10 years have been quite volatile for equity markets, starting with the aftermath of the Global Financial and Eurozone Debt Crises, dealing with Brexit and the Covid-19 pandemic and ending with a war on Europe's border and inflation levels not seen for 40 years. Despite that, the Company has grown its dividend for 10 consecutive years, aided by a focus on owning good quality companies that can grow their own dividends whilst also utilising the advantages of the investment trust structure in terms of revenue reserves and owning fixed interest securities. While the economic outlook may remain uncertain, the disciplined investment process and healthy revenue reserves put the Company in a good position going forward.

Performance Highlights

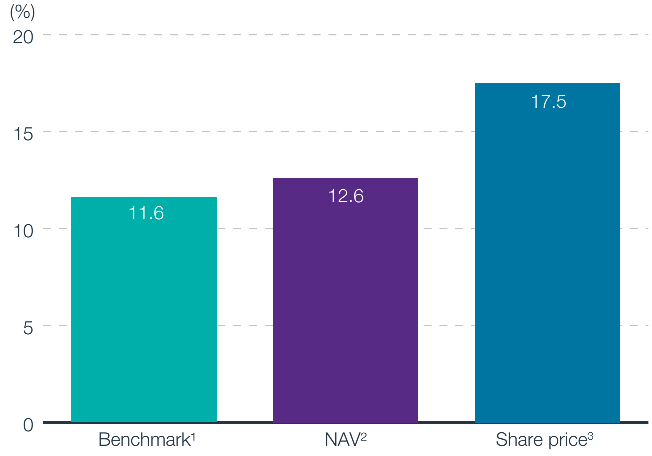
Strategic Report: Performance Highlights

Total return performance to 31 December 2022

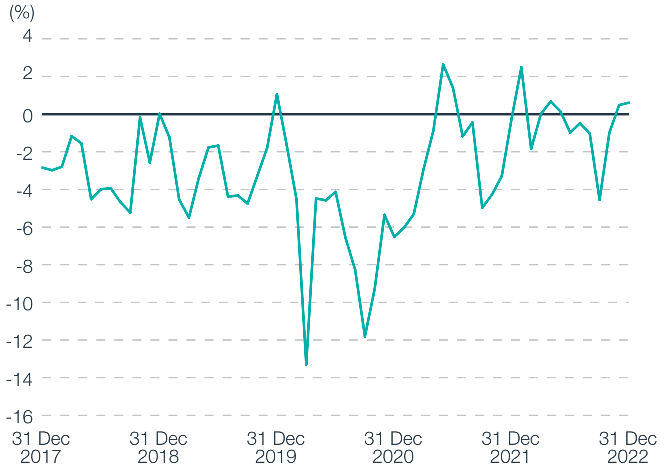
One year



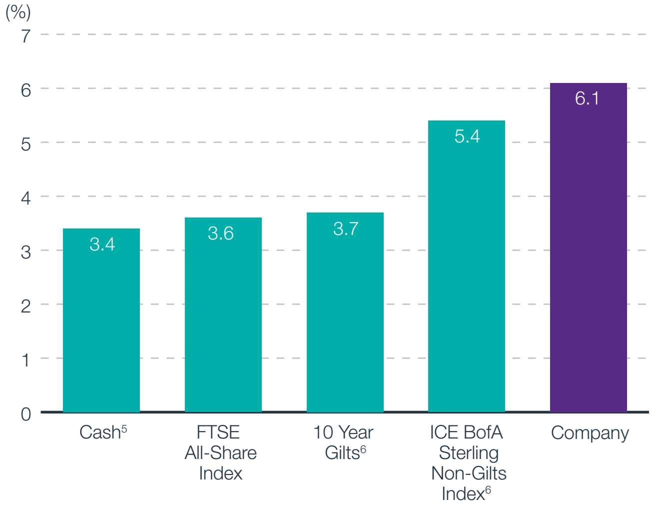
Five years



Premium/discount over 5 years to 31 December 2022[4]



Income yields as at 31 December 2022



Attribution[7] – explanation of movement in net asset value (total return) in 2022

1 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofA Sterling Non-Gilts Index (total return) rebalanced annually
2 Net asset value with debt at fair value per ordinary share total return (including dividends reinvested and excluding transaction costs)
3 Includes dividends reinvested
4 Premium/discount based on net asset value with debt at fair value
5 Cash based on SONIA (Sterling Overnight Index Average) Interest Rate Benchmark
6 Gross redemption yield
7 Geometric returns

A Glossary of Terms and Alternative Performance Measures can be found on page 80 and pages 81 to 82 respectively

Sources: Morningstar Direct, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2022 or for the year-ended 31 December 2022

Strategic Report: Performance Highlights (continued)

NAV per share[1]

2022 **164.24p**

2021 **177.92p**

Mid-market price per share

2022 **165.25p**

2021 **177.50p**

Revenue return per share

2022 **10.37p**

2021 **9.44p**

Net assets

2022 **£214.3m**

2021 **£236.2m**

Dividend for the year

2022 **10.15p**

2021 **9.95p**

Dividend yield[2]

2022 **6.1%**

2021 **5.6%**

Ongoing charge for the year[3]

2022 **0.84%**

2021 **0.84%**

Gearing

2022 **21.4%**

2021 **22.4%**

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

A Glossary of Terms and Alternative Performance Measures can be found on page 80 and pages 81 to 82 respectively

Sources: Morningstar Direct, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2022 or for the year-ended 31 December 2022

Chairman's Statement

Strategic Report: Chairman's Statement

Jeremy Rigg
Chairman

After the strong investment performance from Henderson High Income Trust plc in 2021, 2022 was a more challenging period. The Company's Net Asset Value (NAV) with debt at fair value fell by 1.9% during the year whilst the Company's share price (total return including dividends reinvested) fared a little better, falling by 1.1%.

Performance

2022 was a difficult year for the world's financial markets. The war in Ukraine, the surge in global energy prices and considerable disruption to supply chains around the world led to the highest rates of general inflation in 40 years. As a consequence, central banks announced significant increases in interest rates which caused a sharp sell off in both global equity and bond markets as yields rose. Investors were concerned about the impact on real economic activity and the prospect of lower corporate profits, while rising interest rates also caused a devaluation of those profits. Both equity and bond markets produced negative returns during the year with the former particularly impacted by the de-rating of growth stocks given higher interest (discount) rates, and the latter undermined by the impact of inflation on nominal returns. Within the UK market the additional impact of the mini-budget announcement in the Autumn was significant and caused a sharp fall in UK government bonds and alternative assets as pension funds were forced to raise liquidity.

Of some comfort given the overall widespread negative returns during 2022 was the relatively resilient performance of the UK equity market, with the FTSE 100 Index generating a positive return, albeit medium-sized and smaller companies fared less well. Against this backdrop the Company's NAV fell 1.9% compared with the 3.3% fall in the composite benchmark (80% FTSE All-Share Index, 20% ICE BofA Sterling Non-Gilts Index), meaning that the Company outperformed by 1.4%. The Company's share price performance during the year was also relatively strong; having started the year at a very small discount to NAV of 0.2%, the share price closed 2022 at a small premium to NAV of 0.6%. A number of factors helped investment performance versus the benchmark, in particular asset allocation, with an overweight position in equities and an underweight position in bonds of benefit as bonds generally produced poorer returns than equities during 2022.

Dividends

The Company's investment objective is to provide investors with a high dividend income stream while also maintaining the prospect of capital growth. The current period of high inflation makes this objective even more important. Although financial markets were volatile in 2022, the Board was encouraged to see a continuing recovery in company dividends and the total income received by the Company during 2022 exceeded the total dividends paid to shareholders, enabling the Company to increase its revenue reserves. At the end of 2022, the Company held £8.8 million of reserves, equating to around 8 months of current dividend cover, a healthy position with which to start 2023.

During the course of the year the Board continued to monitor carefully the level and sustainability of dividends from the Company's investee companies. David Smith, the Company's Fund Manager, regularly evaluates prospective income levels under various scenarios looking several years ahead. Whilst at this stage of the financial year and particularly given the uncertain economic backdrop it is sensible to be cautious about overall income levels for 2023, the current level of reserves continues to give the Board confidence in the Company's ability to deliver a high level of income to shareholders.

During 2022 the Board recommended the payment of dividends totalling 10.15 pence per share, an increase of 2.0% over the payment in 2021. This increase represented the 10th consecutive year of dividend growth from the Company.

Gearing

The Company's policy on gearing is provided on page 22 of this Annual Report. During the course of 2022, overall borrowings decreased by approximately £8 million, predominantly due to sales of equities as the Board, in conjunction with the Fund Manager, took a slightly more cautious view of prospects as the year unfolded. As a percentage of net assets, gearing finished the year at 21.4%, a reduction of approximately 1% from the start of the year. Overall asset allocation changed a little during the year with the Company adding around £7 million to its fixed interest investments, although the bias in favour of equities versus bonds (and versus the Company's investment benchmark of 80% equities/20% bonds) remained, with a weighting of around 89% in equities and 11% in bonds at the year end.

In December 2022 the Company renewed its committed loan facility of £45 million with the Bank of Nova Scotia (Scotiabank), London Branch. This facility also includes the option to increase borrowings by a further £12 million up to a total of £57 million. The facility has been renewed for a further period of 12 months and the terms on which the facility was renewed were competitive.

Strategic Report: Chairman's Statement (continued)

The Board

In September Penny Lovell stepped down from the Board due to other business commitments. Penny had joined as a Director in January 2021 and whilst her tenure was relatively short, she made a valuable contribution during her time on the Board. Having instigated an external search to find a successor, I am delighted to report that Francesca Ecsery was appointed as a Director at the end of 2022. Francesca has extensive experience in marketing, branding and commercial strategies and currently serves on the Boards of F&C Investment Trust PLC and the Association of Investment Companies. Her background and experience will be of significant benefit to the Company as it seeks to compete effectively in today's marketplace.

Responsible Investment

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

The Board believes that voting the Company's shareholdings at general meetings is essential to good corporate stewardship and is an effective means of expressing its views on the policies and practices of its investee companies. Voting decisions reflect the provisions of Janus Henderson's ESG Corporate Statement and ESG Investment Principles which are publicly available at **www.janushenderson.com** and records the high standards of corporate behaviour that are expected. Ultimately, however, our Fund Manager makes the final decision after consultation with the Board, as necessary. Janus Henderson will actively engage with those companies that fall below such expectations to encourage improvement over time. The final sanction is the divestment of those holdings that fail to make an acceptable transition and adapt sufficiently. The Board monitors the process by reviewing a report on the Company's voting pattern on an annual basis.

Growth

Each year the Company seeks shareholder approval to authorise the allotment of new shares at a premium to NAV. The Board continues to believe that it is in the best interests of shareholders for the Company to issue new shares to grow; it serves to improve the liquidity in the Company's shares and spreads the cost base over a larger number of shares which is of benefit to all shareholders.

Notwithstanding the difficult market conditions in 2022 it was pleasing that there was robust demand for the Company's shares enabling it to issue 1.2 million new shares during the course of the year, raising approximately £2.1 million of net proceeds.

AGM

We look forward to seeing as many of our shareholders as possible at our AGM which will be held at 12 noon on Tuesday 16 May 2023 at the offices of Janus Henderson at 201 Bishopsgate, London EC2M 3AE.

As usual David Smith, the Company's Fund Manager, will give a presentation on the Company's portfolio and performance, and you will, as usual, have the opportunity to talk to the Board, David and other Janus Henderson representatives. We very much welcome your comments and questions at the AGM and we would encourage those of you who are unable to attend in person to use your proxy votes and to watch the AGM live by logging onto **www.janushenderson.com/trustslive**.

Prospects and Outlook

Whilst the near-term economic outlook remains uncertain, particularly given the strains within the global banking sector, there are some early signs that inflationary pressures are abating and whilst interest rates have continued to move higher with policy makers determined to dampen price rises and wage settlements, investors have started to believe that the peak of the tightening cycle may be in sight, even if we should expect interest rates generally to remain at slightly more normalised levels.

At the corporate level, company balance sheets are in generally robust shape, the UK banking system appears well capitalised and continuing tight labour markets should help to support the economy. Key will be the upcoming results season, to establish how well UK companies are coping with supply side pricing pressure and softer end markets. That said, the valuation of the UK equity market in particular remains low in an international context and there has been some corporate takeover activity which should help to sustain the market.

The Company holds the majority of its assets in UK quoted companies and David Smith, our Fund Manager, will continue to focus on finding stocks with the best dividend and dividend growth prospects to enable the Company to deliver high levels of income for our shareholders, while also seeking to invest in companies capable of capital growth.

Jeremy Rigg
Chairman
30 March 2023

Fund Manager's Report

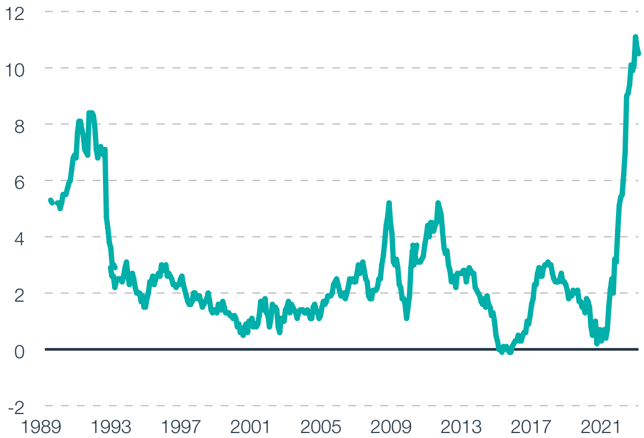
Strategic Report: Fund Manager's Report

David Smith
Fund Manager

Market review

The FTSE All-Share Index returned 0.3% on a total return basis in 2022, which was particularly resilient given the economic and political backdrop. Inflation in the UK peaked in October at 11.1% (as measured by CPI), a 40 year high, the Bank of England increased interest rates from 0.25% to 3.5%, the highest level since 2008, energy prices soared, Russia invaded Ukraine and there was political instability in the UK as the Government was led by three different Prime Ministers and four different Chancellors in the year.

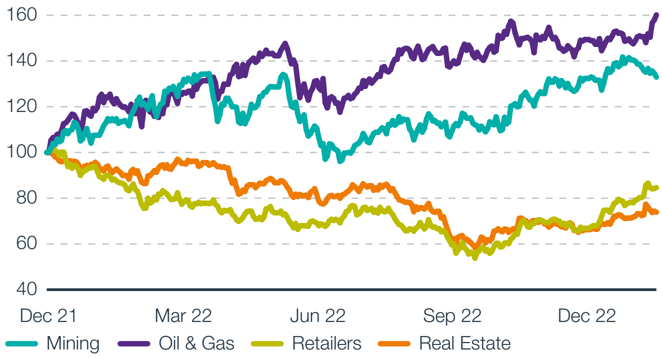
UK inflation reached a 40 year high during 2022



Source: Refinitiv DataStream as at 31 Dec 2022. Inflation shown is year-on-year Consumer Price Index

However, the resilience of the FTSE All-Share Index masked a significant divergence in returns within the equity market. The surge in the oil price and other commodities due to the Russo-Ukraine war saw a significant outperformance by oil & gas (+47.2%) and mining (+31.6%) companies, while the rise in interest rates led to strong performances from banking shares (+12.4%). Elsewhere, concerns about the potential impact of tightening monetary policy and inflation on economic growth, consumer discretionary spending and profit margins saw cyclical businesses perform poorly, with real estate (-32.1%), retailers (-32.0%) and industrials (-14.7%) significantly underperforming.

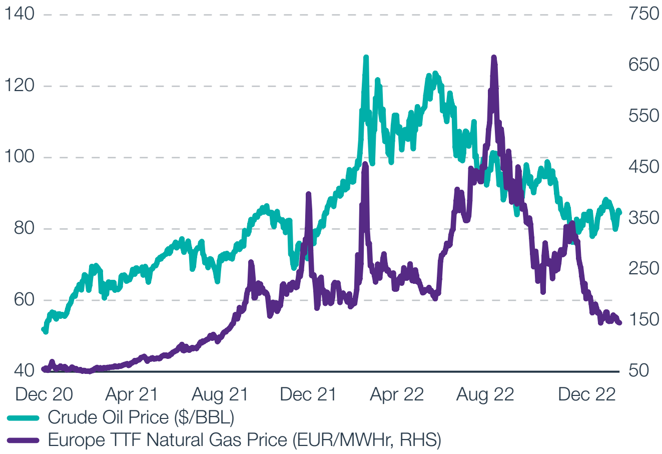
Commodity sectors materially outperformed cyclical sectors



Source: Refinitiv DataStream as at 31 Dec 2022. FTSE 350 Sector Indices rebased to 100 as at 31 Dec 2021

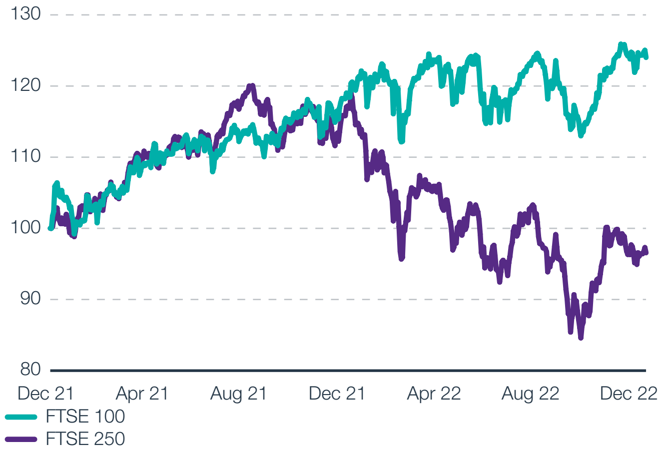
The extreme nature of the dispersion of returns within the market could also be seen by the extent to which the FTSE 100 Index (+4.7%) outperformed the FTSE 250 Index (-17.4%) in 2022, its greatest annual outperformance on record. Dissecting the FTSE 100 Index further shows that the performance of the UK market was even more skewed: the top 20 largest companies in the UK market returned 15.7% on a weighted basis for the year, whereas the other 80 stocks in the FTSE 100 Index declined by 17.2%, much more in line with UK mid and small cap companies and global equity indices generally. It has been very unusual to see performance dominated by so few large companies.

Sharp rise in Oil and Gas prices due to the war in Ukraine led to an European Energy Crisis



Source: Refinitiv DataStream as at 31 Dec 2022

The FTSE 100 Index materially outperformed the FTSE 250 Index in 2022



Source: Refinitiv DataStream as at 31 Dec 2022. Total return indices rebased to 100 as at 31 Dec 2021

Strategic Report: Fund Manager's Report (continued)

Higher inflation and rising interest rates saw bond yields spike, and prices fall sharply. UK government bonds fell by 23.8% in 2022, the worst annual return for gilts since 1974. Although bond yields rose globally, the move higher in the UK was exacerbated by political instability, especially during Liz Truss's short reign as Prime Minister. The unfunded tax cuts that were central to the "mini-budget" caused turmoil in the UK bond market and prompted the Bank of England (BoE) to announce a £65 billion emergency plan to provide financial stability. The appointment of Rishi Sunak as her successor and the U-turns on the tax-cutting policies helped to alleviate concerns, and saw stability return to the bond market and Sterling.

UK 10 year gilt yields spiked in the aftermath of the "Mini-Budget"

Source: Refinitiv DataStream as at 31 Dec 2022

Performance review

The Company's NAV (debt at fair value) returned -1.9% on a total return basis, outperforming the benchmark's fall of -3.3%. The overweight position in equities relative to bonds versus the benchmark contributed to relative performance, as did the outperformance of the individual stocks within the bond portfolio.

The equity portfolio fell 1.3% on a total return basis during the year, underperforming the FTSE All-Share Index return of 0.3%. Although the portfolio includes shares in oil majors BP and Shell, the percentage invested in oil companies is less than that in the benchmark index, hence the significant outperformance of the oil majors was detrimental to relative performance. The portfolio's positions in Hilton Food Group, Intermediate Capital and Big Yellow were also detrimental to performance. All three companies have been successful long-term holdings for the Company, but saw their share prices underperform in 2022. Hilton Food Group's profitability was impacted by cost inflation in its seafood business, which it was unable to pass through to customers. Despite reporting strong results in the period, Intermediate Capital underperformed over fears that rising interest rates and slowing economic growth would lead to the company being forced to mark down the value of its investments in private credit markets. Finally, self storage company Big Yellow also reported good results during the year but the share price was impacted by the significant rise in bond yields, which led to a de-rating across the entire real estate sector.

