

Performance Summary

Per ordinary share	31 December 2008	31 December 2007	Change %
Net asset value	102.73p	166.91p	-38.5
Market price	95.00p	147.75p	-35.7
Revenue return	8.90p	8.26p	+7.7
Annual dividend	8.30p	8.18p	+1.5

Total return (with net dividends reinvested)	1 year %	3 years %	5 years %
Net asset value per ordinary share [◆]	-35.9	-25.6	+19.6
Market price per ordinary share	-31.3	-27.8	+21.3
Benchmark*	-19.3	-5.5	+23.4
FTSE All-Share Index	-29.9	-13.8	+18.7
FTA Government All Stocks Index [†]	+12.8	+19.6	+37.6

Source: AIC Information Services Limited.

[◆]See page 49 for explanation of movement in the NAV.

[†]Source: Datastream, gross dividends reinvested.

*The benchmark is a composite of 75% of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index.

Net dividend yield at 31 December	2008 %	2007 %
Henderson High Income Trust plc	8.7	5.5
FTSE All-Share Index [†]	4.5	3.0
FTA Government All Stocks Index [†]	3.5	4.4

[†]Source: Datastream.

Dividend Information and Payment Dates

A fourth interim dividend of 2.075p per ordinary share for the year ended 31 December 2008 will be paid on 30 April 2009 to shareholders registered on 3 April 2009. The shares will be quoted ex-dividend from 1 April 2009.

Details of the dividends paid during the year ended 31 December 2008 are given in the Reconciliation of Movements in Shareholders' Funds on page 29. The dividends in respect of 2009 are expected to be paid on the following dates:

First interim payable 31 July 2009

Second interim payable 30 October 2009

Third interim payable 29 January 2010

Fourth interim payable 30 April 2010

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Chairman's Statement

continued

Board and other Matters

I am glad to be able to report that we have made very satisfactory progress in our reclaim of VAT as a result of the earlier European Court judgement. We have now received a repayment of all of the VAT that we paid in the period from 2000 to 2007. The majority of this amount was recognised in our accounts last year, but an additional £97,000 has been credited to these latest accounts, together with an amount of £184,000, which is our estimate of the interest we will receive. We are still awaiting confirmation of the amounts that can be reclaimed from earlier years, although the amounts involved are smaller and have not been recognised in the accounts.

In my last interim statement I reported that we had appointed Margaret Littlejohns and Anthony Newhouse to the Board and we have benefitted from their presence. This completes the rebuilding of the Board for the foreseeable future and we have a Board which, I believe, has the skills to guide the Company successfully through the challenging times ahead. I hope that as many of you as possible will come to the AGM on 5th May when you will have the opportunity to meet Margaret and Anthony, as well as the other directors, and our Portfolio Manager who will as usual give you an update. I look forward to welcoming you.

Outlook

I am very wary of making any predictions about the future. Although I have tried to be guarded in my last few statements and point out that there were uncertainties ahead, I have also tried to hold out hope too. Sadly my fears did not prove pessimistic enough and my optimism has proved illusory so far. Although the outlook currently may appear very dark with a deep global economic recession underway, we must not lose sight of the massive measures which governments around the world have been taking to try and mitigate the effects, and the fact that many markets are by various measures very lowly valued compared with their history. As I was reminded by an old colleague the other day, "the darkest part of the night is just before dawn". Politicians may be derided for talking about seeing "the light at the end of the tunnel" or "emerging green shoots", but there is no reason to believe that they will not eventually be proved correct. Their problem is whether they will still be in power when it happens. I have no desire to be similarly

derided, as we may have to endure more pain yet, but, despite the current darkness, I do believe that dawn will eventually come. Indeed, we must all be careful not to allow ourselves to become too depressed and so run the risk of missing the first signs of dawn. We should not forget that history also shows us that markets usually start to recover well before economies bottom, and although we do not yet know when the latter will happen, we can take comfort from the former and, perhaps, should start to view any further setbacks in markets as possible buying opportunities with an eye to the longer term.

Our trust is well placed to benefit from this "early dawn sunlight" when it reappears and both the Board and particularly the Portfolio Manager remain alert for this and focussed on our objective of providing a high income stream with prospects of capital growth, when conditions permit. Recent events have underlined the benefits of seeking a high income stream, as our Company provides, since it has been income (as our Portfolio Manager points out in his review) which has provided the major part of the total return over the longer term. Even if some of this income does come under pressure in the short term, it will still provide a positive return which is not what can always be said of capital.