The equity portfolio also suffered from its exposure to more domestic cyclical businesses, such as housebuilders Persimmon and Vistry. Both shares underperformed during the year as investors feared that higher interest rates and the end of 'Help to Buy' would slow demand for housing, and this was exacerbated in the aftermath of the "mini-budget" in September, which saw mortgage rates surge and cancellation rates rise.

On the positive side, the portfolio's holdings in British American Tobacco and Imperial Brands were positive for performance. Both shares benefited as investors sought out companies with relatively defensive earnings, amid fears over slowing economic growth. Imperial Brands was further supported by better operational performance after a number of disappointing years, and its intention to start buying back its own shares. The Company's overweight position in NatWest benefited performance after the company announced good results with better net interest income given higher than expected interest rate sensitivity. The company also upgraded its medium-term profit targets and announced a £1.75 billion special dividend.

Elsewhere, holdings in Burberry, Anglo American and Devro aided performance. The announcement of Daniel Lee as Burberry's new Creative Director was well received, while the share price was further supported by rumours that China could relax its zero Covid policy which had curtailed growth for the company in the region. Anglo American also benefited from optimism that Chinese economic growth could accelerate, supporting commodity prices. Food casings manufacturer Devro, a new holding in 2022, saw its shares surge after the company was subject to a bid approach by Saria Nederland at a 65% share price premium.

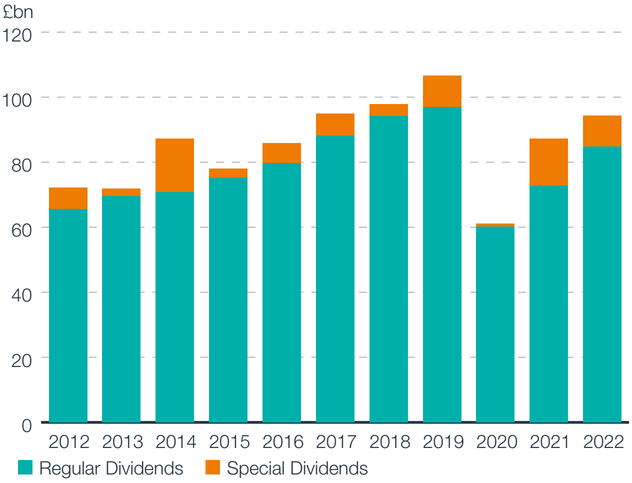
Although the fixed income portfolio fell by 7.7% on a total return basis during the year, it significantly outperformed the 17.8% fall in the ICE BofA Sterling Non-Gilts Index. The portfolio benefited from its exposure to US investment grade credit, given its outperformance versus UK corporate bonds, while the Dollar's strength increased the value of the bonds to Sterling investors. The portfolio was also aided by its holdings in some short duration high yield bonds, such as Crown Americas (packaging), Aramark (food services) and Service Corp (death care services), which were less sensitive to interest rate moves.

Strategic Report: Fund Manager's Report (continued)

Income review

It was another positive year in terms of UK market income with aggregate dividends growing by 16.5% in 2022 on an underlying dividend basis (ex special dividends) according to the Link UK Dividend Monitor. This was primarily driven by strong growth in dividends from banks and oil & gas companies, albeit overall dividend payments for both are still below their pre-pandemic levels.

UK market underlying dividends continued to recover



Source: Link UK Dividend monitor as at 31 Dec 2022

The income return for the Company in 2022 also showed good growth, increasing to 10.37p per share, from 9.44p in 2021. While dividend payments from mining companies Rio Tinto and Anglo American reduced in line with falling commodity prices in the first half of the year, this was offset by good dividend growth from Lloyds and NatWest in the banking sector, and from oil majors BP and Shell. NatWest also paid a large special dividend in the year, as did Victrex, Volvo and PageGroup. In total, the Company earned £1.1 million in special dividends in 2022.

After the last two years of funding a small portion of the dividend from revenue reserves, it was pleasing to cover the dividend fully with underlying earnings in 2022, with an excess £384,000 being added to the Company's reserves. During the year, the Board increased the dividend to 10.15p, growth of 2% over 2021 (9.95p). The Company has now raised its dividend for ten consecutive years at a compound average growth rate of 2.0%, in line with the long-term historical average for UK inflation (as measured by CPI). Revenue reserves as at 31 December 2022 were £8.8 million, providing 67% cover over the Company's dividend as at 31 December 2022.

Portfolio Activity

During the year a net £6.6 million was added to the bond portfolio, specifically US investment grade credit, taking advantage of the move higher in yields and widening of credit spreads. Bonds were purchased in typically higher quality, non-cyclical businesses such as Abbvie (pharma), Amazon and T-Mobile (telecommunications). Further additions were made to the bond portfolio in October after the move higher in UK gilt yields caused by the "mini-budget", including high quality UK investment grade credit from issuers such as Brown Forman, AB Inbev (both beverage companies), Nestlé and Sky. The bond portfolio represented 11.0% and 13.6% of gross and net assets respectively as at the end of December.

Gearing was reduced during the year with approximately £8 million of borrowings paid down. This was funded by the sale of more cyclical businesses within the equity portfolio, including Ashmore, Informa, Volvo and TI Fluids. Investment performance at emerging market debt manager Ashmore has been poor, and with fears that Russia's invasion of Ukraine could cause more volatility in Emerging Markets debt markets and further outflows, the position was sold. Informa shares had performed well since the pandemic lows and the valuation had risen to discount a full recovery in its events business, but we were concerned about the potential of further lockdowns in China and slowing economic growth further afield and decided to capitalise on that recent outperformance. European truck manufacturer Volvo is a well-managed business but has high operational gearing, hence any slowdown in the trucking and construction markets could have a significant impact on its profitability and limit cash returns to shareholders. Finally, TI Fluids supplies parts to the automobile market, and the position was sold due to fears about the long term sustainability of its fuel tanks division given the long term transition to electric vehicles. With the company having a set dividend pay-out ratio based on annual cash flow, a fall in profits would likely lead to a cut in the dividend.

Within the pharmaceutical sector we made a number of changes. Following its demerger from GSK, we sold the position in Haleon, its consumer health division. The company's balance sheet is stretched and with the dividend yield low as the company prioritises debt reduction, we feel this does not fairly compensate shareholders for the elevated risks. The holding in GSK was also reduced to an underweight position when news of potential Zantac (medication for indigestion) liabilities started to emerge. We added a new position in Sanofi, the French pharmaceutical company, given its low valuation relative to its potential future earnings growth (supported by the success of Dupixent, its treatment for eczema), and continued cost rationalisation.

Strategic Report: Fund Manager's Report (continued)

Elsewhere we initiated new positions in Woodside Petroleum, Spectris and HSBC. Following Woodside's merger with BHP's oil & gas assets, the business is well positioned in low-cost, long-life LNG (Liquefied Natural Gas) assets in Australia and high margin oil production in the US Gulf of Mexico. Woodside's leverage to LNG is particularly attractive as it is seen as a "transition" energy due to it emitting less carbon than coal or oil but being more efficient than renewables, which means that it should continue to be in demand from emerging markets over the long term. Spectris develops precision instrumentation and controls for various industries. The company has a strong franchise in specialist niche markets and following the sale of a number of low growth and low margin divisions, the remaining business is better quality, with higher and more stable margins and returns. HSBC has strong franchises in retail and commercial banking in the UK and Asia (ex Japan); the company also has a strong capital position, with profits benefiting from an increased net interest rate margin on its large deposit base and supporting good dividend growth.

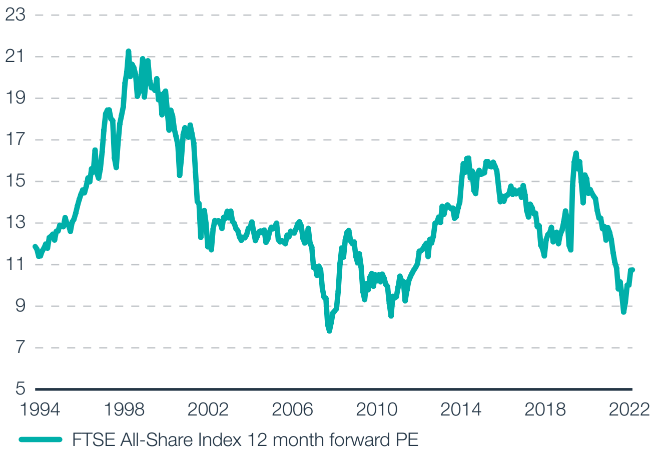
Outlook

Markets had rallied from their October lows as inflation has shown signs of slowing, leading to hopes that central banks may pare back further increases to interest rates. In addition, falling European gas prices have eased fears about an impending recession, and China has relaxed its stringent zero Covid policy. However, the impact of the rapid rise in interest rates globally is starting to be felt with some weaker banks in the US and Europe getting into financial difficulty. This will undoubtably lead to a higher level of volatility within equity and bond markets even though consumer and corporate balance sheets are strong, UK banks are well capitalised and unemployment remains low.

Although disinflationary forces are emerging, there are reasons to believe that inflation will settle at levels higher than we have been used to and be more volatile in the years ahead. Labour markets remain tight, putting upward pressure on wages, while the move away from globalisation towards protectionism, the reshoring of manufacturing facilities and the move to net zero will all add to inflation in the developed world. Hence it is our belief that the age of ultra-low interest rates is over, and that the global economy is moving to a new more normalised world for interest rates. After an extended period where investors sought growth irrespective of value, now that the era of "free money" is over, asset valuations will become increasingly important once again.

Although the macro economic outlook is uncertain and concerns within the banking sector need to be monitored, the UK equity market is attractively valued. The focus remains on finding good quality businesses at compelling valuations that can pay and grow attractive dividends.

The UK equity market is attractively valued



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

David Smith
Fund Manager
30 March 2023

Portfolio and Financial Information

Strategic Report: Investment Portfolio

Investments: Fixed Interest

PREFERENCE SHARES	Total 31 December 2022 £'000
General Accident 8.875%	968
Middlefield Canadian Income 7%	1,660
National Westminster Bank 9%	331
Nationwide Building Society 10.25%	1,626
Total Preference Shares	**4,585**

OTHER FIXED INTEREST	
Abbvie 3.2% 2029 (USA)	1,279
Amazon 4% 2034 (USA)	1,124
Anheuser-Busch 4% 2025	491
Anheuser-Busch 4.75% 2029 (USA)	905
AXA 5.453% Variable Perpetual	826
Ball 3.125% 2031 (USA)	654
Barclays Bank 6.278% Perpetual	775
Broadcom 4.15% 2030 (USA)	238
Broadcom 4.926% 2037 (USA)	313
Brown Forman 2.6% 2028	447
BUPA Finance 4.125% 2035	406
BUPA Finance 5% 2026	333
Centene Corporation 4.625% 2029 (USA)	684
Charter Communications 5.05% 2029 (USA)	783
CPUK Finance 4.875% 2025	432
Crown Americas 4.75% 2026 (USA)	604
Crown Castle 3.8% 2028 (USA)	773
Direct Line Insurance 4.75% Variable Perpetual	665
Gartner 3.75% 2030 (USA)	1,576
GLP 5.3% 2029 (USA)	629
HCA 5% 2024 (USA)	2,086
Iron Mountain 4.5% 2031 (USA)	636
MSCI 3.875% 2031 (USA)	650
Nestlé 2.125% 2027	455
Service Corp Intl 3.375% 2030 (USA)	547
Service Corp Intl 4.625% 2027 (USA)	1,298
Sky 6% 2027	524
T Mobile 3.5% 2031 (USA)	538
T Mobile 3.875% 2030 (USA)	680
VICI Properties 4.95% 2030 (USA)	396
Virgin Media 4.125% 2030	1,310
Vmware 3.9% 2027 (USA)	738
Ziggo 4.875% 2030 (USA)	696
Total Other Fixed Interest	**24,491**

TOTAL FIXED INTEREST	**29,076**

Investments: Equities (including convertibles and investment funds)

ENERGY	Total 31 December 2022 £'000
Oil, Gas and Coal	
BP	6,114
Shell	4,845
Woodside (Australia)	3,533
Total Energy	**14,492**

BASIC MATERIALS	
Chemicals	
Johnson Matthey	2,320
Victrex	1,886
Industrial Metals and Mining	
Anglo American	7,062
Bodycote	1,748
Rio Tinto	6,034
Total Basic Materials	**19,050**

INDUSTRIALS	
Electronic and Electrical Equipment	
Spectris	2,134
General Industrials	
Bunzl	3,102
Industrial Engineering	
Vesuvius	2,059
Industrial Support Services	
PageGroup	3,031
Industrial Transportation	
Deutsche Post (Germany)	2,341
Total Industrials	**12,667**

CONSUMER DISCRETIONARY	
Consumer Services	
Compass	4,091
Household Goods and Home Construction	
Persimmon	1,905
Vistry	2,369
Media	
Relx (Netherlands)	7,102
Personal Goods	
Burberry Group	3,535
Retailers	
B&M European Value Retail	2,498
Next	2,745
Travel and Leisure	
McDonalds (USA)	2,685
National Express	1,617
Whitbread	2,386
Total Consumer Discretionary	**30,933**

Strategic Report: Investment Portfolio (continued)

Investments: Equities (including convertibles and investment funds)

HEALTHCARE	Total 31 December 2022 £'000
Pharmaceuticals and Biotechnology	
AstraZeneca	7,182
GlaxoSmithKline	3,277
Sanofi (France)	2,306
Total Healthcare	**12,765**

CONSUMER STAPLES	
Beverages	
Britvic	3,387
Coca-Cola HBC	2,661
Diageo	7,100
Food Producers	
Cranswick	3,161
Devro	3,311
Hilton Food	2,686
Personal Care, Drug and Grocery Stores	
Tesco	5,520
Unilever	9,628
Tobacco	
British American Tobacco	11,775
Imperial Brands	5,984
Total Consumer Staples	**55,213**

UTILITIES	
Electricity	
SSE	4,542
Gas, Water and Multiutilities	
National Grid	4,488
Severn Trent	3,061
United Utilities	2,450
Total Utilities	**14,541**

FINANCIALS	Total 31 December 2022 £'000
Banks	
HSBC	3,943
Lloyds Banking	4,819
NatWest	7,165
Nordea Bank (Finland)	2,920
Nonlife Insurance	
ASR Nederland (Netherlands)	2,849
Direct Line Insurance	2,708
Sabre Insurance	1,134
Life Insurance	
Chesnara	2,355
Phoenix	4,253
Investment Banking and Brokerage Services	
3i	6,389
Intermediate Capital	3,299
M&G	3,451
Schroders	2,533
St. James's Place	2,574
Finance and Credit Services	
Paragon Banking Group	2,894
Closed End Investments	
Blackstone/GSO Loan Funding (Jersey)	1,873
Greencoat UK Wind	1,935
Tufton Oceanic Assets	2,251
Total Financials	**59,345**

REAL ESTATE	
Real Estate Investment Trusts	
Big Yellow	2,844
Land Securities	1,900
Supermarket Income REIT	1,694
Total Real Estate	**6,438**

TECHNOLOGY	
Software and Computer Services	
Sage	3,057
Technology Hardware and Equipment	
Texas Instruments (USA)	2,476
Total Technology	**5,533**

TOTAL EQUITIES	230,977

TOTAL	260,053

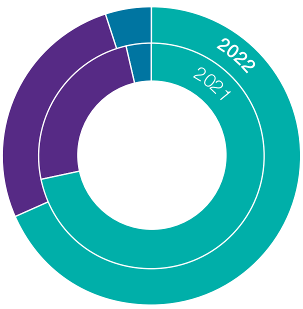
Strategic Report: Investment Portfolio (continued)

Percentage Breakdown of Investments by Sector

	Total 31 December 2022 %	Total 31 December 2021 %
FIXED INTEREST		
Preference shares	1.8	2.0
Other fixed interest	9.4	7.0
Total Fixed Interest	**11.2**	**9.0**
EQUITIES		
Energy		
Oil, gas and coal	5.6	3.3
Total Energy	**5.6**	**3.3**
Basic Materials		
Chemicals	1.6	1.8
Industrial materials	–	0.8
Industrial metals and mining	5.7	5.6
Total Basic Materials	**7.3**	**8.2**
Industrials		
Electronic and electrical equipment	0.8	–
General industrials	1.2	1.3
Industrial engineering	0.8	1.5
Industrial support services	1.2	0.9
Industrial transportation	0.9	0.9
Total Industrials	**4.9**	**4.6**
Consumer Discretionary		
Automobiles and parts	–	0.8
Consumer services	1.6	1.3
Household goods and home construction	1.6	2.1
Media	2.7	3.8
Personal goods	1.4	1.2
Retailers	2.0	1.9
Travel and leisure	2.6	2.7
Total Consumer Discretionary	**11.9**	**13.8**
Healthcare		
Pharmaceuticals and biotechnology	4.9	5.2
Total Healthcare	**4.9**	**5.2**
Consumer Staples		
Beverages	5.1	6.7
Food producers	3.5	2.8
Personal care, drug and grocery stores	5.8	5.4
Tobacco	6.8	5.2
Total Consumer Staples	**21.2**	**20.1**

	Total 31 December 2022 %	Total 31 December 2021 %
Telecommunications		
Telecommunications service providers	–	1.7
Total Telecommunications	**–**	**1.7**
Utilities		
Electricity	1.8	2.3
Gas, water and multiutilities	3.8	5.6
Total Utilities	**5.6**	**7.9**
Financials		
Banks	7.3	4.7
Closed end investments	2.3	2.1
Finance and credit services	1.1	1.3
Investment banking and brokerage services	7.0	7.7
Life insurance	2.5	2.5
Nonlife insurance	2.6	2.5
Total Financials	**22.8**	**20.8**
Technology		
Software and computer services	1.2	1.5
Technology hardware and equipment	0.9	0.9
Total Technology	**2.1**	**2.4**
Real Estate		
Real estate investment trusts	2.5	3.0
Total Real Estate	**2.5**	**3.0**
TOTAL INVESTMENTS	**100.0**	**100.0**

Distribution of the UK equity portfolio holdings at 31 December



	2022 %	2021 %
Large companies	**68.5**	71.9
Medium-sized companies	**26.6**	24.5
Small companies	**4.9**	3.6

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

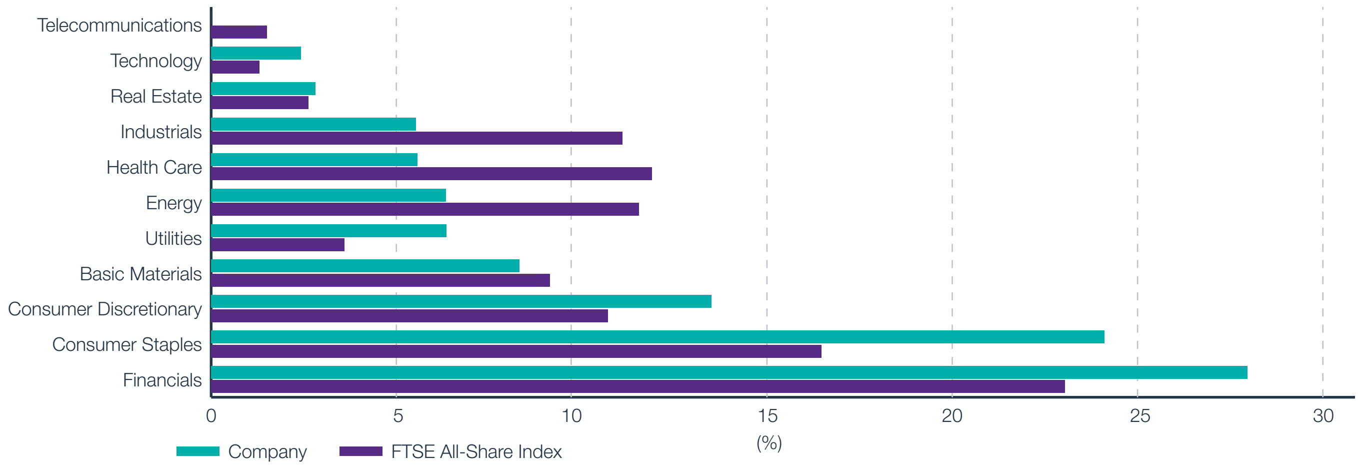
Strategic Report: Portfolio Information

Sector Exposure at 31 December

Excluding cash

Sector	2022 £'000	2022 % of portfolio	2021 £'000	2021 % of portfolio
Preference shares	4,585	1.8	5,755	2.0
Other fixed interest	24,491	9.4	20,169	7.0
Total Fixed Interest	**29,076**	**11.2**	**25,924**	**9.0**
Financials	59,345	22.8	60,307	20.8
Consumer Staples	55,213	21.2	58,204	20.1
Consumer Discretionary	30,933	11.9	39,960	13.8
Basic Materials	19,050	7.3	23,761	8.2
Utilities	14,541	5.6	22,917	7.9
Energy	14,492	5.6	9,372	3.3
Health Care	12,765	4.9	15,080	5.2
Industrials	12,667	4.9	13,302	4.6
Real Estate	6,438	2.5	8,570	3.0
Technology	5,533	2.1	6,796	2.4
Telecommunications	–	–	4,898	1.7
Total Equities	**230,977**	**88.8**	**263,167**	**91.0**
Total	**260,053**	**100.0**	**289,091**	**100.0**

Equity Portfolio Sector Weightings at 31 December 2022



Ten Largest Investments at 31 December

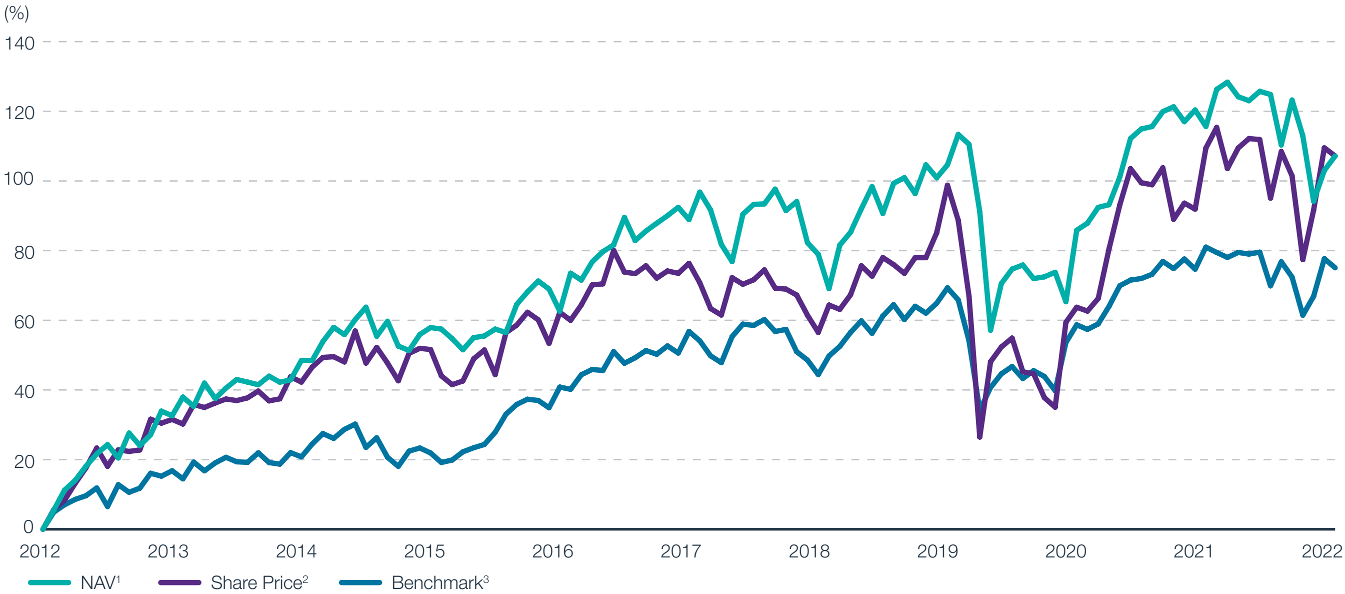
Position	Company	Sector	2022 £'000	2022 % of portfolio	2021 £'000	2021 % of portfolio
1	British American Tobacco	Consumer Staples	11,775	4.5	10,619	3.7
2	Unilever	Consumer Staples	9,628	3.7	9,476	3.3
3	AstraZeneca	Health Care	7,182	2.8	8,204	2.8
4	NatWest	Financials	7,165	2.8	5,504	1.9
5	Relx (Netherlands)	Consumer Discretionary	7,102	2.7	8,314	2.9
6	Diageo	Consumer Staples	7,100	2.7	9,753	3.4
7	Anglo American	Basic Materials	7,062	2.7	7,778	2.7
8	3i	Financials	6,389	2.5	6,138	2.1
9	BP	Energy	6,114	2.4	5,305	1.8
10	Rio Tinto	Basic Materials	6,034	2.3	5,875	2.0
Total			**75,551**	**29.1**	**76,966**	**26.6**

Strategic Report: Historical Performance and Financial Information

Total Return Performance to 31 December

	1 year %	3 years %	5 years %	10 years %
NAV[1]	-1.9	+4.2	+12.6	+107.0
Share Price[2]	-1.1	+4.2	+17.5	+107.2
Benchmark[3]	-3.3	+3.4	+11.6	+75.1
ICE BofA Sterling Non-Gilts Index	-17.8	-13.9	-7.2	+22.1
FTSE All-Share Index	+0.3	+7.1	+15.5	+88.2

Total Return Performance over 10 years to 31 December 2022



Financial Information as at 31 December

	Net assets £m	NAV per ordinary share[4] p	Mid-market price per ordinary share p	Dividends per ordinary share p
2013	175.3	167.7	172.8	8.40
2014	189.0	171.4	177.9	8.60
2015	197.1	175.3	180.5	8.90
2016	207.7	181.3	183.6	9.15
2017	257.2	195.7	190.0	9.40
2018	210.8	159.5	159.5	9.60
2019	251.1	189.8	191.8	9.80
2020	211.4	157.3	147.0	9.90
2021	236.2	177.9	177.5	9.95
2022	**214.3**	**164.2**	**165.3**	**10.15**

1 Net asset value with debt at fair value total return (including dividends reinvested and excluding transaction costs)
2 Includes dividends reinvested
3 A composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofA Sterling Non-Gilts Index (total return) rebalanced annually
4 Based on net assets with debt at fair value as published by the AIC

Source: Janus Henderson, Morningstar Direct and Refinitiv Datastream

Business Model

Strategic Report: Business Model

Purpose and Strategy

The Company's purpose is to deliver consistently to shareholders a high level of income on a regular basis while seeking capital growth over the longer term. This purpose is fulfilled by achieving the investment objective and applying the investment policy.

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

Investment Objective

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

Investment Policy

In normal circumstances the Company will invest up to 80% of its gross assets in equities and up to 20% of its gross assets in fixed income (in companies of any size that are either listed in, registered in, or whose principal business is in the UK). Within these limits a maximum of 30% of gross assets may be invested outside of the UK.

No single investment will exceed 15% of total gross assets at the time of investment and no more than 15% of gross assets may be invested in other listed investment companies (including investment trusts) or collective investment schemes. The Company may from time to time use financial instruments known as derivatives for the purpose of efficient portfolio management or to generate additional income while maintaining a level of risk consistent with the risk profile of the Company.

Investment Selection

The selection process seeks to identify companies with strong balance sheets that are capable of paying dividends. There is a focus on well-managed companies whose qualities may have been temporarily overlooked and which offer potential for capital appreciation over the medium term.

Gearing[1]

The Company has an active policy of using appropriate levels of gearing, both in the form of bank and longer-term borrowings, with the objective of enhancing income returns and also achieving capital growth over time. A portion of gearing is usually employed with respect to the Company's fixed interest securities to generate additional income.

The Company can borrow up to 40% of gross assets. The drawdown of floating rate borrowings can be in non-sterling currencies, provided that these borrowings do not exceed the market value of non-sterling assets.

Gearing as at 31 December 2022 was 21.4% (2021: 22.4%).

Company Structure

The Company operates as an investment company as defined in Section 833 of the Companies Act 2006 with a Board of Directors (Board) who delegate investment and operational matters to specialist third-party service providers. Their performance is monitored and challenged by the Board who retain oversight of the Company's operations. The Board is comprised entirely of non-executive Directors accountable to shareholders, who have the ability to remove a Director from office where they deem it to be in the interests of the Company.

The framework of delegation provides a cost-effective mechanism for achieving the Company's objectives under section 1158/9 of the Corporation Tax Act 2010 (CTA 2010). The closed-end nature of the Company enables the Fund Manager to take a longer-term view on investments. It also supports a fully invested portfolio as the Company does not have to maintain or create sufficient cash balances to satisfy investor redemptions.

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

Income

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

Borrowings

The Company has a committed loan facility of £45 million with The Bank of Nova Scotia (Scotiabank), London Branch that matures on 20 December 2023. This facility has an accordion of £12 million allowing the Company to borrow up to £57 million.

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

1 Please refer to the Alternative Performance Measures on page 81

Strategic Report: Business Model (continued)

Section 172(1) Statement

Service Providers

The Directors use their experience and knowledge to select and engage reputable organisations to carry out operations on behalf of the Company. The Board is responsible for effectively monitoring the services provided by the Company's third-party suppliers on an ongoing basis. The principal outsourced arrangement is the investment management service provided by the Manager.

The Board reviews and monitors the arrangements in place with all the Company's third-party service providers at least annually. As the Manager oversees the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Manager and is confident that the Manager has developed and maintains good working relationships with them. The Board receives appropriate information from the Manager, enabling it to assess the third-party suppliers' performance, value for service, approach to ESG issues and their internal controls and risk management frameworks, including information security and business continuity. The Board also meets with representatives of the depositary and custodian on an annual basis, and other service providers, as and when it is deemed necessary. In addition, J.P. Morgan Cazenove (the Broker), Marten & Co (Sponsored Research), Computershare (the Registrar) and HSBC (the Depositary and Custodian) provide an annual self-assessment covering value for money for the service provided and confirmation of adherence to the terms and conditions. This report confirms that each service provider has appropriate corporate governance and environmental, social and governance policies, processes and procedures in place.

Values and Culture

The Board expects all Directors to act with integrity and to apply their skill, care, due diligence and professional experience in the boardroom. The Board has a strong relationship with the Manager, in particular with the Fund Manager and the Company Secretary. The culture of the Board is one that promotes integrity and openness which is reciprocated by the Manager. The Board expects the Company's third-party service providers, particularly the Manager who is responsible for the management of the Company's portfolio, to uphold the same values and high standard of conduct as the Board. To this end, the Board considered the Manager's corporate culture and values as part of its overall assessment of the service provided by them in the year under review.

Engagement and Communication with Stakeholders

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

Stakeholder	Why it is important to engage?	How has the Manager and/or the Board engaged?
Shareholders/ Potential Investors	• To allow investors to make informed investment decisions. • To retain existing shareholders and attract new ones. • To understand investors' requirements and expectations.	• Annual and Half Year Reports. • Monthly factsheets. • Fund Manager videos and commentary and webinars with professional investors. • Sponsored research notes. • AGM. • RNS announcements. • Website updates. • The Board receives shareholder feedback from its corporate broker, the Manager's Investment Trust Sales and Marketing Teams and the Fund Manager. • The Board and the Fund Manager are also happy to meet shareholders when requested.
Alternative Investment Fund Manager (AIFM) Janus Henderson Fund Management UK Limited (JHFM)	• To ensure that the Company complies with the AIFMD regulation.	• Representatives of the AIFM regularly attend meetings. • The AIFM confirms compliance with investment limits and restrictions each month. • Quarterly internal controls reports to provide the Board with regular reporting on the Manager's internal controls in operation over the services delivered to the Company.

Strategic Report: Business Model (continued)

Stakeholder	Why it is important to engage?	How has the Manager and/or the Board engaged?
Fund Manager – Janus Henderson	• To ensure that the investments of the portfolio and the administration of the Company are well-managed.	• The Fund Manager and Company Secretary attend all meetings and provide specific reports.
Service Providers (including the Depositary, Broker, Registrar and Auditors)	• To monitor the quality and cost effectiveness of the services provided.	• Quarterly service review meetings with the Depositary and biannual service review meetings with the Registrar. • Self-assessment reports provided to the Board annually. • Review and discussion of reports on the effectiveness of internal controls and risk management. • Review of proposed audit plan and audit fee each year, as well as any audit findings, the auditors' letter of engagement and terms of business. • Regular attendance at meetings throughout the year with specialist input provided.
Portfolio Holdings	• The Fund Manager's decisions are key to the Company achieving its investment objective and policy. Direct communication with investee companies can lead to more informed decisions.	• The Manager votes at shareholder meetings of the portfolio holdings on behalf of the Company (engaging with companies as appropriate prior to voting e.g. on ESG matters/contentious resolutions). • The Fund Manager regularly engages with investee companies.
Lender	• The Company has an active policy of using appropriate levels of gearing, both in the form of bank and longer-term borrowings, with the objective of enhancing income returns and also achieving capital growth over time.	• The Manager confirms compliance with the loan covenants (to both the short-term and long-term lender) each month. • The Manager responds to audit requests from its Lenders.

Board Discussions and Decision Making

The following paragraphs provide some examples of the key discussions held and decisions made by the Board and its Committees during the year ended 31 December 2022.

- **Share issues:** During the year, the Board approved issues of, in aggregate, 1.2 million shares, raising net proceeds of £2.1 million. These share issues provided a degree of liquidity to the market to meet demand for the Company's shares, creating value for existing shareholders by issuing the shares at a premium to net asset value and spreading the Company's costs across a larger asset base.
- **Appointment of a new Director:** Following an extensive recruitment process conducted with an experienced independent external search consultancy, Francesca Ecsery joined the Board on 31 December 2022. Francesca has extensive experience in marketing, branding and commercial strategies which will be invaluable to the Company's continued progress.
- **Borrowings:** The Board reviewed the Company's borrowing position. Taking into consideration the long-term advantages of gearing for an investment trust, the Company's performance record over the longer term, and that the Company's £20 million fixed rate senior unsecured note is due to be repaid in 2034, the Board approved the renewal of a one-year loan facility agreement with Scotiabank after considering a number of indicative quotes from potential lenders, to take advantage of the most competitive rates and terms on offer.

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

Liquidity and Discount Management

The Board's aim is for the Company's share price to reflect closely its underlying net asset value, and for the market in its shares to be liquid. The ability of the Company to influence this meaningfully over the longer term is, of course, limited since it is dependent on the market supply of, and demand for, the Company's shares. However, the Board considers the issue and buyback of the Company's shares where prudent, subject always to the overall impact on the portfolio, the pricing of other comparable investment companies and overall market conditions. The Board believes that flexibility is important and that it is not in shareholders' interests to set specific levels of premium and discount for its share issue and buyback policy.

Arrangements with the Manager

The Company is an Alternative Investment Fund and has appointed Janus Henderson Fund Management UK Limited (JHFM) to act as its AIFM in accordance with an agreement

Strategic Report: Business Model (continued)

which has been effective from July 2014 and is terminable on six months' notice. JHFM delegates investment management services to Janus Henderson Investors UK Limited, which acts as Manager. Both entities are wholly owned subsidiaries of Janus Henderson Group plc (Janus Henderson) and are authorised and regulated by the FCA. References to Janus Henderson and the Manager within this report refer to the services provided by both entities. The Fund Management Team is led by David Smith, a Fund Manager on the Global Equity Income Team at Janus Henderson, a position he has held since 2008. David has been the Company's Fund Manager since July 2015.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out on behalf of the Manager by BNP Paribas S.A. Janus Henderson Secretarial Services UK Limited acts as the Corporate Secretary.

Please refer to the Management Engagement Committee section on page 41 for further details about how the Directors consider the continuing appointment of the Manager.

Management Fee

With effect from 1 January 2022 the Board agreed a revised fee structure and the performance fee arrangement was removed. The base management fee is charged at 0.50% of adjusted average gross assets under £325 million. A reduced management fee of 0.45% is applied to average adjusted gross assets above £325 million.

This average value is calculated by using the values on the last day of each of the two calendar years preceding the reporting year. Average adjusted gross assets are gross assets less current liabilities and less any Janus Henderson managed funds or Janus Henderson Group plc shares within the portfolio. Any debt used for investment purposes, including that recorded in current liabilities, is not deducted from gross assets.

The base management fee is payable quarterly in arrears. In addition, a supplemental base management fee is paid on any new funds in relation to share issues in the year they were raised, at the pro-rata annual rate. For the following year any funds raised are added to prior year assets for the purposes of calculating the base management fee.

Managing Risks

In accordance with the AIC Code of Corporate Governance (AIC Code) and FRC Guidance, the Board has established procedures to identify and manage the principal and emerging risks to which the Company is exposed in achieving its long-term objectives. The Company's principal risks are considered to be those that would threaten its business model, future performance, solvency, liquidity and reputation. In addition, it is the Board's responsibility to identify emerging risks which it defines as events, trends or uncertainties that are at an early stage of development but could pose a significant threat to the Company's future and therefore require further monitoring and investigation.

Principal Risks

The Board, with the assistance of the Manager, regularly carries out a robust assessment of the principal and emerging risks facing the Company and seeks assurance that the risks are appropriately evaluated and that effective mitigating controls are in place, where possible. To aid the process, the Company has drawn up a detailed risk matrix, where the individual risks and the application of any relevant controls are described. Such safeguarding measures may be established by the Board itself: for example, the Board has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, to which the Manager must adhere and report upon monthly. In addition, the design and application of controls may be delegated by the Board to the Company's third-party service providers, who report regularly to the Board on the effectiveness of their control environments. Using a colour coded traffic light system, each risk within the matrix is assessed, scored and prioritised according to the severity of its potential impact on the Company and its likelihood of occurrence. The principal risks which have been identified as part of this process, and the steps taken by the Board to mitigate these, are set out in the table below.

The Board does not consider these principal risks to have changed during the year under review and up to the date of this report, with the exception of risks associated with climate change which has been moved from an emerging to a principal risk. Risks associated with rising interest rates and its impact on the broader financial system has been added to Market/Financial Risk.

Principal Risk	Mitigating Measures
Climate Change Risk Risk that investee companies within the Company's portfolio fail to respond to the pressures of the growing climate emergency and fail to limit their carbon footprint to regulated targets, resulting in reduced investor demand for their shares and falling market values.	ESG considerations are a fully integrated component of the investment process. The Fund Manager seeks to understand how a company is managing ESG risks through its policies and processes and where its investments are targeted, to ensure that its business model remains sustainable over the longer term. Please refer to Environmental, Social and Governance Matters on page 30 for further details.