As a postscript, I remember that earlier in my career I was able to call myself a "banker", and the main benefit of this was that I was able to get cheaper car insurance, so boring and conservative were bankers then considered to be. I guess that today a person describing himself as a banker would probably struggle to get car insurance at all. However, I suspect that one result of the recent dramas in the banking sector is that bankers may well be heading back to a time when they will be able to get cheaper car insurance again. Banking may become boring and conservative once more, but hopefully it will be safer for all concerned!

Hugh Twiss, Chairman
20 March 2009

Investment Review



Alex Crooke

Review of the Year to 31 December 2008

The year under review saw a continuation of the difficult and frustrating environment for equity income investors. In 2007 conditions were tough because of the narrow range of sectors that performed well. 2008 was characterised by a complete lack of safe havens in which to invest, other than government gilts, which yielded very little. Economic news deteriorated throughout the year and steadily eroded confidence, pushing investors to withdraw assets toward the safety of cash and government bonds. Equities bore the brunt of this selling because of their liquidity with good trading volumes compared to the illiquidity of property, commodities and even bonds.

We have all lived with the benefits of increasing gearing or borrowings, driving up property prices and allowing companies to expand and take over competitors. All this relied on cheap and available credit, which evaporated quickly once asset prices started to fall and lenders grew fearful of defaults and the quality of pledged assets. This unwinding of credit has proved to be more widespread and rapid than predicted and probably has further to go. At first the effects were limited to closely held financial instruments but quickly the de-leveraging began to contaminate assets over ever wider circles. Iceland was probably the highest profile victim, forced to call on the aid of the IMF to bail out their economy.

The measures currently being taken to restore stability are unprecedented in scale and will help in due course, but the unexpected consequences of recent government actions will have to be carefully considered. Previous periods of monetary expansion have driven inflation higher, while increased regulation could stifle enterprise. Interest rates have been cut to nominal levels and yet there is little appetite to borrow; companies in particular are desperate to reduce debt in order to restore investors' confidence in their survival.

With regard to the portfolio, the impact has been felt in lower equity and bond prices. The equities in the portfolio have actually

outperformed the FTSE All-Share over the year, admittedly only a small achievement in the face of the absolute falls in prices but it is clear that dividend paying shares are coming back into favour. The underperformance of smaller and mid-sized companies has eased towards the end of the year and now they are rated at a significant valuation discount to the larger companies. Valuation measures based on dividend yield and P/E are proving difficult to rely on because of the dramatic downgrades to earnings. Analysts have recently been too optimistic of future prospects and have now turned resolutely pessimistic, and could be similarly wrong in their current outlook.

The two major reasons for underperforming our benchmark by such a large degree this year have been the collapse in value of corporate debt compared with government gilts and our gearing (the details are contained on page 49). In more normal economic slowdowns, the bonds would be expected to increase in value as interest rates are cut. Much of the corporate debt market (two-thirds) is issued by financial companies and our portfolio mirrors this mix. Financial debt has fallen to levels not witnessed before and assumes that defaults rise above 50%, twice the level of failure during the 1930s.

Liquidity in corporate bonds has completely dried up, as new issues are either government guaranteed or rank above existing debt.

The 10 largest Equity Investments at 31 December 2008 were:

Position	Company	Sector	Fair value	Fair value	Percentage of portfolio 2008	Percentage of portfolio 2007
			2008 £'000	2007 £'000		
1	BP	Oil & Gas	7,364	6,519	6.9%	3.8%
2	Vodafone	Telecommunications	5,328	5,789	5.0%	3.3%
3	HSBC*	Financials	5,229	7,502	4.9%	4.3%
4	British American Tobacco*	Consumer Goods	4,756	4,127	4.5%	2.4%
5	Aviva*	Financials	4,102	5,125	3.9%	3.0%
6	Catlin	Financials	4,010	2,394	3.8%	1.4%
7	National Grid	Utilities	3,737	4,557	3.5%	2.6%
8	Imperial Tobacco*	Consumer Goods	3,649	2,848	3.4%	1.6%
9	Scottish & Southern Energy	Utilities	2,884	3,882	2.7%	2.2%
10	Prodesse Investment	Financials	2,700	2,671	2.5%	1.5%
					41.1%	26.1%