Strategic Report: Business Model (continued)

Principal Risk	Mitigating Measures
Investment Risk Risk of long-term underperformance of the Company against the benchmark and/or peer group. This could result in the shares of the Company trading at a persistent discount to net asset value and/or reduced liquidity in the Company's shares. Risk that insufficient income generation could lead to a cut in the dividend.	The Manager provides the Board with regular investment performance statistics against the benchmark and the peer group. The implementation of the investment strategy and results of the investment process, for which the Fund Manager is responsible, are discussed with the Manager and reviewed at each Board meeting. The premium/discount to net asset value and the trading volume of the Company's shares are also regularly reviewed, taking account of market conditions. The Manager and the Board maintain close contact with the Company's Broker to understand the supply of and demand for shares. The Board reviews the Income Statement and revenue forecasts at each meeting and continually monitors the Company's revenue reserves.
Market/Financial Risk Risk that market conditions lead to a fall in the value of the portfolio (magnified by any gearing) and/or a reduction of income. Risks associated with rising interest rates and its impact on the broader financial system. This could result in loss of capital value for shareholders and/or a cut in the dividend payment.	The Board reviews the Company's compliance with its loan covenants (for both the short-term and long-term facilities) on a monthly basis and additional covenant testing is undertaken in extreme market conditions to give comfort that the Company can meet its financial liabilities. The portfolio is diverse, containing a sufficient range of investments to ensure that no single investment puts undue risk on the sustainability of the income generated by the portfolio or indeed the capital value. Regard is also given to having a broad mix of companies in the portfolio, as well as a spread across a range of economic sectors. The Board reviews the portfolio on a monthly basis. The Manager operates within investment limits and restrictions set by the Board, including limits for gearing and derivatives and confirms compliance with these each month. Any particularly high risks are highlighted and discussed, and appropriate follow up action is taken where necessary. A detailed analysis of the Company's financial risk management policies and procedures can be found in the Financial Risk Management Policies and Procedures note on pages 71 to 76. The Board reviews the Income Statement and revenue forecasts at each meeting and continually monitors the Company's revenue reserves.
Operational Risks including cyber risks, pandemic risks and epidemic risks and risks relating to terrorism and international conflicts Risk of loss through inadequate or failed internal procedures, policies, processes, systems or human error. This includes risk of loss to the Company's third-party service providers. Risk of financial loss, disruption or damage to the reputation of the Company, the Manager and the Company's other key third-party service providers, as a result of failure of information technology systems. Risk of loss as a result of external events outside of the Board's control such as pandemic and/or epidemic risks and risks relating to terrorism and/or international conflicts that disrupt and impact the global economy. This includes the risk of loss to the Company's third-party service providers that are also disrupted and impacted by such events.	The Board receives a quarterly internal control report from the Manager to assist with the ongoing review and monitoring of the internal control and risk management systems it has in place. The Board regularly receives reports from the Manager's Internal Audit, Risk, Compliance, Information Security and Business Continuity teams. This provides assurance that the Manager has appropriate policies and procedures in place to be able to continue in operation and maintain stability in times of such risks. In particular, the Board asks the Manager to confirm that the Fund Manager can continue to manage the portfolio in these circumstances. The Board makes similar enquiries of its other key third-party service providers to gain assurance that they too have appropriate policies and procedures in place to be able to continue in operation and maintain stability in times of such risks. Please refer to the Internal Control and Risk Management section on page 44 for further details.

Strategic Report: Business Model (continued)

Principal Risk	Mitigating Measures
Tax, Legal and Regulatory Risk Risk that a breach of, or a change in laws and regulations, could materially affect the viability and appeal of the Company, in particular section 1158/9 CTA 2010 which exempts capital gains from being taxed within investment trusts.	The Manager has been contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm tax, legal and regulatory compliance.

Emerging Risks

With the help of the Manager's research resources and using its own market intelligence, the Board continually monitors the changing risk landscape and any emerging and increasing threats to the Company's business model. Such emerging risks could cause disruption for the Company if ignored, but if identified could provide business opportunities. Should an emerging risk become sufficiently clear, it may be moved to a principal risk.

Viability Statement

The Company seeks to provide superior income generation and long-term capital growth for its shareholders. The Board aims to achieve this by implementing the Company's business model and strategy through the investment objective and policy. The Board will continue to consider and assess how it can adapt the business model and strategy of the Company to ensure its long-term viability in relation to its principal and emerging risks. The Board also considers:

- the prospects for the Company including the liquidity of the portfolio (which is mainly invested in readily realisable listed securities);
- the level of borrowings (which are restricted);
- the closed-end nature as an investment company (therefore there are no issues arising from unexpected redemptions);
- a low ongoing charge (0.84% for the year-ended 31 December 2022 (2021: 0.84%)); and
- long-term borrowings in place in the form of the 3.67% senior unsecured loan note which matures in July 2034 (the value of this long-term borrowing is at 9.3% of net assets as at 31 December 2022, relatively small in comparison to the value of total net assets).

Furthermore, the Company retains title to all assets held by the Custodian (under the terms of the formal agreement with the Depositary), cash is held with approved banks and revenue and expenditure forecasts are reviewed at each Board meeting. The Fund Manager provides an additional conservative stress-tested revenue forecast at least once a year to assist the Board with its dividend decision making. The Company's revenue reserves remain strong with approximately 8 months' worth of dividend cover, which gives additional comfort for any difficult years that may arise in the future.

The Board believes it is appropriate to assess the Company's viability over a five-year period in recognition of its long-term horizon and taking account of the Company's current position and the assessment factors detailed above.

When assessing the viability of the Company over the next five years the Directors considered its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's borrowing facilities and how a breach of any loan covenants could impact on the Company's net asset value and share price.

The Board does not envisage any change in strategy or investment objective, or any events that would prevent the Company from continuing to operate over the next five years as the Company's assets are liquid, its commitments are limited, and the Company intends to continue to operate as an investment trust. The Board notes the Company's next continuation vote is due to take place at the AGM in 2025.

In 2022 the Board received feedback from the Fund Manager and the Janus Henderson Investment Trust Sales Team on meetings held with shareholders. The feedback suggested that the shareholders were supportive of the Company continuing in operation. The Board remains confident that shareholders remain supportive of the Company.

The Board takes comfort in the robustness of the Company's position, performance, liquidity and the well-diversified portfolio, as well as the Fund Manager's monitoring of the portfolio and therefore has a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due up to and including the year-ending 31 December 2027.

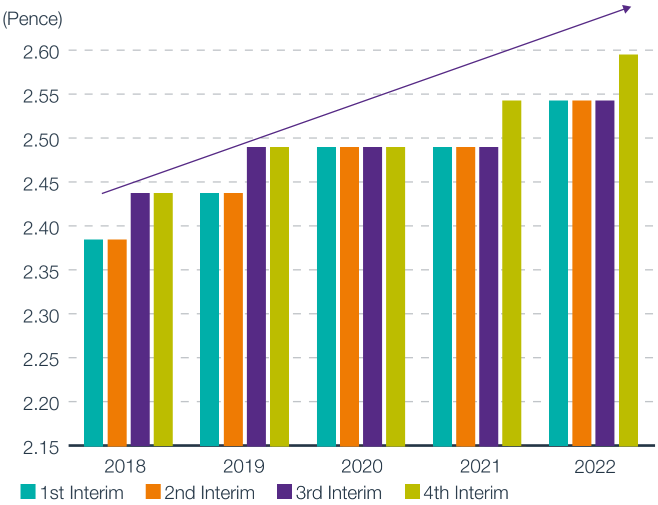
Strategic Report: Business Model (continued)

Key Performance Indicators

Measuring Performance

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

Dividend per share[1]

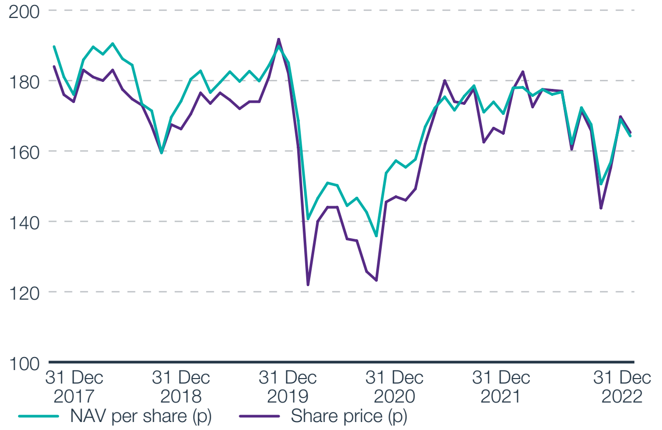


1 Based on the dividends paid or announced for the year
Source: Henderson High Income Trust plc Annual Reports

The Board places a high level of importance on maintaining the Company's quarterly dividend payments. The aim is to maintain a suitable asset allocation that will permit a sustainable high level of dividend distributions to shareholders with the potential to grow the capital value in the longer term. The Board reviews the Company's revenue account at each meeting, along with the appropriateness of its dividend payments. The Board also compares the yield on the Company's shares to other relevant sectors of the AIC.

Shareholders must, however, recognise that dividend payments can never be guaranteed, and that circumstances could arise when it would be necessary to reduce or pass a dividend payment. In 2022 the dividend was covered for the first time in two years and £384,000 has been added to revenue reserves. The Company has built up revenue reserves of around £8.8 million at the end of the year under review, equivalent to approximately 8 months' worth of dividend cover. Equally, there may be instances when the level of payment must be increased in order to comply with section 1158/9 CTA 2010 which requires an investment trust not to retain more than 15% of its total income. Where such instances would result in a payment going beyond the Board's policy, one-off special dividend payments could be announced and paid.

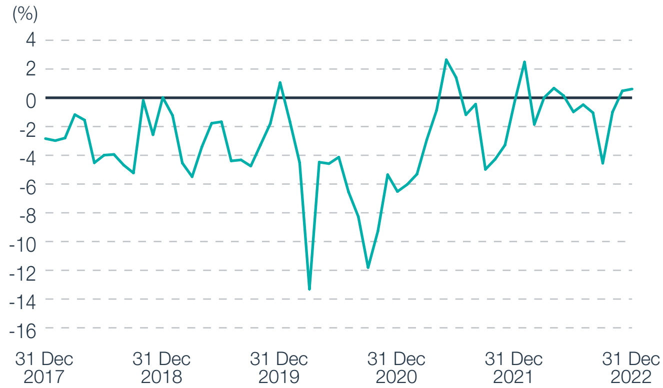
NAV[1] and Share Price per share



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

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

Premium/discount to 31 December 2022[1]



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

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

Ongoing Charge

The Board regularly reviews the ongoing charge and monitors all Company expenses, with a detailed schedule of expenses reviewed twice a year in conjunction with the half year and full year financial results. The ongoing charge for the year-ended 31 December 2022 was 0.84% (2021: 0.84%).

For and on behalf of the Board

Jeremy Rigg
Chairman
30 March 2023

Environmental, Social and Governance Matters

Environmental, Social and Governance Matters

Our Approach to Environmental, Social and Governance Matters

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

Defining ESG

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

Investment Considerations

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

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

When analysing ESG factors the Fund Manager will seek to:

1) Identify the risks and opportunities

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

2) Analyse the controls and actions

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

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

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

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

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

3) Assessing sustainability targets

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

Environmental, Social and Governance Matters
(continued)

4) Engage with management

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

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

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

Shell – International integrated oil & gas company

Sustainalytics ESG Risk Rating: High Risk

1) Identify the risks
- Carbon risk exposure high for both operations and products.
- Oil demand in structural decline.

2) Analyse the controls and actions
- Overall management of material ESG issues is rated strong.
- Divested onshore oil assets in Nigeria and Canada and shifting towards natural gas and liquefied natural gas.
- Invested $3 billion in Renewables and Energy Solutions business in 2022 which is set to grow.

3) Assess sustainability targets
- Target to become a net-zero emissions energy business by 2050.
- Carbon intensity reductions of 20% by 2030, 45% by 2035 and 100% by 2050 (Scope 1, 2 & 3) – progress reported annually.
- Targets to reduce carbon intensity by 6-8% by 2023 linked to 16,500 staff pay.

4) Engage with management
- 9 meetings with the company (including presentations at conferences) in 2022.
- Topics included – renewable investments, energy transition, biodiversity, methane/flaring, operational performance.

Hilton Food Group – International meat processing and packaging company

Sustainalytics ESG Risk Rating: Medium Risk

1) Identify the risks
- Food quality and safety.
- Consumer shift away from meat-based proteins.
- Plastic packaging.

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

3) Assess sustainability targets
- Developed 2025 Sustainable Protein Plan with improved targets, transparency and action.
- Commitment to become net zero before 2050 approved by SBTi.
- Targets from Scope 1 & 2 energy efficiencies, packaging recycled content and food waste part of LTIP Scheme for senior management team.

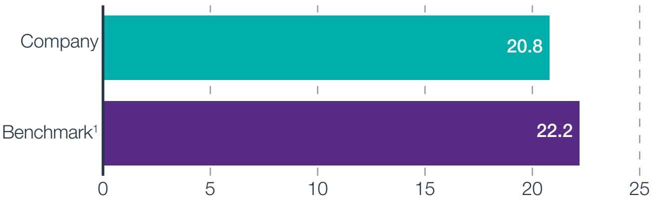
4) Engage with management
- 3 meetings with senior management in 2022.
- Topics included – plastic packaging, sustainability of key proteins, investment in plant-based proteins and cultured meat, operational performance.

Environmental, Social and Governance Matters
(continued)

ESG Risk Ratings

Janus Henderson engages Sustainalytics, an independent leading firm researching and rating ESG factors globally, to support investment research. The Company's portfolio as at 31 December 2022 exhibited the following factors, as defined by Sustainalytics' analysis.

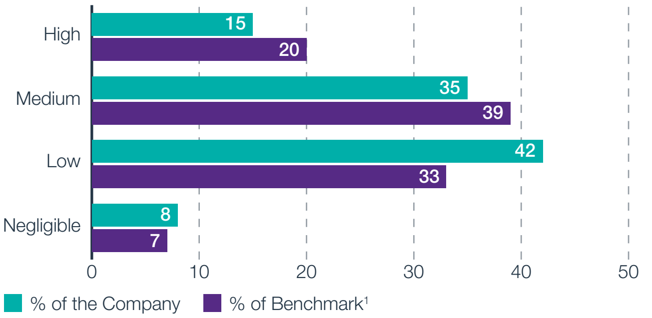
Overall ESG risk rating



Source: Sustainalytics as at 31 December 2022

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

ESG risk exposure by category

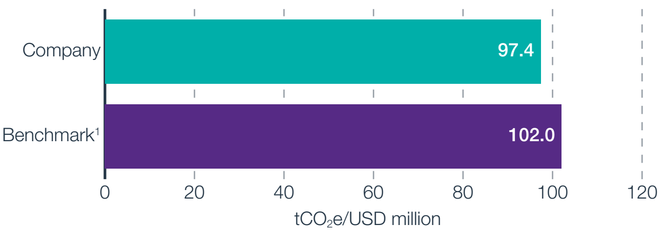


1 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofA Sterling Non-Gilts Index (total return) rebalanced annually

Source: Sustainalytics as at 31 December 2022

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

Carbon intensity



Source: Sustainalytics as at 31 December 2022

Carbon intensity is a metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per US Dollar million of total revenue. The Company's overall portfolio is 4.5% less carbon intensive than the benchmark.

Stewardship and Company Engagement

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

Illustrated below are examples of where, during 2022, Janus Henderson has engaged with companies within the portfolio on matters that relate to environmental (E), social (S) or governance (G) topics.

Tesco – UK Food Retailer

Categories: E

Meeting with Tesco's Head of ESG on biodiversity and its importance given the long-term risks of climate change on supply chains for fresh produce.

Rio Tinto – Global Mining Company

Categories: S

Discussion with Rio Tinto addressing the company's workplace culture following the release of a highly critical independent report flagging systemic racism, bullying and sexism. The meeting covered the issues highlighted in the report and what actions senior management have put in place to correct systemic cultural issues at the company going forward.

Environmental, Social and Governance Matters
(continued)

Whitbread – Hotel Operator

Categories: S & G
Discussions with the Chairman of the Board around recent senior management changes. Also engaged on the level of wages across the work force, the company's policies in this regard and how these varied regionally.

Voting

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. The Board has appointed the Manager to vote the rights attached to the shares held in the Company's equity portfolio and the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

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

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

However, there are certain core principles that are universal:

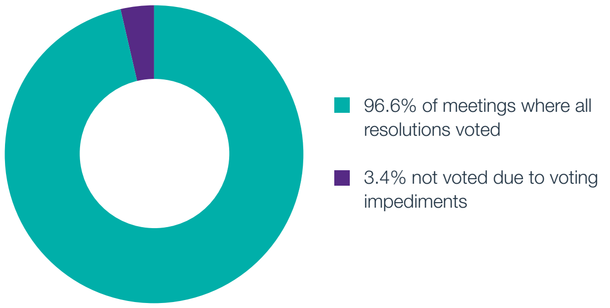
- disclosure and transparency;
- board responsibilities;
- shareholder rights; and
- audit and internal controls.

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

In order to retain oversight of the process, the Board receives an annual report on how the Manager has voted the shares held in the Company's equity portfolio and reviews at least annually the Manager's ESG Corporate Statement and ESG Investment Principles.

In the period under review, investee companies held 59 general meetings. The shares held in the Company's equity portfolio were voted in respect of 96.6% of these meetings. 3.4% of the shares held were not voted due to voting impediments. The level of governance in leading global companies is generally of a high standard in terms of best practice which has meant that support in favour of the resolutions proposed by management was warranted. However, out of the 57 meetings voted there were 7 where the Manager voted against or abstained from at least one resolution. In terms of the 7 resolutions not supported, the majority of these related to approving executive remuneration policies.

Voting record



The Environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose energy and carbon information.

The Manager recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. In 2019 the Manager committed to reducing its carbon footprint by 15% per full-time employee over three years based on 2018 consumption. In 2021 the Manager reached this target and set new five-year targets in 2022 in line with guidance from the SBTi to reduce Scope 1 (fuel) and Scope 2 (electricity) emissions by 29.4%, as well as Scope 3 (business travel, hotel stays, freight, paper consumption, water, waste) operational emissions by 17.5%.

In addition to this, the Manager has maintained a CarbonNeutral® certification since 2007 and offsets all its operational Scope 1, Scope 2 and Scope 3 emissions each year. Through this process, the Manager has invested in a variety of offset projects around the world, delivering financial support to essential renewable energy, forestry and resource conservation projects that support reductions in greenhouse gas emissions. All projects the Manager supports have been classified as 'additional' by an independent third party, meaning that they would not happen without the sale of carbon credits.

The Manager discloses its carbon emissions annually through regulatory and voluntary reporting frameworks, including SECR and CDP, as well as in its Annual Report and in its 2021 Impact Report. The Manager's 2021 Impact Report provides more information.

Business Ethics

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

Governance

Board of Directors

The right balance of skills and knowledge

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

The Nominations and Remuneration Committee is responsible for ensuring that on appointment each Director receives a letter of appointment that sets out, amongst other matters, what is expected of them in terms of time commitment. The annual board evaluation also considers the time commitment of the Directors. The Board considers that each Director appointed as at the date of this report allocates sufficient time to the Company to perform his/her responsibilities effectively.

Jeremy Rigg (Chairman)

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

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

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

Background: Jeremy was a Director of Schroder Investment Management (UK) Ltd and a Senior Investment Manager at Investec Asset Management Limited. In 2004, he was a Founding Partner of Origin Asset Management LLP, a boutique equity investment manager which grew successfully and was acquired by Principal Global Investors Limited in 2011. Jeremy graduated from St Andrews University in 1989.

Skills and experience: Jeremy provides an objective and broad view to board discussions and challenges the Manager on investment decisions. Jeremy has over 25 years' experience in the investment management industry and has proven himself as a key member of the Board.

Richard Cranfield (Independent Non-Executive Director)

Date of appointment: 1 March 2020.

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

External appointments: Richard is Chair of IntegraFin Holdings plc.

Background: Richard retired as a partner in law firm Allen & Overy LLP in October 2021 and became Senior Adviser, a role he held until May 2022. He was previously Global Chairman of the Corporate Practice and Co-Head of its Financial Institutions Group. Richard had been with Allen & Overy since he joined them from university in 1978. In 2000, Richard was appointed Global Head of Corporate and in 2010 took a step back from management to focus on client relationships. In June 2019, Richard was appointed to the board of IntegraFin Holdings plc and became Chair in October 2019. IntegraFin Holdings plc is a FTSE 250 company, the ultimate owner of the investment platform provider Transact.

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

Zoe King (Senior Independent Director)

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

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

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

Background: Zoe was formerly Vice President at Merrill Lynch Mercury Asset Management and a Fund Manager at Foreign & Colonial Investment Management. She graduated from Oxford University in 1994.

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

Board of Directors (continued)

Francesca Ecsery (Independent Non-Executive Director)

Date of appointment: 31 December 2022.

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

External appointments: Francesca is a non-executive director at F&C Investment Trust PLC and the Association of Investment Companies (AIC). In addition, she is a non-executive director at CT Automotive PLC, Haffner Energy SA and Air France S.A.

Background: Francesca was previously a non-executive director at Marshall Motor Holdings PLC, Share PLC and Good Energy Group PLC and has held various senior positions in consumer-focused industries including the digital, retail and leisure and travel sectors. Her previous executive roles include McKinsey, PepsiCo, Thorn EMI, Thomas Cook and STA Travel.

Skills and experience: Francesca has over 30 years' experience working in both blue-chip companies and start-ups and has special expertise in multiplatform consumer marketing, branding and commercial strategies.

Jonathan Silver (Chairman of the Audit and Risk Committee)

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

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

External appointments: Jonathan is a non-executive director of Baillie Gifford China Growth Trust plc and a non-executive director and Chairman of the Audit Committee of Spirent Communications plc, a position he has held since 2015. Jonathan is also a non-executive director and Audit Committee Chair of East and North Hertfordshire NHS Trust.

Background: Jonathan is a member of the Institute of Chartered Accountants of Scotland. He has held various senior financial positions throughout his career, including 21 years as Chief Financial Officer on the main Board of Laird plc from 1994 until 2015.

Skills and experience: Jonathan is a qualified accountant and therefore brings financial and accounting skills and experience to the Board. He is an experienced non-executive director and in particular brings previous investment trust experience and leadership skills to the Board from his former and current roles as Chief Financial Officer of Laird plc, and as Audit Committee Chairman of Invesco Income and Growth Trust plc and Spirent Communications plc. Jonathan has recent and relevant financial experience, a principal requirement for the composition of an Audit Committee under the UK Corporate Governance Code. The Board also believes this experience is fundamental to an effective Board.

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

Corporate Governance Report

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (UK Code) have been applied. The AIC Code of Corporate Governance (AIC Code) published in January 2019 has been endorsed by the Financial Reporting Council. This enables boards to report against the AIC Code and still meet their obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

Closed-end investment companies have particular factors which have an impact on their governance arrangements and the AIC Code adopts the principles and provisions of the UK Code to make them relevant for investment companies. The Board has therefore chosen to report under the AIC Code. The Company is governed entirely by a Board of non-executive Directors, therefore the Company has no executive directors or senior management remuneration packages.

For the year-ended 31 December 2022 the Company has complied with all the provisions of the AIC Code with the exception of provision 9.2.37 to establish a separate Remuneration Committee. Instead, the Board has established a combined Nominations and Remuneration Committee comprising all the independent non-executive Directors. Given that the Company has a simple remuneration structure (a Board of independent non-executive Directors that are not entitled to executive remuneration packages including bonuses and long-term incentive schemes) it was deemed sufficient for a combined Nominations and Remuneration Committee to be formed.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

The Board

Role of the Board

The Board is responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by its service providers within the established control framework.

The Board meets formally at least six times a year, with additional Board or Committee meetings arranged when required. The Directors have regular contact with the Manager between formal meetings. The Board has a formal Schedule of Matters Reserved for its decisions (which is available at **www.hendersonhighincome.com**). These include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, contracts, communications, board membership and other appointments, delegation of authority, remuneration and other matters.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objective and policy, and is responsible for setting investment limits and restrictions, including gearing limits, within which the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. It has adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative and sales and marketing activities. The Company has appointed a Depositary, who in turn appoints the Custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a Registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their control systems in relation to the affairs of the Company. The Board and its Committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives from the Depositary and Custodian to discuss amongst other matters performance, service levels, their value for money, and their approach to ESG matters, information security and business continuity plans.

In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which are then reported to the Board as necessary.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive all relevant management, regulatory and financial information in a timely manner. Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of interest or concern. The Directors have access to the advice and services of the Company Secretary, Janus Henderson Secretarial Services UK Limited. The Company Secretary is responsible to the Board for ensuring compliance both with Board and Committee duties and responsibilities, and applicable rules and regulations. The proceedings at all Board and Committee meetings are recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and the Manager operate in a supportive, co-operative and open environment.

Corporate Governance Report (continued)

The Corporate Secretary, Janus Henderson Secretarial Services UK Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts of interest or issues between the Company and the Manager. Any correspondence from shareholders addressed to the Chairman or the Company received at the registered office is forwarded to the Chairman of the Board in line with the audited procedures in place. Any correspondence is provided to the full Board at the next meeting. Any urgent or important correspondence would be circulated promptly at the request of the Chairman.

The Manager has arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters. These arrangements are reviewed at least annually by the Audit and Risk Committee.

Meeting Attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors, except for Francesca Ecsery who joined the Board on 31 December 2022, attended the AGM on 24 May 2022. The Insider Committee did not meet during the year.

	Board	ARC	NRC	MEC
Number of Meetings	**6**	**3**	**2**	**1**
Jeremy Rigg	6	3	2	1
Jonathan Silver	6	3	2	1
Zoe King	6	3	2	1
Richard Cranfield	6	3	2	1
Penny Lovell[1]	4	1	2	n/a

1 Penny Lovell retired from the Board on 30 September 2022
ARC: Audit and Risk Committee
NRC: Nominations and Remuneration Committee
MEC: Management Engagement Committee

Arrangements with Directors

Board Composition

The Articles of Association provide that the total number of Directors shall not be less than two nor more than ten in number. The Board currently consists of five non-executive Directors. The biographies of the Directors holding office at the date of this report, which are set out on pages 35 to 36, demonstrate the breadth of investment, commercial, legal, financial and other professional experience relevant to their positions as Directors.

Policy on Tenure

No Director is expected to serve for more than nine years unless particular circumstances warrant it, for example to facilitate effective succession planning, or promote diversity. There may be occasions when the Board may decide to extend the tenure of the Chairman for the sake of continuity and/or historical knowledge of the Company. This may be so particularly if an existing non-executive Director is appointed as Chairman of the Board. In these exceptional cases an explanation for such a decision will be given to shareholders.

Directors' Independence

The independence of the Directors is determined with reference to the AIC Code. The Committee considers the independence of each Director at least annually by reviewing the Directors' other appointments and commitments, as well as their tenure of service and any connection they may have with the Manager. The Board does not believe that length of service on the Board necessarily compromises a Director's independence nor that it should necessarily disqualify a Director from seeking re-appointment.

There were no contracts subsisting during or at the end of the year in which any Director is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

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

Directors' Re-Appointment/Appointment

Jeremy Rigg, Jonathan Silver, Zoe King and Richard Cranfield will offer themselves for re-appointment by the shareholders at the AGM in 2023. Francesca Ecsery, who was appointed to the Board on 31 December 2022, will stand for appointment by shareholders at the 2023 AGM.

Under the Articles of Association, shareholders may remove a Director before the end of his or her term by passing an ordinary resolution at a general meeting.

Corporate Governance Report (continued)

Governance Structure

Board of Directors
Comprises independent non-executive Directors
Chairman: Jeremy Rigg

Non-executive oversight of the Company's operations; selection and appointment of service providers

Audit and Risk Committee
Chairman:
Jonathan Silver
Purpose: Ensure the integrity of the financial reporting, evaluate the effectiveness of the systems of internal control and risk management, and oversee the relationship with the external auditors.

Management Engagement Committee
Chairman:
Jeremy Rigg
Purpose: Formally evaluate the overall performance of the Manager and other third-party service providers engaged by the Company and consider whether their continuing appointment is in the interests of shareholders.

Nominations and Remuneration Committee
Chairman:
Zoe King
Purpose: Advise on the composition of the Board and its Committees, in making appointments to the Board and ensuring suitable succession plans are in place. It also has responsibility for setting the Remuneration Policy and setting remuneration levels for the non-executive Directors.

Company's operations carried out by specialised third-party service providers

Contractually engages third-party service providers

Janus Henderson
Fund Management: Led by David Smith as Fund Manager
Sales, Marketing, Company Secretary
Alternative Investment Fund Manager: Janus Henderson Fund Management UK Limited

HSBC Bank plc
Depositary and Custodian

Computershare Investor Services PLC
Registrar

J.P. Morgan Cazenove
Corporate Broker

The terms of reference for each of the Committees of the Board are kept under regular review and are available on the website **www.hendersonhighincome.com**. The Management Engagement Committee Report and the Nominations and Remuneration Committee Report form part of this report and can be found on pages 41 and 42.

Directors' Professional Development

Newly appointed Directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including risk, compliance and internal audit, financial reporting oversight and bespoke sales and marketing specific to the Janus Henderson managed investment trusts.

Directors' Conflicts of Interest

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

The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes.

The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively. Furthermore, no conflicts of interest have been identified that would allow third parties to influence or compromise the individual Director's independent judgment.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the Directors. Under the Company's Articles of Association and subject to the provisions of UK legislation, a qualifying third-party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted, or judgment is given in their favour by the Court.

No indemnity was given during the year or up to the date of this report.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities.

The Company's principal third-party service providers are the Manager (Janus Henderson); the Depositary/Custodian (HSBC) and the accountants and administrators (BNP Paribas S.A.).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports (usually ISAE 3402) from each organisation. This reporting is supplemented by the view of the Manager's Operational Risk Team regarding the control environments in operation at the providers.

The Company's secondary providers report regularly to the Board. A failing in their services is deemed to have a minimal impact on the Company's value and therefore less stringent reporting is required.

The Management Engagement Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit and Risk Committee evaluates the performance of the statutory auditors on completion of each audit cycle.

Board of Directors

(comprised entirely of independent non-executive Directors)

Principal third-party service providers

The Directors:

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Operational Risk Team;
- receive reporting from their Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate the performance on an annual basis.

Janus Henderson
(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting
- Investment performance update at each meeting
- Investment limits and restrictions (monthly)
- Internal control report (quarterly)
- Effectiveness of control environment (annually)

HSBC
(Depositary/ Custodian)

Reporting
- Depositary's report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (biannually)

BNP Paribas S.A.
(Accounting and administration services engaged by the Manager)

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

Secondary third-party service providers

The Directors:

- receive regular reporting on their activities at meetings; and
- formally evaluate their performance on an annual basis.

Computershare
(Registrar)

J.P. Morgan Cazenove
(Corporate Broker)

Marten & Co
(Sponsored Research)

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

By order of the Board

For and on behalf of
Janus Henderson Secretarial Services UK Limited
Corporate Secretary
30 March 2023

Management Engagement Committee Report

Membership

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

Meetings

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

Role and Responsibilities

The Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company, to consider whether their continuing appointment is in the interests of the Company and its long-term sustainable success.

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

In discharging its duties over the course of the year, the Committee assessed:

- the Manager's compliance with legal and regulatory obligations;
- the key clauses of the Investment Management Agreement, how the Manager had fulfilled these and whether these continued to be appropriate;
- the composition of the Janus Henderson team that directly input to the work of the Company;
- fees and cumulative and annual performance figures in comparison to those in the AIC UK Equity Income sector with total assets under management of between £200 million and £700 million and the management fee;
- arrangements compared against the other Janus Henderson managed investment trusts; and
- the performance and fees of the Company's other third-party service providers, including the depositary, custodian, registrar, broker, research provider and the Company's accountants.

Continuing appointment of the Manager

The Committee has concluded that the continuing appointment of Janus Henderson as Manager to the Company on the existing terms continues to be in the best interests of the long-term success of the Company and its shareholders. The Committee was satisfied that the high standards of business conduct expected in the services of the Company's suppliers had been demonstrated.

Nominations & Remuneration Committee Report

Membership

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

Meetings

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

Role and Responsibilities

The Committee advises the Board on the composition of the Board and its Committees, ensuring suitable succession plans are in place for the Directors and Fund Manager and has a formal, rigorous and transparent approach to the appointment of Directors to the Board. It also has responsibility for setting the Remuneration Policy (please refer to page 47) and determining the remuneration for all the independent non-executive Directors.

Annual Performance Evaluation

The Chairman of the Committee led the review of the annual performance evaluation process. The evaluation was conducted by way of a questionnaire circulated to each individual Director and the outcomes were presented to the Committee. The evaluation addressed board and committee meetings, board composition, board dynamics and culture, Directors' remuneration and training and development. The Directors considered that meetings were constructive and collaborative in nature and each Director made a valuable contribution to the Board and its discussions. All Directors remained independent in character and judgment and there was a good balance of skills and experience on the Board that encouraged diversity of thought. There is an orderly succession plan for appointments going forward to maintain an appropriate balance of skills and experience. The relationship with the Manager was also considered very good, in particular with the Fund Manager and the Company Secretary.

Appointment of a new Director

Tyzack Partners was appointed as external recruitment agent to support the Board in its search for a new non-executive Director during the year. No open advertising was used as the Committee believes that targeted recruitment is the optimal way of recruiting. Candidates with product development and/or platform skills and experience, with a good understanding of the needs of retail investors, were considered essential for the role. Tyzack was requested to ensure the long list included diverse candidates. Following discussion of the long list with Tyzack, a shortlist of candidates was then put forward for interviews with the non-executive Directors. Candidates were evaluated based on their experience, their cognitive and personal strengths and their suitability for the role. The candidates' other commitments were also considered as part of the process. Following the conclusion of the process the Committee was pleased to recommend to the Board the appointment of Francesca Ecsery. Following Board approval, Ms Ecsery was appointed with effect from 31 December 2022.

The services provided by Tyzack were for the sole purpose of recruiting a new non-executive Director. Tyzack has not provided any other services to the Company and has no connection with any of the Directors.

Board Diversity

It is the Company's aim to have a diverse Board. At 31 December 2022, 40% of the Board membership was female, with the role of Senior Independent Director being held by a woman. The Board does not presently meet the ethnic diversity targets set out in Listing Rule 9.8.6(9) and remains committed to appointing the most appropriate candidate for any given role. The Directors acknowledge that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company.

The Nominations and Remuneration Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths and experience. All Board appointments are subject to a formal, rigorous and transparent procedure. The prime responsibility of the Committee, however, is to ensure the strength of the Board and the overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit.

The Board recognises the benefits of diversity and therefore takes an interest in the diversity initiatives in place at its other service providers and in particular, the Manager. Janus Henderson fosters and maintains an environment that values the unique talents and contributions of every individual. The Manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients, investors and shareholders. The Board notes and supports the Manager's diversity training and initiatives to improve any imbalances. These include Janus Henderson's ethnicity pay gap analysis, trainee, apprenticeship and internship programmes, such as INROADS, Girls Who Invest, Investment 2020 and #100 Black Interns.

The Board is supportive of developing talent and recognises the challenges all organisations face to ensure there is a sufficient pipeline of talent. To assist the Manager in this regard the Board invites selected junior members of the Janus Henderson Global Equity Income Team and Investment Trust Secretariat Team to its meetings to gain experience and exposure to the boardroom.

Report of the Audit and Risk Committee

Membership

All Directors are members of the Committee, including the Chairman of the Board. Taking account of the size of the Board as a whole, the absence of any executive directors and the collaborative manner in which the Board and its Committees work, it was not considered practical or constructive to exclude the Chairman from being a member of the Committee. The Chairman of the Board was determined to be independent at the time of his appointment. This is in accordance with the AIC Code.

The Committee is chaired by Jonathan Silver, who is considered by the Board to have recent and relevant financial experience.

Meetings

The Committee met three times in the year under review. The Company's Auditors, the Fund Manager and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager (including the Global Head of Risk, Head of Compliance (EMEA), Head of Internal Audit (EMEA), Global Head of Business Resilience, Chief Information Security Officer and BNP Paribas S.A. (BNP) may also be invited to attend meetings if deemed necessary by the Committee.

Role and Responsibilities

The role of the Committee is to assist the Board with monitoring the integrity of the Company's financial reporting and monitoring and reviewing the internal controls and risk management systems in place at the Manager and the Company's other third-party service providers. The Committee also makes recommendations to the Board on the appointment, re-appointment and removal of the Company's Auditors. The Committee formally reports to the Board after each meeting and its responsibilities are set out in formal terms of reference which are regularly reviewed.

In the year under review the Committee has been responsible for:

Financial Reporting

- monitoring the integrity of the financial statements of the Company, including its annual and half year reports, and any formal announcements relating to its financial performance;
- reviewing the significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, half year reports and related formal statements and challenging the Manager where necessary on the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;
- reviewing the methods used to account for significant or unusual transactions where different approaches are possible;
- reviewing whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the Auditors;
- reviewing the clarity and completeness of disclosures in the Company's financial statements and the context in which these statements were made;
- reviewing all material information presented within the Annual Report insofar as it relates to audit and risk management;
- reviewing the Company's statement on Internal Control and Risk Management and Internal Audit Function (please refer to pages 44 to 45) prior to endorsement by the Board;
- reviewing the policies and processes used for identifying and assessing business risks and the management of those risks by the Company and other narrative statements made in the Annual Report and half year reports including the Viability Statement (please refer to page 27);
- advising the Board on whether the information presented in the Annual Report is, in their view, fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- advising the Board of any significant issues considered in relation to the financial statements and how these were addressed in the year under review.

Internal Controls and Risk Management Systems

- keeping under review the adequacy and effectiveness of the Company's internal controls and risk management systems, including a review of the Company's key third-party suppliers' assurance reports;
- keeping under review the Company's risk map including consideration of the principal and emerging risks;
- monitoring and reviewing the remit and effectiveness of the Manager's Internal Audit, Compliance, Risk, Information Security and Business Resilience functions in the context of the Manager's overall risk management systems;
- monitoring and reviewing the remit and effectiveness of the overall risk management systems of the Company's key third-party suppliers;
- meeting with representatives of the Manager's Risk and Internal Audit Teams, at the half year and full year reporting stage and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising; and
- meeting with representatives of the Manager's Compliance, Information Security and Business Resilience Teams at least annually and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising.

Report of the Audit and Risk Committee (continued)

External Audit

- overseeing the relationship with the Auditors including (but not limited to):
  - consideration of their remuneration, whether for audit or non-audit services, and ensuring that the level of fees is sufficient to enable an adequate audit to be carried out and make recommendations to the Board on fees;
  - approval of their terms of engagement, including any engagement letter and terms of business issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity (please refer to Effectiveness and Independence of the Auditors on pages 45 to 46), taking into account relevant professional and regulatory requirements and the relationship with the Auditors as a whole, including the provision of any non-audit services (please refer to the Policy on Non-Audit Services on page 45);
  - considering the need to include the risk of the withdrawal of the Auditors from the market in the Board's risk evaluation and planning; and
  - meeting regularly with the Auditors and at least once a year, without representatives of the Manager being present, to discuss the Auditors' remit and any issues arising from the audit.
- reviewing the findings of the audit with the Auditors, including any accounting and audit judgments.

Compliance, Whistleblowing and Fraud

- reviewing the adequacy and security of the Manager's arrangements for its employees and service providers to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters to ensure that they are comfortable that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- reviewing the Manager's procedures for detecting fraud; and
- monitoring and reviewing confirmations from the Manager and the Company's third-party suppliers of their adherence to the UK Bribery Act 2010, the Modern Slavery Act 2015 and the Criminal Finances Act 2017.

Internal Control and Risk Management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Committee supports the Board in the continuous monitoring of the Company's internal control and risk management framework and that of its key service providers. Please refer to the System of Internal Controls on page 40.

The Committee has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's Guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the year under review and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls and risk management systems. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Management Engagement Committee conducts a formal evaluation of the overall level of services from third-party providers at least annually;
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers; and
- the Board receives quarterly internal controls reports from the Manager and a quarterly report from the Depositary.

The Committee reviews the assurance reports of Janus Henderson, BNP, HSBC (Custodian and Depositary) and Computershare (Registrar) that report on the effectiveness of the control environment in operation at these service providers. These reports are produced at least annually.

The Committee also meets with the Manager's Head of Internal Audit (EMEA) at the full year and half year stage to obtain comfort that the high standards of internal control and the risk management systems in place at the Manager are satisfactory. In particular, the Committee asks questions relating specifically to areas of the Manager's business that directly affect or may indirectly affect investment trusts. In the year under review the Committee has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant. The Committee is therefore satisfied that the internal control and risk management systems in place at the Manager and its key service providers remain effective.

Report of the Audit and Risk Committee (continued)

Internal Audit Function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from specific second and third line of defence teams at the Manager.

The Manager's Operational Risk Team supports the Committee in considering the independently audited assurance reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit Team provides regular reporting to the Board on the operations at the Manager and presents to the Committee at the full year and half year reporting stage. The Committee therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Appointment and Tenure of the Auditors

Regulations currently in force require the Company to change statutory auditor every 20 years and undertake an audit tender process after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process during the year-ended 31 December 2016 and PricewaterhouseCoopers LLP (PwC) has been appointed as Auditors since then. The Auditors are required to rotate partners every five years. This is the second year that the current audit partner, Jennifer March, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the Auditors, the Committee envisages carrying out an audit tender process in respect of the year-ending 31 December 2026 at the latest.