*includes fixed interest

Investments: Equities (including convertibles and investment funds)

continued

CONSUMER GOODS continued	£'000	FINANCIALS	£'000
Food Producers		Banks	
Dairy Crest	884	*Barclays	1,278
Hilton Food Group	581	HSBC	3,310
		Lloyds TSB	517
Tobacco		Nonlife Insurance	
British American Tobacco	3,780	Catlin	4,010
Imperial Tobacco	2,914	Jardine Lloyd Thompson	2,628
Total Consumer Goods	9,700		
		Life Insurance	
HEALTH CARE	£'000	Aviva	2,830
Pharmaceuticals & Biotechnology		Chesnara	924
GlaxoSmithKline	1,477	Prudential	1,190
Total Health Care	1,477		
		Real Estate	
CONSUMER SERVICES	£'000	Mapeley	42
General Retailers		Advantage Property	85
Findel	431		
Sports Direct International	126	General Financial	
Media		Eurocastle	7
ITV	252	ICAP	589
Trinity Mirror	226	Intermediate Capital	708
		Investec	926
Travel & Leisure		London Scottish	18
Go-Ahead	904	Prodesse Investment	2,700
The Hotel Corporation	840		
Marston's	592	Equity Investment Instruments	
Wetherspoon (JD)	509	Henderson Diversified Income	1,513
Total Consumer Services	3,880	Henderson Secured Loan Fund	1,929
		Total Financials	25,204
TELECOMMUNICATIONS	£'000	TOTAL EQUITIES	79,423
Fixed Line Telecommunications			
BT	1,690		
Cable & Wireless	1,252	*includes convertibles	
Kcom	135		
Mobile Telecommunications			
Vodafone	5,328		
Total Telecommunications	8,405		
UTILITIES	£'000		
Electricity			
Scottish & Southern Energy	2,884		
Gas Water & Multiutilities			
Centrica	732		
National Grid	3,737		
Northumbrian Water	1,890		
Severn Trent	1,206		
United Utilities	1,614		
Total Utilities	12,063		

Classification of Investments

at 31 December 2008

	Total 31 Dec 2008 %	Total 31 Dec 2007 %		Total 31 Dec 2008 %	Total 31 Dec 2007 %
FIXED INTEREST			Telecommunications		
Preference Shares	7.3	5.6	Fixed Line Telecommunications	2.9	3.1
Others	17.7	15.0	Mobile Telecommunications	5.0	3.3
Total Fixed Interest	25.0	20.6	Total Telecommunications	7.9	6.4
EQUITIES			Utilities		
Oil & Gas			Electricity	2.7	3.4
Oil & Gas Producers	9.4	5.6	Gas Water & Multiutilities	8.7	6.9
Total Oil & Gas	9.4	5.6	Total Utilities	11.4	10.3
Basic Materials			Financials		
Mining	–	0.7	Banks	4.8	8.0
Total Basic Materials	–	0.7	Nonlife Insurance	6.3	2.5
Industrials			Life Insurance	4.7	7.4
Construction & Materials	2.0	2.2	Real Estate	0.1	2.0
Aerospace & Defence	1.2	1.0	General Financial	4.7	5.9
General Industrials	–	1.0	Equity Investment Instruments	3.2	3.1
Electronic & Electrical Equipment	0.1	0.3	Total Financials	23.8	28.9
Industrial Engineering	0.3	0.5	Total investments	100.0	100.0
Industrial Transportation	1.5	1.9			
Support Services	3.1	4.4			
Total Industrials	8.2	11.3			
Consumer Goods					
Automobiles & Parts	0.4	0.6			
Beverages	1.1	2.3			
Food Producers	1.4	1.6			
Household Goods	–	0.6			
Tobacco	6.3	4.0			
Total Consumer Goods	9.2	9.1			
Health Care					
Pharmaceuticals & Biotechnology	1.4	0.8			
Total Health Care	1.4	0.8			
Consumer Services					
Food & Drug Retailers	–	0.9			
General Retailers	0.5	1.9			
Media	0.5	0.5			
Travel & Leisure	2.7	3.0			
Total Consumer Services	3.7	6.3			