Policy on Non-Audit Services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the Auditors. The policy sets out that the Company's Auditors will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence, effectiveness and objectivity. In addition, the provision of any non-audit services by the Auditors are not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit and Risk Committee, or the Chairman of the Committee, following due consideration of the proposed services.

No fees were paid, or are payable to the Auditors for non-audit services in the year under review (2021: none).

Effectiveness and Independence of the External Auditors

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

For the year-ended 31 December 2022 PwC provided a letter to the Audit and Risk Committee confirming PwC's independence in accordance with the FRC's Ethical Standard.

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

The Committee's process for evaluating the effectiveness of the external audit comprises two components: firstly, consideration is given to the findings of the FRC's Audit Quality Inspection Report (AQIR) and secondly, a post-audit assessment is carried out, led by the Committee Chairman.

In the year under review the Audit Partner discussed the findings of the latest AQIR on PwC with the Committee.

In assessing the effectiveness of the audit process, the Committee discussed the service provided by PwC with Janus Henderson's Financial Reporting Manager for Investment Trusts and the Company Secretary, who have the most hands-on involvement in the audit each year. The Committee reviewed and assessed the robustness of the audit, level of challenge offered by the Audit Team, the quality of the Audit Team and timeliness of delivering the tasks required for the audit and reporting for the Committee and benchmarking PwC's performance against the Committee members' recent experience with other firms gained through their other commitments. The Committee also met privately with the Audit Partner to discuss how the audit operated from their perspective.

Overall, the Committee considers that the audit quality for the year-ended 31 December 2022 has been high and that the Manager alongside PwC have worked together to enhance and improve reporting to shareholders.

Report of the Audit and Risk Committee (continued)

The Committee remain satisfied with the effectiveness of the audit provided by PwC and therefore recommended their continuing appointment to the Board. PwC have indicated their willingness to continue in office. Accordingly, resolutions re-appointing PwC as the Company's Auditors and authorising the Directors to determine their remuneration will be proposed at the AGM in 2023.

Disclosure of Information to Auditors

Each of the Directors who were members of the Board at the date of approval of this report confirm that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's Auditors are unaware of, and they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

In relation to the Annual Report for the year-ended 31 December 2022 the following significant issues were considered and addressed by the Committee:

Significant issues and audit matters	How it was addressed
Valuation and Ownership of the Company's Investments	The Directors have appointed Janus Henderson, who outsource some of the administration and accounting services to BNP, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments is verified by reconciliation to the Custodian's records and the Directors have received quarterly reports from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation of investments.
Recognition of Income	Income received is accounted for in line with the Company's accounting policies (as set out in Note 1f on page 65). The Board reviews the revenue forecast at every meeting in support of the Company's future dividend. In respect of special dividends where there is a requirement to allocate between revenue and capital, the Committee reviews the rationale provided by Janus Henderson and approves the relevant treatment.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP.
Maintaining Internal Controls	The Committee receives regular reports on internal controls from Janus Henderson (Manager), BNP (Administrator), Computershare (Registrar) and HSBC (Depositary and Custodian) and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The Committee are satisfied that these key stakeholders have appropriate and effective internal control and risk management systems in place.

Audit for the Year-Ended 31 December 2022

In the year under review PwC challenged both the Manager's and the Board's judgments and exercised professional scepticism. The Audit Team required detailed evidence of all metrics, numbers and disclosures made within the Annual Report to support a robust assessment and evaluation of the financial information contained therein. The Committee is satisfied that the Annual Report for the year-ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Jonathan Silver
Chairman of the Audit and Risk Committee
30 March 2023

Directors' Remuneration Report

Annual Report on Remuneration

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended ("the Regulations"). The report also meets the relevant requirements of the Companies Act 2006 ("the Act") and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the Directors' Remuneration Policy was proposed at the 2020 AGM and was subsequently approved by shareholders.

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

All Directors are non-executive and the Company has no chief executive officer or employees. As such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board has established a Nominations and Remuneration Committee with responsibility for determining the Remuneration Policy and setting the individual remuneration of all Directors in accordance with the Articles of Association. Zoe King, the Senior Independent Director, is Chairman of the Nominations and Remuneration Committee.

The Board has not been provided with advice or services by any person in respect of its consideration of Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment companies).

Remuneration Policy

Shareholders last approved the Remuneration Policy at the AGM in 2020. In accordance with section 439A of the Act, shareholders will next be asked to approve the Remuneration Policy at the upcoming AGM on 16 May 2023.

In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code. The objective of the Remuneration Policy is to attract, retain and motivate non-executive Directors of the quality required to manage the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Board obtains up-to-date information about remuneration in other companies of comparable scale and complexity in order to avoid and manage conflicts of interest in determining remuneration levels. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether it supports the Company's long-term sustainable success.

Directors are remunerated in the form of fees, payable quarterly in arrears to the Directors personally. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £250,000 per annum.

All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit and Risk Committee, who are paid a higher fee in recognition of their additional responsibilities. From time to time the Board may approve one-off payments to Directors for specific work undertaken in addition to their regular responsibilities. Any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No Director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable. No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

Statement from the Chairman

Zoe King, Chairman of the Nominations and Remuneration Committee, reports that the Committee carried out its annual review of the fees being paid to the Directors and as part of this it reviewed the fees paid to other investment companies in the AIC UK Equity Income Sector for companies with total assets under management of between £200 million and £700 million, the fees paid in other sectors and the other Janus Henderson managed investment trusts. The Committee also considered the changes in the retail prices index and the consumer prices index since the last fee increase in July 2021. Following consideration, it was agreed that an increase of approximately 8.0% should be made with effect from 1 July 2022 to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new directors. The new rates are set out on the following page. The Board is satisfied that the changes to the remuneration of the Directors are compliant with the Directors' Remuneration Policy approved by shareholders at the 2020 AGM.

Directors' Remuneration Report (continued)

Directors' Interests in Shares (Audited)

	Ordinary shares of 5p	
	31 December 2022	1 January 2022
Beneficial		
Jeremy Rigg	**20,000**	20,000
Jonathan Silver	**30,000**	30,000
Zoe King	**9,000**	9,000
Penny Lovell[1]	**n/a**	12,315
Francesca Ecsery[2]	**–**	n/a
Non-Beneficial		
Richard Cranfield	**30,000**	30,000

1 Retired from the Board on 30 September 2022
2 Appointed to the Board on 31 December 2022

There have been no changes in the interests of the Directors between 1 January 2023 and 30 March 2023.

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

Table of Directors' Annual Fees

The current fees for specific responsibilities are set out in the table below.

	Rate from 1 July 2022	Rate from 1 July 2021	% increase
Chairman of the Board	**£40,500**	£37,500	8.0%
Chairman of the Audit & Risk Committee	**£32,400**	£30,000	8.0%
Directors	**£27,000**	£25,000	8.0%

Directors' Remuneration (Audited)

The total remuneration paid to the Directors who served during the years-ended 31 December 2022 and 31 December 2021 was as follows:

	Year-ended 31 December 2022 Total fees £	Year-ended 31 December 2021 Total fees £
Jeremy Rigg (Chairman of the Board)[1]	39,000	32,279
Jonathan Silver (Chairman of the Audit and Risk Committee)	31,200	29,700
Zoe King	26,000	24,750
Richard Cranfield	26,000	24,750
Penny Lovell[2]	19,250	24,750
Margaret Littlejohns[3]	n/a	14,640
Total	**141,450**	**150,869**

1 Appointed Chairman of the Board on 24 May 2021
2 Retired from the Board on 30 September 2022
3 Retired from the Board on 24 May 2021
The table above omits other columns set out in the relevant regulations because no payments of other types such as taxable benefits including expenses, performance related pay, vesting performance related pay and pension related benefits were made.

Francesca Ecsery was appointed to the Board on 31 December 2022 and therefore is not shown in the table above.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

Relative importance of spend on pay

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

	2022 £	2021 £	2017 £	1 year change £	1 year change %	5 year change £	5 year change %
Total remuneration paid to Directors[1]	141,450	150,869	132,525	(9,419)	(6.2)	8,925	6.7
Ordinary dividends paid during the year	13,054,505	12,731,032	10,862,142	323,473	2.5	2,192,363	20.2

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

Directors' Remuneration Report (continued)

Annual Percentage Change in Directors' Remuneration

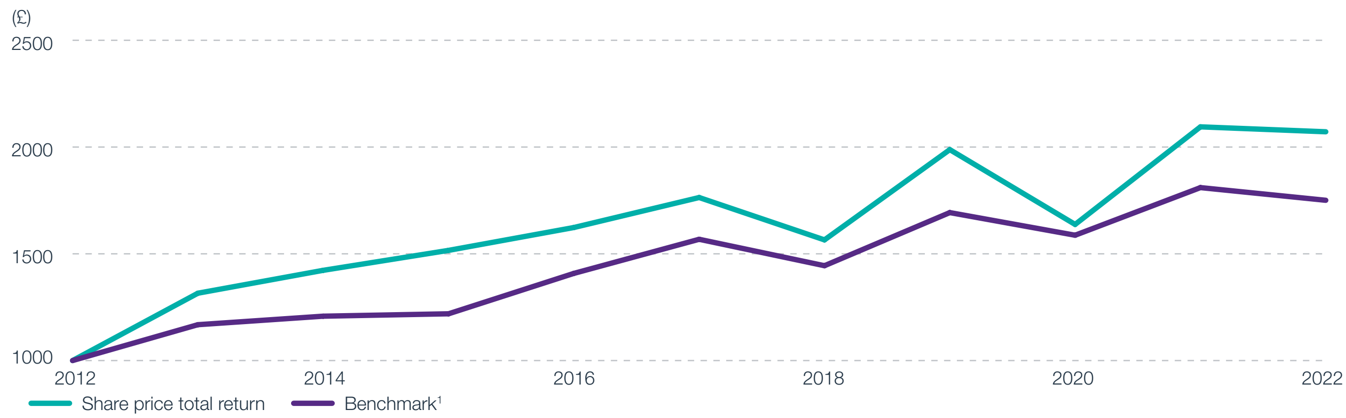
The table below sets out the annual percentage change in directors' fees (excluding expenses paid) for the directors for the last three years in respect of each director who has served for a minimum of two financial years.

	Year to 31 December 2022 %	Year to 31 December 2021 %	Year to 31 December 2020 %
Jeremy Rigg (Chairman of the Board)[1]	20.8[1]	31.8[1]	1.0
Jonathan Silver (Chairman of the Audit and Risk Committee)	5.1	1.0	7.6[2]
Zoe King	5.1	1.0	1.0
Richard Cranfield	5.1	21.0[3]	n/a[3]
Francesca Ecsery[4]	n/a	n/a	n/a

1 Appointed Chairman of the Board on 24 May 2021. The increase in Mr Rigg's remuneration reflects this appointment part way through the year to 31 December 2021 and the additional remuneration associated with this role. The year to 31 December 2022 was his first full year in this role
2 Appointed Chairman of the Audit & Risk Committee on 8 May 2019
3 Appointed to the Board on 1 March 2020. The increase in Mr Cranfield's remuneration reflects his appointment to the Board part way through the year to 31 December 2020 and that he did not receive a full year's remuneration in that year
4 Appointed to the Board on 31 December 2022

Performance

The Company's performance has been measured against the benchmark for the ten-year period ended 31 December 2022 on a total return basis in sterling terms. The graph compares the mid-market price of the Company's ordinary shares with the benchmark over the same period, assuming a notional investment of £1,000 on 31 December 2012 and the reinvestment of all dividends.



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

Source: Morningstar Direct

Statement of Voting at AGM

At the Company's last AGM held on 24 May 2022, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2021. Shareholders approved the Directors Remuneration Policy at the AGM held on 23 June 2020 (shareholder approval of the policy is required every three years). The following proxy votes were received on the respective resolutions:

Resolution	For (including discretionary)	% of total votes[1]	Against	% of total votes[1]	Withheld
To receive the Directors' Remuneration Report	11,420,776	97.8	257,688	2.2	391,394
To approve the Directors' Remuneration Policy	14,508,262	99.0	148,850	1.0	301,613

1 Excluding votes withheld

For and on behalf of the Board

Zoe King
Chairman of the Nominations and Remuneration Committee
30 March 2023

Report of the Directors

The Directors who are listed on pages 35 to 36 present their report and financial statements for the year-ended 31 December 2022. The Company (a public limited company registered and domiciled in England & Wales with company registration number 02422514) was active throughout the year under review.

The Corporate Governance Report (pages 37 to 40), the Report of the Audit and Risk Committee (pages 43 to 46), the Statement of Directors' Responsibilities (page 51), the Glossary (page 80), the Alternative Performance Measures (pages 81 to 82) and General Shareholder Information (pages 83 to 84) all form part of the Report of the Directors.

Share Capital

The Company's share capital comprises ordinary shares with a nominal value of 5p. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro-rata to their holding of ordinary shares.

At the beginning of the year, there were 128,596,278 ordinary shares in issue. During the year 1.2 million shares were issued to J.P. Morgan Cazenove at a price range of 166.25p-183.00p per share for a total consideration of £2.1 million. No shares were bought back. Therefore, at 31 December 2022 the number of ordinary shares in issue with voting rights was 129,796,278 (2021: 128,596,278).

Between 1 January 2023 and 30 March 2023, being the last practicable date prior to the publication of this Annual Report, no shares were issued or bought back. Accordingly, the number of shares in issue as at 30 March 2023 was 129,796,278.

The Company will seek authority from its shareholders at the 2023 AGM to renew its authority to allot shares up to 10% of the issued share capital. Please refer to the Notice of Meeting that has been sent to shareholders with this report for further details. This is also available on the website at **www.hendersonhighincome.com.**

Holdings in the Company's Shares

In accordance with the Disclosure Guidance and Transparency Rules there were no declarations of interest in the voting rights of the Company in the year under review. No changes have been notified in the period 1 January 2023 to the date of this report.

Related Party Transactions

The Company's transactions with related parties in the year were with the Directors and the Manager. There have been no material transactions between the Company and its Directors during the year. The only amounts paid to them were in respect of remuneration for which there were no outstanding amounts payable at the year-end. Directors' interests in shares are disclosed in the Directors' Remuneration Report on page 48. In relation to the provision of services by the Manager (other than fees payable by the Company in the ordinary course of business and the provision of marketing services) there have been no material transactions with the Manager affecting the financial position or performance of the Company during the year under review. More details on Transactions with Janus Henderson and Related Parties, including amounts outstanding at the year-end, are given in Note 21 on page 78.

Energy and Carbon Reporting

Details of the Company's disclosures with regard to energy and carbon reporting can be found on page 32.

Future Developments

While the future performance of the Company is mainly dependent on the performance of financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and policy explained on page 22. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

Annual General Meeting

The Annual General Meeting (AGM) will be held on **Tuesday, 16 May 2023 at 12 noon** at 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the separate document being sent to shareholders with this Annual Report.

Listing Rule 9.8.4

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

Other Information

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

By order of the Board

Janus Henderson Secretarial Services UK Limited
Corporate Secretary
30 March 2023

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

Directors' Confirmations

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 35 to 36, confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Jeremy Rigg
Chairman
30 March 2023

Financial Statements

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

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2022 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

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

Our audit approach

Overview

Audit scope

- The Company is a standalone Investment Trust Company and engages Janus Henderson Fund Management UK Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas S.A. (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator and adopted a fully substantive testing approach using reports obtained from the Administrator.

Key audit matters	• Valuation and existence of investments. • Accuracy, occurrence and completeness of income from investments.
Materiality	• Overall materiality: £2,142,767 (2021: £2,362,343) based on 1% of net asset value. • Performance materiality: £1,607,075 (2021: £1,771,757).

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

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to page 46 (Report of the Audit and Risk Committee), page 64 (Accounting Policies) and page 70 (Notes to the Financial Statements). The investment portfolio at the year-end comprised listed equity investments and fixed interest investments valued at £260 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position within the financial statements.	We tested the valuation of the listed equity investments and fixed interest investments by agreeing the prices used in the valuation to independent third-party sources. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. Based on the results of the audit procedures performed we are satisfied that the listed equity investments and fixed interest investments exist, and that the valuation of listed equity investments and fixed interest investments is not materially misstated.
Accuracy, occurrence and completeness of income from investments Refer to page 46 (Report of the Audit and Risk Committee), page 65 (Accounting Policies) and page 67 (Notes to the Financial Statements). ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). Income from investments comprised dividend income and fixed interest income. We focused on the accuracy, occurrence and completeness of dividend income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover. We also focused on the accounting policy for income recognition and its presentation in the Income Statement as set out in the requirements of the Association of Investment Companies Statement of Recommended Practice (the AIC SORP) as incorrect application could indicate a misstatement in income recognition.	We assessed the accounting policy for income for compliance with accounting standards and the AIC SORP and performed testing to check that income from investments had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy. **Dividend income** We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by tracing a sample of dividends received to bank statements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements. **Fixed interest income** We have tested interest income for the year by obtaining the bond standing data and tested the accuracy of fixed-interest income by agreeing a sample of coupon rates and maturity dates to third-party sources and recalculating the income received as well as tracing a ample of receipts to bank statements. Our procedures did not identify any material misstatements.

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

The impact of climate risk on our audit

In planning our audit, we made enquiries of the Directors and Manager to understand the extent of the potential impact of climate change risk on the Company's financial statements.

In conducting our audit, we made enquiries of the Directors and Manager to understand the extent of the potential impact of the climate change risk on the Company's Financial Statements. Both concluded that the impact on the measurement and disclosures within the Financial Statements is not material because the Company's investment portfolio is made up of Level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities.

We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£2,142,767 (2021: £2,362,343).
How we determined it	1% of net asset value.
Rationale for benchmark applied	We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £1,607,075 (2021: £1,771,757) for the Company's financial statements.

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

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £107,138 (2021: £118,117) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

Conclusions relating to going concern

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

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

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

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

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

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

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

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate Governance Report

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

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

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

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

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the ongoing qualification as an Investment Trust under the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team included:

- discussions with the Directors, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular a sample of journals posted as part of the financial year end close process; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Other required reporting

Companies Act 2006 Exception Reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 14 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 December 2016 to 31 December 2022.

Jennifer March (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 March 2023

Income Statement

Notes		Year-ended 31 December 2022 Revenue return £'000	Capital return £'000	Total £'000	Year-ended 31 December 2021 Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(22,469)	(22,469)	–	27,188	27,188
3	Income from investments held at fair value through profit or loss	14,632	–	14,632	13,470	–	13,470
4	Other interest receivable and similar income	307	–	307	98	–	98
	Gross revenue and capital (losses)/gains	**14,939**	**(22,469)**	**(7,530)**	**13,568**	**27,188**	**40,756**
5	Management fee	(557)	(836)	(1,393)	(564)	(846)	(1,410)
6	Other administrative expenses	(498)	–	(498)	(460)	–	(460)
	Net return before finance costs and taxation	**13,884**	**(23,305)**	**(9,421)**	**12,544**	**26,342**	**38,886**
7	Finance costs	(380)	(1,140)	(1,520)	(295)	(885)	(1,180)
	Net return before taxation	**13,504**	**(24,445)**	**(10,941)**	**12,249**	**25,457**	**37,706**
8	Taxation on net return	(81)	–	(81)	(104)	(7)	(111)
	Net return after taxation	**13,423**	**(24,445)**	**(11,022)**	**12,145**	**25,450**	**37,595**
9	Return/(loss) per ordinary share	10.37p	(18.89p)	(8.52p)	9.44p	19.79p	29.23p

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

The notes on pages 64 to 78 form part of these financial statements

Statement of Changes in Equity

Notes	Year-ended 31 December 2022	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2022	6,430	126,783	26,302	68,315	8,404	236,234
	Net return after taxation	–	–	–	(24,445)	13,423	(11,022)
16	Issue of new shares	60	2,044	–	–	–	2,104
10	Dividends paid	–	–	–	–	(13,039)	(13,039)
	At 31 December 2022	**6,490**	**128,827**	**26,302**	**43,870**	**8,788**	**214,277**

Notes	Year-ended 31 December 2021	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2021	6,430	126,783	26,302	42,865	8,991	211,371
	Net return after taxation	–	–	–	25,450	12,145	37,595
10	Dividends paid	–	–	–	–	(12,732)	(12,732)
	At 31 December 2021	**6,430**	**126,783**	**26,302**	**68,315**	**8,404**	**236,234**

The notes on pages 64 to 78 form part of these financial statements

Statement of Financial Position

Notes		At 31 December 2022 £'000	At 31 December 2021 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	260,053	289,091
	Current assets		
12	Debtors	1,928	1,934
	Cash at bank and in hand	2,873	3,942
		4,801	**5,876**
13	Creditors: amounts falling due within one year	(30,719)	(38,884)
	Net current liabilities	**(25,918)**	**(33,008)**
	Total assets less current liabilities	**234,135**	**256,083**
14	Creditors: amounts falling due after more than one year	(19,858)	(19,849)
	Net assets	**214,277**	**236,234**
	Capital and reserves		
16	Called up share capital	6,490	6,430
17	Share premium account	128,827	126,783
17	Capital redemption reserve	26,302	26,302
17	Other capital reserves	43,870	68,315
17	Revenue reserve	8,788	8,404
	Total shareholders' funds	**214,277**	**236,234**
18	**Net asset value per ordinary share (basic and diluted)**	165.09p	183.70p

The financial statements and corresponding notes on pages 60 to 78 were approved by the Board on 30 March 2023 and signed on its behalf by:

Jeremy Rigg
Chairman

The notes on pages 64 to 78 form part of these financial statements

Statement of Cash Flows

	Year-ended 31 December 2022 £'000	Year-ended 31 December 2021 £'000
Cash flows from operating activities		
Net return before taxation	(10,941)	37,706
Add back: finance costs	1,520	1,180
Add/(less): losses/(gains) on investments held at fair value through profit or loss	22,469	(27,188)
Withholding tax on dividends deducted at source	(81)	(111)
Decrease/(increase) in debtors	6	(37)
Increase in creditors	287	38
Net cash inflow from operating activities[1]	**13,260**	**11,588**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	60,179	46,326
Purchases of investments held at fair value through profit or loss	(51,435)	(48,879)
Net cash inflow/(outflow) from investing activities	**8,744**	**(2,553)**
Cash flows from financing activities		
Issue of ordinary share capital	2,104	–
Equity dividends paid	(13,039)	(12,732)
(Repayment)/drawdown of loans	(11,330)	8,231
Interest paid	(1,512)	(1,171)
Net cash outflow from financing activities	**(23,777)**	**(5,672)**
Net (decrease)/increase in cash and cash equivalents	**(1,773)**	**3,363**
Cash and cash equivalents at beginning of year	3,942	595
Exchange movements	704	(16)
Cash and cash equivalents at end of year	**2,873**	**3,942**
Comprising:		
Cash at bank and in hand	**2,873**	**3,942**

1 Cash inflow from dividends was £13,729,000 (2021: £12,508,000) and cash inflow from interest was £1,093,000 (2021: £1,016,000)

The notes on pages 64 to 78 form part of these financial statements

Notes to the Financial Statements

1 Accounting Policies

a) Basis of Accounting

The Company is an investment company as defined in Section 833 of the Companies Act 2006. It operates in England and Wales and is registered at 201 Bishopsgate, London EC2M 3AE. The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the AIC Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP).

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The financial statements have been prepared under the historical cost basis except for the measurement at fair value of investments.

In applying FRS 102, financial instruments have been accounted for in accordance with Sections 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

b) Significant Judgments and Estimates

The decision to allocate special dividends as income or capital is a judgment but not deemed to be material. The allocation of expenses as income or capital is not material but has an impact on distributable reserves. The Directors do not consider these to be significant judgments or estimates and do not believe that any accounting judgments or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

c) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

The Company's shareholders are asked every five years to vote for the continuation of the Company. An ordinary resolution to this effect was passed by the Shareholders at the annual general meeting held on 23 June 2020.

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

d) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Directors. Accordingly, upon initial recognition the investments are included initially at fair value, which is taken to be their cost. Subsequently, the investments are valued at fair value, which is deemed to be the bid market prices or the last traded price as at close of business on the last business day of the accounting period depending on the convention of the exchange on which the investment is quoted.

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

e) Capital gains and losses

Profits or losses on disposal of investments and investment holding gains and losses are taken to the capital column in the Income Statement and transferred to other capital reserves.

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

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

f) Income

Dividends receivable on equity shares are taken to the revenue return of the Income Statement on an ex-dividend basis except where, in the opinion of the Directors, based on the facts and circumstances the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares with no fixed maturity date is recognised on a time-apportioned basis. Income from other fixed interest securities is recognised so as to reflect the effective interest rate on these securities.

g) Expenses

All expenses and finance costs are accounted for on an accruals basis. The Board's expectation is that over the long term three quarters of the Company's investment returns will be in the form of capital gains. The Directors have determined that the proportion of the annual management fees that relates to the maintenance or enhancement of the valuation of investments is 80%. On this basis, the Company charges to capital 60% of total management fees (i.e. 75% of 80%) and 75% of its finance costs. The balance of the management fees is charged to revenue. Expenses which are incidental to the acquisition of an investment are charged to the Income Statement and included within gains/losses on investments. Expenses which are incidental to the disposal of an investment are deducted from sale proceeds and go to the Income Statement indirectly.

h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate of corporation tax for the accounting period.

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

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

i) Foreign Currency

The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because the Company is listed in the UK with a predominantly UK shareholder base.

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rate.

Assets and liabilities denominated in overseas currencies at the Statement of Financial Position date are translated into sterling at the exchange rate ruling at that date. Differences arising from translation at this rate of exchange are included within the Income Statement as a capital item and then transferred to capital reserves.

j) Borrowings

Interest-bearing bank loans, overdrafts and the senior unsecured note are recorded as proceeds received, net of direct issue costs.

They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement, using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

k) Derivative financial instruments

The Company does not use derivative financial instruments for speculative purposes.

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure) and futures contracts on indices appropriate to sections of the portfolio (one purpose for which may be to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Janus Henderson's expectations for the relevant share prices and to generate additional return for shareholders. The use of financial derivatives is governed by the Company's polices as approved by the Board.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise. If based on circumstances and motive they are capital in nature, the associated change in value is presented as a capital item in the Income Statement.

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as a capital return such that the total return reflects the overall change in the fair value of the option.

l) Dividends payable to shareholders

Interim dividends payable to shareholders are recognised in the financial statements when they are paid. The Company does not pay a final dividend.

Details of dividends provided are in the Statement of Changes in Equity on page 61 and Note 10 on pages 69 and 70.

m) Capital and reserves

Share capital represents the nominal value of shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on investments held. The following analyses what is accounted for in each of these components.

Capital reserve arising on investments sold

- gains and losses on disposals of investments;
- realised foreign exchange differences of a capital nature;
- cost of repurchasing ordinary share capital; and
- other capital charges and credits charged to this account in accordance with the above policies.

Capital reserve arising on investments held

- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

n) Distributable Reserves

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

Notes to the Financial Statements (continued)

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

	2022 £'000	2021 £'000
Gains on the sale of investments based on historical cost	1,102	4,396
Revaluation losses recognised in previous years	(3,655)	(1,803)
(Losses)/gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**(2,553)**	**2,593**
Net movement on revaluation of investments	(17,748)	24,069
Effective yield movement	6	32
Exchange (losses)/gains	(2,174)	494
	(22,469)	**27,188**

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

	2022 £'000	2021 £'000
UK dividend income – listed	10,198	9,546
UK dividend income – special dividends	1,016	686
	11,214	**10,232**
Interest income – listed	1,082	915
Overseas and other dividend income – listed	2,245	2,100
Overseas and other dividend income – special dividends	91	223
	3,418	**3,238**
	14,632	**13,470**

4 Other Interest Receivable and Similar Income

	2022 £'000	2021 £'000
Deposit interest	18	–
Traded option premiums	289	79
Underwriting commission	–	19
	307	**98**

5 Management Fee

	2022			2021		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	557	836	1,393	564	846	1,410
Total fee	**557**	**836**	**1,393**	**564**	**846**	**1,410**

A summary of the terms of the Investment Management Agreement is given in Arrangements with the Manager on pages 24 and 25. An explanation of the split between revenue and capital is contained in Note 1g on page 65.

Notes to the Financial Statements (continued)

6 Other Administrative Expenses

	2022 £'000	2021 £'000
Directors' fees (please refer to the Directors' Remuneration Report on page 48)	141	151
Auditor's remuneration – for audit services (including VAT)	50	44
Depositary fees	23	25
Registrar fees	22	22
Sales and marketing expenses payable to the Manager	75	77
Listing fees	32	30
Printing and postage fees	25	29
Legal and professional fees	83	50
AIC subscription	16	14
Other expenses	31	18
	498	**460**

7 Finance Costs

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Interest on bank loans repayable within one year	193	580	773	109	327	436
Interest on senior unsecured note	187	560	747	186	558	744
	380	**1,140**	**1,520**	**295**	**885**	**1,180**

8 Taxation on Net Return

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Overseas withholding tax	81	–	81	104	7	111
Total current tax charge for the year	**81**	**–**	**81**	**104**	**7**	**111**

a) Factors Affecting Tax Charge For Year

The UK corporation tax rate is 19.0% (2021 – applicable rate 19.0%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Net return before taxation	**13,504**	**(24,445)**	**(10,941)**	12,249	25,457	37,706
Corporation tax of 19.0% (2021: 19.0%)	2,566	(4,645)	(2,079)	2,327	4,837	7,164
Effects of:						
– UK dividends	(2,113)	–	(2,113)	(1,929)	–	(1,929)
– Non–taxable overseas dividends	(374)	–	(374)	(374)	–	(374)
– Expenses not deductible for tax purposes	–	–	–	7	–	7
– Utilised excess management expenses	(77)	376	299	(29)	329	300
– Irrecoverable overseas withholding tax	81	–	81	104	7	111
– Tax effect of expensed double taxation relief	(2)	–	(2)	(2)	–	(2)
– Losses/(gains) on investments held at fair value	–	4,269	4,269	–	(5,166)	(5,166)
Total current tax charge for the year	**81**	**–**	**81**	**104**	**7**	**111**

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

Notes to the Financial Statements (continued)

8 Taxation on Net Return (continued)

b) Factors that may affect future tax charges

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

Consequently, the Company has not recognised a deferred tax asset totalling £5,598,000 (2021: £5,204,000) based on a prospective tax rate of 25% (2021: 25%) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Total (Loss)/Return per Ordinary Share

The (loss)/return per ordinary share figure is based on the loss attributable to the ordinary shares of £11,022,000 (2021: return: £37,595,000) and on the 129,401,141 weighted average number of ordinary shares in issue during the year (2021: 128,596,278).

The Company had no securities in issue that could dilute the return per ordinary share. The return per ordinary share can be analysed between revenue and capital as shown below:

	2022 £'000	2021 £'000
Net revenue return	13,423	12,145
Net capital (loss)/return	(24,445)	25,450
Total (loss)/return	**(11,022)**	**37,595**
Weighted average number of ordinary shares	**129,401,141**	**128,596,278**
Revenue return per ordinary share	10.37p	9.44p
Capital (loss)/return per ordinary share	(18.89p)	19.79p
Total (loss)/return per ordinary share	**(8.52p)**	**29.23p**

10 Dividends Paid on Ordinary Shares

	Payment date	**2022 £'000**	2021 £'000
Fourth interim dividend (2.475p per share) for the year ended 31 December 2020	29 January 2021	–	3,183
First interim dividend (2.475p per share) for the year ended 31 December 2021	30 April 2021	–	3,183
Second interim dividend (2.475p per share) for the year ended 31 December 2021	30 July 2021	–	3,183
Third interim dividend (2.475p per share) for the year ended 31 December 2021	29 October 2021	–	3,183
Fourth interim dividend (2.525p per share) for the year ended 31 December 2021	28 January 2022	3,247	–
First interim dividend (2.525p per share) for the year ended 31 December 2022	29 April 2022	3,255	–
Second interim dividend (2.525p per share) for the year ended 31 December 2022	29 July 2022	3,275	–
Third interim dividend (2.525p per share) for the year ended 31 December 2022	28 October 2022	3,277	–
Unclaimed dividends		(15)	–
		13,039	**12,732**

Notes to the Financial Statements (continued)

10 Dividends Paid on Ordinary Shares (continued)

The total dividends payable in respect of the financial year which form the basis of the test under Section 1158 of the Corporation Tax Act 2010 are set out below:

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	13,423	12,145
First interim dividend of 2.525p (2021: 2.475p)	(3,255)	(3,183)
Second interim dividend of 2.525p (2021: 2.475p)	(3,275)	(3,183)
Third interim dividend of 2.525p (2021: 2.475p)	(3,277)	(3,183)
Fourth interim dividend 2.575p (2021: 2.525p)	(3,342)	(3,247)
	274	**(651)**

In accordance with FRS 102, interim dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been paid to shareholders. All dividends have been paid out of revenue reserves or current year revenue profits and at no point during the year did the revenue reserve move to a negative position.

11 Investments Held at Fair Value through Profit or Loss

	2022 £'000	2021 £'000
Valuation at 1 January	289,091	259,844
Investment holding gains at 1 January	(47,124)	(24,794)
Cost at 1 January	**241,967**	**235,050**
Purchases at cost	51,435	48,879
Sales at cost	(59,083)	(41,962)
Cost at 31 December	**234,319**	**241,967**
Investment holding gains at 31 December	25,734	47,124
Valuation of investments at 31 December	**260,053**	**289,091**

Total transaction costs amounted to £165,000 (2021: £191,000) of which purchase transaction costs for the year-ended 31 December 2022 were £147,000 (2021: £176,000). Sale transaction costs for the year-ended 31 December 2022 were £18,000 (2021: £15,000). These comprise mainly stamp duty (purchases only) and commissions.

The Company received £60,179,000 (2021: £46,326,000) from investments sold in the year. The book cost of these investments when they were purchased was £59,083,000 (2021: £41,962,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12 Debtors

	2022 £'000	2021 £'000
Taxation recoverable	508	386
Prepayments and accrued income	1,420	1,548
	1,928	**1,934**

Notes to the Financial Statements (continued)

13 Creditors: Amounts Falling Due Within One Year

	2022 £'000	2021 £'000
Bank loans	29,141	37,593
Accruals and deferred income	1,578	1,291
	30,719	**38,884**

At 31 December 2022 the Company had short term multi-currency loans under the Scotiabank loan facility amounting to £29,141,000, repayable in January and March 2023 (2021: £37,593,000, repayable in January, February and March 2022) The average interest rate payable on these loans was 4.10% (2021: 1.18%). Please refer to the Financial Calendar on page 85 for the senior unsecured note interest payment dates.

14 Creditors: Amounts Falling Due After More Than One Year

	2022 £'000	2021 £'000
Senior unsecured note	19,858	19,849
	19,858	**19,849**

On 8 July 2015 the Company issued £20 million (nominal) 3.67% senior unsecured note due 2034, net of issue costs totalling £204,000. The issue costs will be amortised over the life of the senior unsecured note by way of an effective interest rate method. The fair value methodology of the senior unsecured note is detailed in note 15.4 on page 75.

15 Financial Risk Management Policies and Procedures

As an investment trust, the Company invests in equities and other investments for the long-term so as to secure its investment objective and policy (please refer to page 22). In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks are: market risk (comprising market price risk, currency risk and interest rate risk), credit risk, liquidity risk and gearing. Details of these risks and of the Directors' approach to the management of these risks, are set out below and have not changed from the previous accounting year. The Board receives regular financial and other reporting to enable it to measure these risks. The Board and Janus Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below:

- Listed securities, exchange-traded derivatives and over the counter (OTC) derivatives contracts are processed, confirmed and reconciled using automated systems linked to counterparties and clearing houses;
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, third-party software applications; and
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas S.A.).

Janus Henderson Risk, Compliance and Operations Teams have access to and use a variety of in-house and third party databases and applications for independent monitoring and risk measurement and compliance purposes.

15.1 Market Risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see note 15.1.1), interest rate risk (see note 15.1.2) and other price risk (see note 15.1.3), in particular the risk of fluctuations in prices of securities. The Board reviews and agrees policies for managing these risks and agrees investment guidelines and restrictions for managing the portfolio; these have remained substantially unchanged from those applying in the previous year. The Fund Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. This risk is mitigated through diversification of investments in the portfolio.

15.1.1 Currency Risk

A proportion of the Company's assets and income is denominated in currencies other than sterling (the Company's functional currency and the one in which it reports its results). Therefore, movements in exchange rates may affect the sterling value of these items. This may be partially offset by borrowing in foreign currencies. The Board regularly reviews currency risk.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.1.1 Currency Risk (continued)

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure as at 31 December 2022 and 2021 are shown below. Where the Company's investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2022	EUR £'000	US$ £'000	SEK £'000
Cash and cash equivalents	3	–	–
Bank loans	(8,140)	(12,909)	–
Total foreign currency exposure on net monetary items	**(8,137)**	**(12,909)**	**–**
Investments at fair value through profit or loss that are equities	16,470	26,012	2,920
Total net foreign currency exposures	**8,333**	**13,103**	**2,920**

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

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

If sterling depreciates against the currencies shown by 10%, the impact on the total return and net assets would be £3,114,000 (2021: £3,601,000). If sterling appreciates against the currencies shown by 10%, the impact on the total return and net assets would be (£2,548,000) (2021: (£2,947,000)).

15.1.2 Interest Rate Risk

Interest rate movements may affect:

- the fair value of investments on fixed interest securities;
- the level of income receivable from interest-bearing securities and cash at bank and on deposit; and
- the interest payable on the Company's variable rate borrowings.

Management of the risk

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

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.1.2 Interest Rate Risk (continued)

Interest rate exposure

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

- floating interest rates: when the interest rate is due to be re-set; and
- fixed interest rates: when the financial instrument is due for repayment.

Please refer to the Financial Calendar on page 85 for the senior unsecured note interest repayment dates.

	2022 Within one year £'000	2022 More than one year £'000	2022 Total £'000	2021 Within one year £'000	2021 More than one year £'000	2021 Total £'000
Exposure to floating interest rates:						
Cash at bank	2,873	–	2,873	3,942	–	3,942
Creditors – within one year:						
Borrowings under multi-currency loan facility	(29,200)	–	(29,200)	(37,657)	–	(37,657)
	(26,327)	**–**	**(26,327)**	**(33,715)**	**–**	**(33,715)**
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	–	29,076	29,076	–	25,924	25,924
Creditors – more than one year:						
Senior unsecured note[1]	(747)	(28,061)	(28,808)	(744)	(28,798)	(29,542)
Total exposure to interest rates	**(27,074)**	**1,015**	**(26,059)**	**(34,459)**	**(2,874)**	**(37,333)**

1 The above figures show interest payable over the remaining term of the senior unsecured note. The figures in the 'more than one year' column also include the capital to be repaid

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 SONIA[2] or its foreign currency equivalent (2021: same);
- interest paid on borrowings under the multi-currency loan facility is at a margin over SONIA[2] or its foreign currency equivalent for the type of loan. The weighted average interest rate of these was 4.10% at 31 December 2022 (2021: 1.18%);
- interest paid on the senior unsecured note is at a rate of 3.67% (2021: 3.67%); and
- the nominal interest rates on the investments held at fair value through profit and loss are shown above.

Interest rate risk sensitivity

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

- loan sensitivity: borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £29,141,000 (2021: £37,593,000) (see note 13 on page 71) and if that level of borrowings were maintained for a full year, then a 100 basis points change in SONIA[2] (up or down) would decrease or increase total return after taxation by approximately £291,000 (2021: £376,000); and
- Senior unsecured note: the senior unsecured note is at a fixed rate of interest so will not be impacted by any changes in SONIA[2] or short term interest rates; and
- fixed interest investment sensitivity: the Company's fixed interest portfolio at the year end was valued at £29,076,000 (2021: £25,924,000), and it has a modified duration (interest rate sensitivity) of approximately 6.9 years (2021: 6.7 years). A 100 basis points change in short term interest rates (up or down), which is mirrored by an equivalent change in long term interest rates, would be expected to decrease or increase this portfolio's value by approximately £2,908,000 (2021: £2,592,000), all other factors being equal.

2 UK Libor rates were replaced with SONIA from 1 January 2022

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.1.3 Other Price Risk

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

Management of the risk

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

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 31 December 2022 the Company had no open positions (2021: no open positions).

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 16 to 17. The majority of the investments are in UK companies. Accordingly, there is a concentration of exposure to the UK, particularly to financials and consumer staples (please refer to page 19). 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 Statement of Financial Position date, with all other variables held constant.