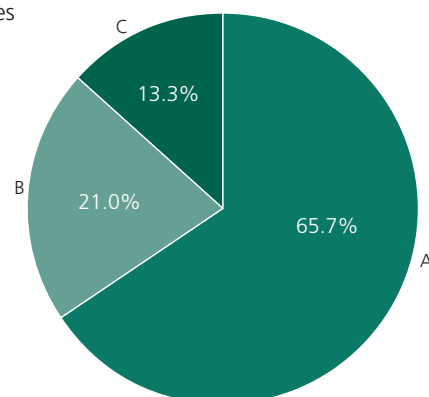
Distribution of the Equity Portfolio of Henderson High Income Trust plc

at 31 December 2008

A Large companies (constituents of the FTSE 100 Index)

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

C Small companies



Directors



Hugh Twiss



Vivian Bazalgette



Andrew Bell



Margaret Littlejohns



Anthony Newhouse



Janet Walker

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

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

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

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

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

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

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

Management



Alex Crooke



Ben Lofthouse



Deborah Trickett

Alex Crooke has been Portfolio Manager of the Trust since 1997. He is also manager of The Bankers Investment Trust PLC.

Ben Lofthouse has been Deputy Portfolio Manager since August 2006.

Deborah Trickett ACIS is the appointed representative of the Corporate Company Secretary, Henderson Secretarial Services Limited.

Report of the Directors

The directors present the audited accounts of the Company and their report for the year ended 31 December 2008.

Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"). It is required to seek HM Revenue & Customs approval of its status as an investment trust under Section 842 every year, and this approval will continue to be sought. HM Revenue & Customs' provisional approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2007, although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

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

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 31 December 2008 and covers the following sections only:

- a) Investment objective and policy
- b) Share capital
- c) Dividend and performance for the year
- d) Performance measurement and key performance indicators
- e) Related party transactions
- f) Management arrangements
- g) Principal risks and uncertainties
- h) Gearing and overdraft facility
- i) Duration of the Company
- j) Future developments

A review of the investment activities for the year ended 31 December 2008 and the outlook for the coming financial year are given in the Investment Review on pages 5 to 7.

a) *Investment objective and policy*

The Company's objective is to provide investors with a high

dividend income stream whilst also maintaining the prospect of capital growth.

● Investment approach

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

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

● Investment policy

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

The Company has an active policy of using appropriate levels of gearing, usually in the form of bank borrowings, in order to enhance returns. A degree of gearing is usually employed with respect to the fixed interest portion of the Company's portfolio in order to generate additional income. The draw down of borrowings is principally in

Report of the Directors

continued

sterling but may be in currencies other than sterling, provided that these borrowings do not exceed the assets held in that particular currency. The gross level of borrowings at draw down will not be greater than 40% of the total value of the Company's investments.

- Risk management and portfolio analysis

The Company looks to reduce investment risk and achieve an appropriate spread of investment risk principally through holding a broadly diversified portfolio containing both equities and fixed interest securities, as described above. The largest single exposure to any individual company at 31 December 2008 was BP which accounted for 6.9% of the total portfolio. The top 10 holdings amounted to 41.1% of the total portfolio.

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

Full details of the Company's portfolio can be found on pages 8 and 9, and an explanation of movement in NAV against the Company's relevant composite benchmark index is contained on page 49. Further information regarding investment risk and portfolio activity throughout the last year can be found in the Investment Review on pages 5 to 7.

b) Share capital

The Company's share capital comprises ordinary shares of 5p nominal value only. There are no restrictions on the Company's ordinary shares and there are no shares which carry special rights with regards to control of the Company.

At the beginning of the year, there were 85,835,744 shares in issue including 400,000 shares being held in treasury. There have been no changes to the share capital during the year.

At 31 December 2008 the number of ordinary shares in issue (with voting rights) was 85,435,744. Treasury shares do not have voting rights.

Since 31 December 2008 and up to the date of this document, there has been no further change to the share capital of the Company.

c) Dividend and performance for the year

Total net assets at 31 December 2008 were £87,764,000 compared with £142,605,000 at 31 December 2007; the net asset value per ordinary share moved from 166.91p to 102.73p.

At 31 December 2008 there were 97 (2007: 110) separate investments, as detailed on pages 8 and 9.

Net revenue after taxation for the year was £7,604,000, an increase of 14.4% from the previous year.

	At 31 December 2008	At 31 December 2007	% Change
Net assets	£87.8m	£142.6m	-38.4
Revenue return per share	8.90p	8.26p	+7.7
Dividend	8.30p	8.18p	+1.5

The Board aims to make progressive and steady increases over time in the annual dividend payments. Shareholders must, however, recognise that such increases can never be guaranteed, and that circumstances may arise when it may be necessary to reduce a dividend payment. Equally, there may be instances when the level of payment must be increased in order to comply with ICTA Section 842 in respect of the retention of distributable income. Where such instances would result in a payment going beyond the Board's aim, one-off "special dividend" payments would be declared and paid.

The directors have declared a fourth interim dividend of 2.075p per ordinary share. This dividend, together with the three other interim dividends, make a total for the financial year of 8.30p (2007: 8.18p) per share. The fourth interim dividend will be paid on 30 April 2009 to members on the register at the close of business on 3 April 2009. The ex-dividend date for the payment will be 1 April 2009.

d) Performance measurement and key performance indicators

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

- Dividends

The Board reviews the Company's revenue account at every Board meeting, along with the appropriateness of its dividend payments. The Board also compares the yield on

Report of the Directors

continued

performance of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index. The performance of both the Company and the composite benchmark is measured on a total return basis; returns for the Company and the FTSE All-Share Index are measured on the basis of net income re-invested, while returns for the FTA Government All Stocks Index are measured on a gross income basis.

Performance is measured on a three-year rolling basis. Thus, the fee calculated as at 31 December 2008 takes the average performance over the calendar years 2006 to 2008; that at 31 December 2009, performance over 2007 to 2009 and so on. In any given year in which a performance fee is payable, the fee rate is increased by 0.15% for every 1% average outperformance on a sliding scale. The upper limit on the total fee, including the base fee and any performance fee, for any given accounting year is 1.5%. While performance is measured over three years, only the current year's fee would be increased in the event of outperformance. No performance fee was earned in the year.

The split of management fees and performance fees charged between the income and capital accounts is explained in note 1e on page 32.

The average annual total return of the Company's total assets over the three years to 31 December 2008 was -3.2% (2007: 12.9%). This compared with the benchmark return of -0.8% (2007: 12.2%).

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

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

During the year under review the Manager used research services which were paid for, or provided by, various brokers and placed business, which may have included transactions relating to the Company, with these brokers.

g) Principal risks and uncertainties

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

- **Investment activity and performance**
An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.
- **Portfolio and market**
Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The Board reviews the portfolio each month and mitigates this risk through diversification of investments in the portfolio.
- **Regulatory risks**
A breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Acts 1985 and 2006 could lead to criminal proceedings, or financial or reputational damage. The Manager has 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 regulatory compliance.

Report of the Directors

continued

- Financial

By its nature as an investment trust, the Company's business activities are exposed to market risk (including currency risk, interest rate risk and other price risk), liquidity risk, and credit and counterparty risk. Details of these risks and how they are managed are contained in note 13 to the accounts on pages 38 to 42.

- Operational

Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement on page 25.

h) Gearing and overdraft facility

The Board has in place a loan facility which allows it to borrow as and when appropriate. At 31 December 2008 the Company had a committed loan facility of £45m. Details of the facility are contained in note 12 on page 38. Net gearing at 31 December 2008 was 24%.

i) Duration of the Company

In accordance with the Company's Articles of Association, an ordinary resolution was proposed and passed at the 2005 AGM to continue the life of the Company. The next such ordinary resolution will be put to shareholders in 2010 and every five years thereafter.

j) Future developments

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

Directors

The names and biographies of the directors holding office at the date of this report are given on page 11. All the directors are deemed to be independent of the management company, notwithstanding length of service. Mr Christopher Dunkerley retired at the conclusion of the AGM on 13 May 2008. Mrs Margaret Littlejohns and Mr Anthony Newhouse were appointed to the Board on 1 July 2008.

The Board may appoint directors to the Board without shareholder approval. Any director so appointed must stand for election by the shareholders at the next AGM in accordance with the Articles of Association. The total number of directors shall be at least two but no more than ten.