	2022		2021	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income Statement – net return after tax				
Revenue return	(42)	42	(46)	46
Capital return	25,917	(25,917)	28,810	(28,810)
Net return after tax for the year	**25,875**	**(25,875)**	**28,764**	**(28,764)**
Equity shareholders' funds	**25,875**	**(25,875)**	**28,764**	**(28,764)**

15.2 Liquidity Risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a one year multi-currency loan facility of £45 million with Scotiabank (2021: £45 million), the facility will expire on 20 December 2023.

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:

	2022 Due within three months £'000	2021 Due within three months £'000
Bank loans	29,141	37,593
Other creditors and accruals	1,578	1,291
	30,719	**38,884**

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.3 Credit and Counterparty Risk

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

Management of the risk

- transactions involving derivatives are entered into only with investment banks, whose creditworthiness is carefully assessed so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the Company's trades are usually on a delivery versus payment (DVP) settlement basis. This process mitigates the risk of loss during the settlement process;
- Janus Henderson and the Board monitor the Company's risk by reviewing the Depositary's biannual assurance report. The Manager's Operational Risk Team also reports to the Board on these reports. They also engage with the Depositary to ensure that follow up action arising from any exceptions identified in the report are completed, and report back to the Board where necessary;
- cash at bank is held only with banks considered to be creditworthy; and
- with regards to the corporate bonds in the portfolio, there is a credit risk that the borrowers do not repay principal or make interest payments. This is managed through careful selection, supported by monitoring of credit ratings, and is reviewed regularly.

The percentages below represent the value of fixed interest investments included in the Statement of Financial Position which are exposed to credit and counterparty risk by credit rating.

Rating	2022 %	2021 %
AA	5.4	–
A	6.2	–
BBB	23.0	22.1
BB	44.6	33.8
B	3.9	22.2
Not rated	16.9	21.9
Total	**100.0**	**100.0**

Source: Bloomberg composite rating

None of the Company's financial assets or financial liabilities are secured by collateral or other credit enhancements. None of the Company's financial assets are past due or impaired.

15.4 Fair Values of Financial Assets and Financial Liabilities

The fair values of the financial assets and liabilities are either carried in the Statement of Financial Position at their fair value (investments and derivatives) or the Statement of Financial Position amount is a reasonable approximation of fair value (due from brokers, dividends, and interest receivable, due to brokers, accruals, cash at bank and amounts due under the multi-currency loan facility). At 31 December 2022 the fair value of the senior unsecured note has been estimated to be £17,653,000 (2021: £24,051,000) and is categorised as level 3 (see note 15.5 below) in the fair value hierarchy.

The current estimated fair value of the senior unsecured note is calculated using a discount rate based on the redemption yield of the relevant existing reference UK Gilt plus a suitable estimated credit spread. The estimated credit spread is based on the spread between the yield of the ICE BofA 10-15 Year A Sterling Non-Gilts Index and the redemption yield of the ICE BofA 10-15 Year UK Gilts Index. The discount rate is calculated and updated at each month end and applied daily to determine the Company's published fair value NAVs.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.5 Fair Value Hierarchy Disclosures

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset:

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1; and

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in note 1d on page 64.

There have been no transfers during the year between levels.

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

Financial assets at fair value through profit or loss at 31 December 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	230,977	–	–	230,977
Fixed interest instruments:				
Preference shares	4,585	–	–	4,585
Other	24,491	–	–	24,491
Total	**260,053**	**–**	**–**	**260,053**

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

15.6 Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to provide investors with a high dividend income while also maintaining the prospect of capital growth.

The Company's capital is its equity share capital, reserves and debt that are shown in the Statement of Financial Position at a total of £263,276,000 (2021: £293,676,000).

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

- the planned level of gearing, which takes into account Janus Henderson's view on the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per ordinary share and the share price (i.e. the level of share price discount);
- the need for new issues of equity shares, including sales from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

- under the multi-currency loan facility and the senior unsecured note agreement the total of these borrowings may not exceed one third of adjusted total assets (as defined in the facility agreement) and net assets must be more than £50 million;
- as a public company, the company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital retention tests imposed on investment companies by company law and cannot retain more than 15% of income.

The Company has complied with these requirements in the year under review and the prior year.

Notes to the Financial Statements (continued)

16 Called Up Share Capital

	Shares entitled to dividend	Total shares in issue	Nominal value in issue £'000
Issued ordinary shares of 5p each			
At 1 January 2022	128,596,278	128,596,278	6,430
Issued during the year	1,200,000	1,200,000	60
At 31 December 2022	**129,796,278**	**129,796,278**	**6,490**

During the year the Company issued 1,200,000 shares (2021: nil shares) for net proceeds of £2,104,000 (2021: £nil). Between 1 January and 30 March 2023, no shares have been issued.

17 Reserves

	Share premium account £'000	**Capital redemption reserve £'000**	**Capital reserve arising on investments sold £'000**	**Capital reserve arising on revaluation of investments held £'000**	**Revenue reserve £'000**
At 1 January 2022	126,783	26,302	21,245	47,070	8,404
Transfer on disposal of investments	–	–	3,655	(3,655)	–
Net loss on investments	–	–	(2,553)	(17,742)	–
Foreign exchange losses	–	–	(2,174)	–	–
Issue of shares	2,044	–	–	–	–
Management fee and finance costs charged to capital	–	–	(1,976)	–	–
Net return after taxation	–	–	–	–	13,423
Dividends paid	–	–	–	–	(13,039)
At 31 December 2022	**128,827**	**26,302**	**18,197**	**25,673**	**8,788**

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
At 1 January 2021	126,783	26,302	18,093	24,772	8,991
Transfer on disposal of investments	–	–	1,803	(1,803)	–
Net profit on investments	–	–	2,593	24,101	–
Foreign exchange gains	–	–	494	–	–
Management fee and finance costs charged to capital	–	–	(1,731)	–	–
Net return after taxation	–	–	–	–	12,145
Tax suffered on capital dividend	–	–	(7)	–	–
Dividends paid	–	–	–	–	(12,732)
At 31 December 2021	**126,783**	**26,302**	**21,245**	**47,070**	**8,404**

The capital reserve arising on investments sold is distributable. The amount of the capital reserve that is distributable is complex to determine and is not necessarily the full amount of the reserve as disclosed within these financial statements of £18,197,000 as at 31 December 2022 (2021: £21,245,000). The portion of the capital reserve arising on revaluation of investments held is wholly non-distributable.

The revenue reserve is distributable. The amount of the revenue reserve that is distributable is not necessarily the full amount of the reserve as disclosed within these financial statements of £8,788,000 as at 31 December 2022 (2021: £8,404,000).

Notes to the Financial Statements (continued)

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

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £214,277,000 (2021: £236,234,000) and on the 129,796,278 ordinary shares in issue at 31 December 2022 (2021: 128,596,278).

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

	2022 £'000	2021 £'000
Net assets at start of year	236,234	211,371
Total net (loss)/return after taxation	(11,022)	37,595
Dividends paid in the year	(13,039)	(12,732)
Issue of ordinary shares less issue costs	2,104	–
	214,277	**236,234**

19 Contingent Liabilities

There were no partly paid shares or underwriting commitments or any other contingent liabilities at 31 December 2022 (2021: nil).

20 Net Debt Reconciliation

	Cash and cash equivalents £'000	Bank loans repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt as at 1 January 2022	3,942	(37,593)	(19,849)	(53,500)
Cash flows	(1,773)	11,330	–	9,557
Exchange movements	704	(2,878)	–	(2,174)
Non cash flow:				
Effective interest movements	–	–	(9)	(9)
Net debt as at 31 December 2022	**2,873**	**(29,141)**	**(19,858)**	**(46,126)**

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

21 Transactions with Janus Henderson and Related Parties

Under the terms of an agreement effective from 22 July 2014 the Company has appointed wholly owned subsidiaries of Janus Henderson to provide investment management, accounting, administrative and company secretarial services. Janus Henderson has contracted with BNP Paribas S.A. to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic Report on page 25.

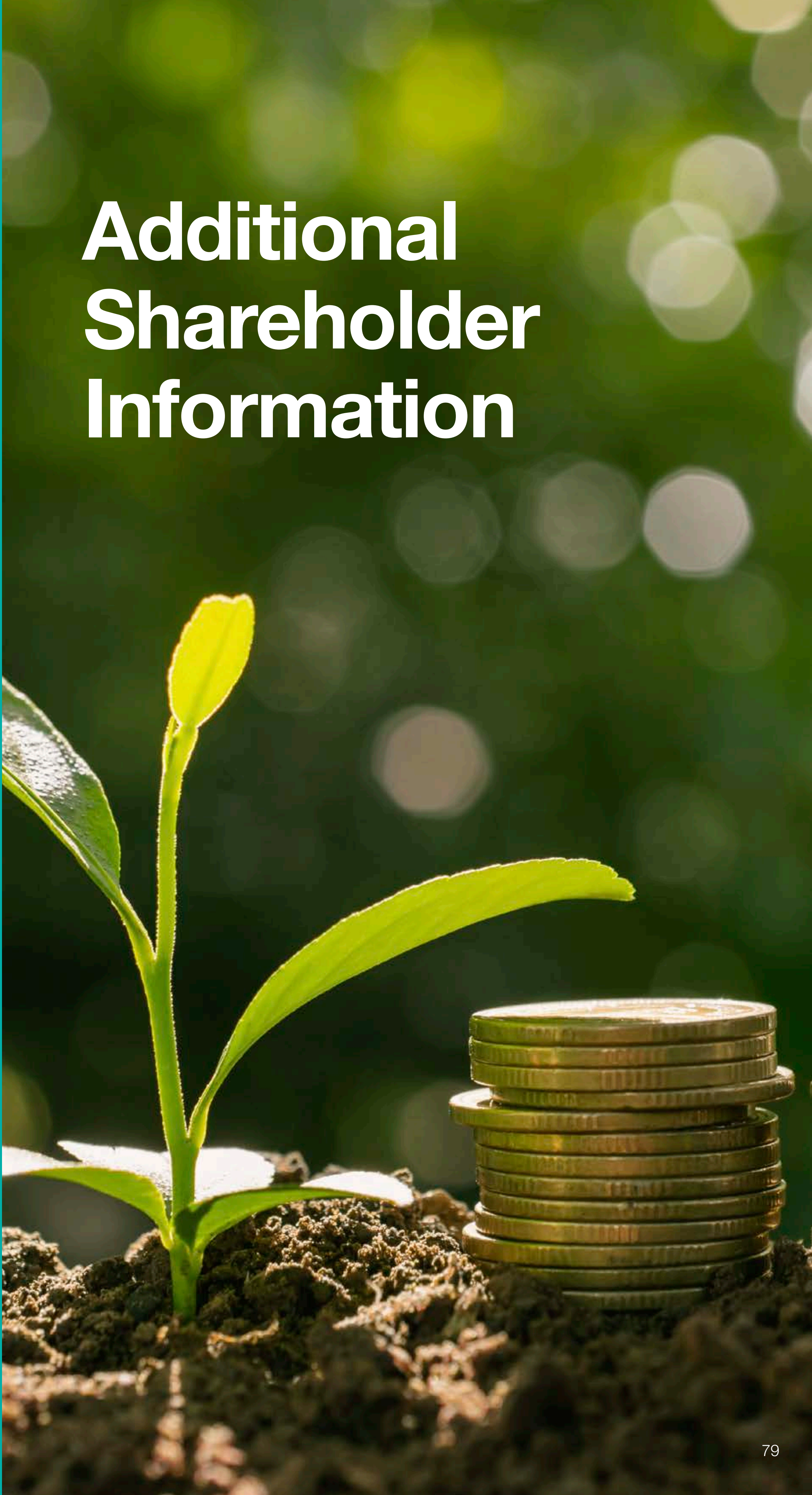
The total fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 December 2022 were £1,393,000 (2021: £1,410,000), of which £1,040,000 was outstanding as at 31 December 2022 (2021: £699,000). Please refer to the Directors' Remuneration Report on page 48 and in Note 6 on page 68 of fees paid to the Directors.

In addition to the above, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company.

22 Subsequent Events

Since the year-end, the Board announced a first interim dividend of 2.575p per ordinary share, in respect of the year-ending 31 December 2023. This will be paid on 28 April 2023 to holders registered at the close of business on 11 April 2023. This dividend is to be paid from the Company's revenue account. The Company's shares will become ex-dividend on 6 April 2023.

Additional Shareholder Information



Glossary

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and adopted into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and Depositary to manage and oversee the operations of the investment vehicle. The Board of Directors retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies (AIC)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Benchmark

An index against which performance is compared. For the Company this is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofA Sterling Non-Gilts Index (total return) and is rebalanced annually.

Compounding

Compounding is the process whereby interest is credited to an existing principal amount as well as to interest already paid.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

As an AIF the Company is required to appoint a Depositary which has responsibility for overseeing the operations of the Company, including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a Custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets.
The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference.

Dividend Dates

When declared or announced, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's Registrars to know which shareholders should be paid a dividend. Only shareholders on the Register of Members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value per share and share price will be disclosed ex-dividend.

Effective Interest Rate Method

The effective interest rate is a method used by a bond buyer to calculate the total yield to maturity including any capital loss if the bond is purchased above par, or capital gain if purchased at a discount to par.

Geometric Returns

A method for aggregating percentage returns over a holding period to include the impact of compounding.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation

The market value of a company calculated by multiplying the mid-market price per share by the number of shares in issue.

Mid-Market Price

The middle (or mid) market price is the price between the best offered price and the best bid price. It can simply be defined as the average of the current bid and offer prices being quoted.

Treasury Shares

Shares repurchased by the Company but not cancelled.

Alternative Performance Measures (Unaudited)

The Company uses the following Alternative Performance Measures (APMs) throughout the Annual Report and financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or Premium to NAV

The NAV per ordinary share used in this calculation is the NAV published by the London Stock Exchange and by the AIC with the interim dividends deducted on the corresponding ex-dividend date and with debt at fair value, as defined below.

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per ordinary share, expressed as a percentage of the NAV per ordinary share.

	NAV pence	Share price pence	(Discount)/ premium to NAV %
At 31 December 2022	164.24	165.25	0.61
At 31 December 2021	177.92	177.50	(0.24)

Gearing/(Net Cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans and senior unsecured notes) the Company has used to invest in the market and also takes into account the exposure to hedging and derivatives which have a gearing effect. It is calculated by taking the difference between total investments (see Note 11 on page 70) and equity shareholders' funds (see Statement of Financial Position) and dividing by equity shareholders' funds and multiplying by 100.

		2022	2021
Investments held at fair value through profit or loss (£'000) (page 62)	(A)	260,053	289,091
Net assets (£'000) (page 62)	(B)	214,277	236,234
Gearing (C = A/B -1) (%)	(C)	21.4	22.4

NAV with debt at par and fair value

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss (see note 11)	260,053	289,091
Current assets (see page 62)	4,801	5,876
Creditors: amounts falling due within one year (see note 13)	(30,719)	(38,884)
Creditors: amounts falling due after more than one year (see note 14)	(19,858)	(19,849)
NAV with debt at par (A)	**214,277**	**236,234**
Less: fair value of senior unsecured note (see note 15.4)	(17,653)	(24,051)
Add back: amortised cost of senior unsecured note	19,858	19,849
NAV with debt at fair value (B)	**216,482**	**232,032**
Ordinary shares in issue (see note 16) (C)	**129,796,278**	**128,596,278**
NAV per ordinary share with debt at par (see page 62) (A/C x 100) (p)	**165.09**	**183.70**
NAV per ordinary share with debt at fair value (B/C x 100) (p)	**166.79**	**180.43**

The NAV per share is published daily and the year-end NAV as published by the AIC can be found on page 6. The NAV published to the London Stock Exchange and by the AIC will deduct interim dividends on the corresponding ex-dividend date. The NAV in the Company's accounts will deduct the interim dividends on the corresponding dividend payment date. The Company currently publishes two NAVs, one with debt at par and the other with debt at fair value and further information is available in Note 18.

Alternative Performance Measures (Unaudited)

(continued)

Ongoing Charge

The ongoing charges ratio has been calculated in accordance with the guidance issued by the AIC as the total investment management fees and administrative expenses and expressed as a percentage of the net asset values throughout the year.

	2022 £'000	2021 £'000
Management fee	1,393	1,410
Other administrative expenses (note 6)	498	460
Less: non-recurring expenses	(46)	(15)
Ongoing charge	**1,845**	**1,855**
Average net assets[1]	**218,505**	**220,732**
Ongoing charge ratio	**0.84%**	**0.84%**

1 Calculated using the average daily net asset value (with debt at fair value)

The ongoing costs provided in the Company's Key Investor Document (KID) is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs and look through to costs incurred by other investment trusts and funds that the Company invests in.

Total Return

The total return on the share price or NAV (with debt at fair value) takes into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in note 10 on pages 69 and 70.

	NAV (with debt at fair value)	Share price
NAV/Share price per share at 31 December 2021 (pence)	177.92	177.50
NAV/Share price per share at 31 December 2022 (pence)	164.24	165.25
Change in the year (%)	(7.7)	(6.9)
Impact of dividends reinvested (%)	6.3	6.2
Total return for the year (%)[1]	**(1.9)**	**(1.1)**

1 Geometric returns

Income/Dividend Yield

The yield is the annual dividend (paid or announced for the year) expressed as a percentage of the year-end share price.

		31 December 2022	31 December 2021
Annual dividend (pence)	(A)	10.15	9.95
Share price (pence)	(B)	165.25	177.50
Yield (C=A/B) (%)	(C)	6.1	5.6

General Shareholder Information

Alternative Investment Fund Managers Directive (AIFMD) Disclosures

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of Janus Henderson, as the Company's Alternative Investment Fund Manager (AIFM) is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document (AIFMD Disclosure) which can be found on the Company's website: **www.hendersonhighincome.com**.

BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar, Computershare Investor Services PLC. Alternatively, shareholders can write to the Registrar (the address is given on page 85) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

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

You can contact the Registrar, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

Foreign Account Tax Compliance Act (FATCA)

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities 'regularly traded on an established securities market', investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company therefore needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

General Data Protection Regulation (GDPR)

A privacy statement can be found on the website **www.janushenderson.com**.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 5p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs)/Key Information Document (KID)

Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General Shareholder Information (continued)

Performance Details/Share Price Information

Details of the Company's share price and NAV per share can be found on the website **www.hendersonhighincome.com**. The Company's NAV is published daily.

The market price of the Company's ordinary shares is published daily in the Financial Times and the Daily Telegraph, which also show figures for the estimated net asset value per share.

The market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**. Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Taxonomy Regulation

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

Warning to Shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary on 020 7818 1818.

You can also check the FCA Warning List at #BeScamSmart **https://www.fca.org.uk/scamsmart**

Corporate Information

Registered Office

201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

Service Providers

Alternative Investment Fund Manager

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

Corporate Secretary

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

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Stockbrokers

J.P. Morgan Cazenove Limited
25 Bank Street
London
E14 5JP

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 707 1039
Email: web.queries@computershare.co.uk

Investors with share certificates (i.e. not those in a share plan or ISA) can check their holdings at **www.computershare.com**.

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Financial Calendar

Annual General Meeting	Tuesday, 16 May 2023
First interim dividend payment	Friday, 28 April 2023
Second interim dividend payment	Friday, 28 July 2023
Third interim dividend payment	Friday, 27 October 2023
Fourth interim dividend payment	Friday, 26 January 2024
Half year results announced	September 2023
Senior unsecured note interest payment dates	8 July 2023 8 January 2024

Information Sources

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

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

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

Henderson High Income Trust plc
Registered as an investment company in England and Wales
with registration number 02422514
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL number: 0958057
ISIN number: GB0009580571
London Stock Exchange (TIDM) Code: HHI

Global Intermediary Identification Number (GIIN): JBA08I.99999.SL.826
Legal Entity Identifier Number (LEI): 213800OEXAGFSF7Y6G11

Telephone: **020 7818 1818**
Email: **support@janushenderson.com**

www.hendersonhighincome.com

MANAGED BY Janus Henderson INVESTORS

The Association of Investment Companies

PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

FSC www.fsc.org MIX Paper from responsible sources FSC® C005739

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