In addition, under the Articles of Association, shareholders may remove a director before the end of his term by passing a special resolution. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

Directors' retirement by rotation and re-election is subject to the Articles of Association, the Combined Code and by reference to the AIC Code of Corporate Governance. The directors to retire shall be any directors who did not seek re-election at the two preceding AGMs. There are no directors due to seek re-election at the forthcoming AGM. Mrs Margaret Littlejohns and Mr Anthony Newhouse were appointed as directors by the Board on 1 July 2008. In accordance with the Company's Articles of Association, Mrs Littlejohns and Mr Newhouse will retire and offer themselves for election at the forthcoming AGM.

Directors' Interests in Shares

	31 December 2008	Ordinary shares of 5p 31 December 2007*
<i>With beneficial interest:</i>		
V P Bazalgette	10,000	10,000
A L C Bell	30,000	20,000
M Littlejohns	3,000	3,000
A J R Newhouse	–	–
H J Twiss	33,755	20,059
J S Walker	6,000	2,870

*or date of appointment if later.

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are

Report of the Directors

continued

shown in the table above. Since the end of the financial year up to the date of this report, Mr Twiss has acquired a further 792 ordinary shares in the Company. There have been no other changes in the interests of the directors since the year end.

Directors' Remuneration

A report on directors' remuneration is on pages 19 and 20.

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

Directors' Indemnity

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

To the extent permitted by law and by the Company's Articles of Association, the Company has entered into deeds of indemnity for the benefit of each director of the Company in respect of liabilities which may attach to them in their capacity as directors of the Company. These deeds of indemnity have been in force since January 2007, or since date of appointment if later, and currently remain in force.

Substantial Shareholders

Shareholder	% of voting rights
UBS Wealth Management	9.95
Legal & General Investment Management Ltd	4.00

Declarations of interests in the voting rights of the Company, at 28 February 2009, are set out above.

In addition, the Board is aware that at 28 February 2009 10.97% of the voting rights were held on behalf of participants in Halifax Share Dealing and 5.31% in Henderson Savings Schemes. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. Halifax has stated that it

will instruct its relevant nominee company to exercise the voting rights of any shares held through this scheme that have not been exercised by the individual participants. They will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Annual General Meeting ("AGM")

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

The AGM will be held on Tuesday 5 May 2009 at 12.00 noon. The formal notice of the AGM is set out on pages 46 and 47. Resolutions relating to the following items of special business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Acts 1985 and 2006.

Resolution 7 – Authority to allot shares (ordinary resolution) and Resolution 8 – Power to disapply pre-emption rights (special resolution)

At the AGM on 13 May 2008 the directors were granted authority to allot a limited number of authorised but unissued ordinary shares. No shares have been allotted under this authority. This authority will expire at the forthcoming AGM in May 2009.

At the AGM in May 2008 power was also given to the directors to allot securities of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. This power will also expire at the AGM in May 2009.

The Board wishes to continue to have authority to allow new ordinary shares on a non pre-emptive basis. Appropriate

Report of the Directors

continued

resolutions to renew both authorities will be proposed at the 2009 AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £427,178 (being 10% of the issued share capital (excluding shares held in treasury) as at the date of the Notice of the AGM).

A special resolution will also be proposed to give the directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £427,178 (being 10% of the Company's issued share capital (excluding shares held in treasury) as at the date of the Notice of AGM). Pre-emption rights under the Companies Act apply to the resale of treasury shares for cash, just as they do for the allotment of new shares. Resolution 8 relates to either new issues or to the resale of treasury shares.

The directors intend to issue shares pursuant to these authorities if investor demand for them is strong. However, the directors will issue shares only when they believe it to be advantageous to the Company's existing shareholders to do so. The allotment of new shares and the sale of treasury shares will only be made at a premium to net asset value.

If renewed, both authorities will expire at the conclusion of the AGM in 2010.

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

At the AGM in May 2008 the directors were granted authority to make market purchases of up to 12,806,818 ordinary shares (with a nominal value of £640,340) for cancellation or to be held in treasury. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase 12,806,818 shares. This authority will expire at the forthcoming AGM in May 2009.

The Board wishes to seek a fresh authority and, accordingly, a special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue at the date of the AGM. The directors will exercise this authority only when such shares can be purchased at a price that represents a discount to the then prevailing net asset value per share resulting in an increase in the net asset value per share. The authority to be given at the 2009 AGM will lapse, unless renewed, at the AGM in 2010.

The maximum purchase price that may be paid for an ordinary share will not be more than 5% above the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase. The minimum price will be 5p, being the nominal value per ordinary share.

The resolution to be put to shareholders will also authorise the Board to hold up to 10% of the issued share capital in treasury on the condition that the treasury shares would only be sold at a premium to net asset value. The Board considers that the use of treasury shares is beneficial to the Company's shareholders.

Recommendation

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

Auditors

Grant Thornton UK LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint Grant Thornton UK LLP as auditors to the Company, and to authorise the directors to determine their remuneration, will be proposed at the AGM.

Articles of Association of the Company

Under the Companies Act 1985 a Company may only amend its Articles of Association if the shareholders pass a special resolution to that effect. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution. New Articles of Association were adopted by shareholders on 23 September 2008. No amendments to the Articles of Association will be proposed at the forthcoming AGM.

Directors' Statement as to Disclosure of Information to Auditors

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

Report of the Directors

continued

- to the best of his/her knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- he/she has 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.

Environmental Policy

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

Payment of Suppliers

It remains the payment policy to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its

suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 31 December 2008.

Corporate Governance

A statement on Corporate Governance is on pages 22 to 26.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

By order of the Board

D J Trickett ACIS

For and on behalf of

Henderson Secretarial Services Limited

Secretary

20 March 2009

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM.

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

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive directors, who are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally at the expiry of that period and every three years

thereafter by the Board as a whole. None of the directors has a contract of service and a director may resign by notice in writing to the Board at any time: there are no notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by that director. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively.

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

Statement of Directors' Responsibilities in respect of the Accounts

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have chosen to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the

financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement under DTR 4.1.12

To the best of our knowledge:

- a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) the management 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

Hugh Twiss

Chairman

20 March 2009

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

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

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

Corporate Governance

continued

professional advice at the expense of the Company. In addition, during the year the Company has maintained insurance cover in respect of legal action against the directors.

The number of meetings of the Board and its Committees held during the year under review, and the attendance of individual directors, are shown below.

No of meetings in the year	Board	Management		Nominations
		Audit	Engagement	
V P Bazalgette	6	3	1	3
A L C Bell	5	3	1	2
C Dunkerley*	3	1	1	1
M Littlejohns**	3	2	1	–
A J R Newhouse**	3	2	1	–
H J Twiss	6	3	1	3
J S Walker	6	3	1	3

* Mr Dunkerley retired from the Board on 13 May 2008.

** Mrs Littlejohns and Mr Newhouse were appointed to the Board on 1 July 2008.

Board Committees

The Board has established an Audit Committee, a Management Engagement Committee and a Nominations Committee. Copies of the terms of reference, which clearly define the responsibilities and duties for each Committee, are available on the website and will be available for inspection at the AGM.

Audit Committee

The Audit Committee comprises all members of the Board and the Chairman is Miss Walker who succeeded Mr Bazalgette on 1 October 2008. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience. The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the accounts.

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

request of the Chairman of the Audit Committee.

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

During the year under review the Company's external auditors did not provide any non-audit services.

Nominations Committee

The Nominations Committee comprises all members of the Board. The Chairman of the Committee is Mr Twiss. The Nominations Committee, which meets at least annually, reviews the Board's size and structure and is responsible for Board succession planning. During the year, the Committee used external recruitment consultants to assist in the search for new directors. The Committee will continue to consider the use of external recruitment consultants and open advertising when appointing new directors in future if it believes that either method is likely to provide any meaningful advantage over the internal process.

Management Engagement Committee

The Management Engagement Committee's membership comprises all members of the Board. The Chairman of the Committee is Mr Twiss. The Company has delegated contractually to external third parties, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day-to-day accounting, company secretarial, administration and registration services.

Each of these contracts was entered into after full and proper consideration of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Management Engagement Committee meets at least annually to review the performance of the Company's Manager and to consider the continuing appointment of the Manager. The Committee also reviews the terms of the management agreement to ensure that they remain competitive and sensible to shareholders and to determine whether or not the Manager should be retained. At its annual meeting, the Committee also reviews the quality of the

Corporate Governance

continued

services received from its other external service providers.

Statement of Continuing Appointment of the Investment Manager

At its meeting in November 2008 the Management Engagement Committee confirmed that, in the opinion of the directors, the continuing appointment of the Manager on the terms set out in the management agreement is in the interests of the Company's shareholders as a whole and that Henderson should be retained as the Manager for the financial year ending 31 December 2009. The main reasons for this opinion are the long term performance of the Manager in managing the Company, its extensive investment management resources and its experience in managing and administering investment trust companies.

Internal Controls

Although the Board has delegated to the Manager responsibility for the day-to-day investment management decisions and for the provision of company secretarial and accounting services, the Board retains overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These controls aim to ensure that assets of the Company are safeguarded, that proper accounting records are maintained, and that the financial information used internally and externally is reliable.

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

Control of the risks that have been identified and which cover investment, market, regulatory, financial and operational, is embedded in the controls of the Company by regular investment performance and attribution statements, financial and risk analyses and Manager's reports.

The Manager and the custodian maintain their own systems of internal controls. The effectiveness of their internal controls systems are continually assessed by the Manager's compliance and risk department and reported to the Board on a regular

basis. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to achieve objectives.

The Board receives a quarterly report from the Manager which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and reports any known internal control failures. The Board also receives an annual report from the Manager on its internal controls which includes a report from the Manager's reporting accountants on the control policies and procedures in operation.

Conflicts of Interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 (the "Act") has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the articles of association contain a provision to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. There are two safe harbours – either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's new Articles of Association, which were adopted by shareholders on 23 September 2008, give the directors the relevant authority required to deal with conflicts of interest.

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

It has also been agreed that directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts

Corporate Governance

continued

of interest provisions of the 2006 Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board.

Only directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts has operated effectively since they were introduced on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors.

Financial Reporting

A Statement of Directors' Responsibilities in respect of the accounts is set out on page 21. The Report of the Independent Auditor is set out on pages 26 and 27, and the Statement of Going Concern on page 19.

Voting Policy

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

Relations with Shareholders

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

At each AGM a presentation is made by the Portfolio Manager. Shareholders have the opportunity to address questions to the Chairman and the Chairmen of the Committees of the Board at the AGM. All shareholders are encouraged to attend.

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

Report of the Independent Auditor

to the members of Henderson High Income Trust plc

We have audited the accounts of Henderson High Income Trust plc for the year ended 31 December 2008 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and notes 1 to 22. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report of the Independent Auditor

continued

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the accounts. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and Investment Review that is cross-referred from the business review section of the Report of the Directors.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts.

The other information comprises only the Chairman's Statement, the Investment Review and details of investments, the Report of the Directors, the unaudited part of the Directors' Remuneration Report, Corporate Governance, Ten Year Record and Explanation of Movement in Net Asset Value

(total return) per Ordinary Share. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
20 March 2009

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2008

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

Year ended 31 December 2007	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2006	3,484	28,288	26,302	64,773	3,790	126,637
Net (loss)/return on ordinary activities after taxation	–	–	–	(13,211)	6,647	(6,564)
Issue of new shares	807	28,761	–	–	–	29,568
Issue costs	–	(172)	–	–	–	(172)
Shares repurchased	–	–	–	(596)	–	(596)
Third interim dividend (2.015p per share) for the year ended 31 December 2006 paid 31 January 2007	–	–	–	–	(1,404)	(1,404)
Fourth interim dividend (2.015p per share) for the year ended 31 December 2006 paid 30 April 2007	–	–	–	–	(1,404)	(1,404)
First interim dividend (2.015p per share) for the year ended 31 December 2007 paid 31 July 2007	–	–	–	–	(1,730)	(1,730)
Second interim dividend (2.015p per share) for the year ended 31 December 2007 paid 31 October 2007	–	–	–	–	(1,730)	(1,730)
At 31 December 2007	4,291	56,877	26,302	50,966	4,169	142,605

The notes on pages 32 to 45 form part of these accounts

Balance Sheet

at 31 December 2008

Notes		2008 £'000	2007 £'000
10	Fixed asset investments held at fair value through profit or loss	106,000	173,662
	Current assets		
11	Debtors	3,018	2,604
	Cash at bank	3,198	58
		6,216	2,662
12	Creditors: amounts falling due within one year	(24,452)	(33,719)
	Net current liabilities	(18,236)	(31,057)
	Total assets less current liabilities	87,764	142,605
	Capital and reserves		
14	Share capital	4,291	4,291
15	Share premium account	56,877	56,877
15	Capital redemption reserve	26,302	26,302
15	Other capital reserves	(4,387)	50,966
15	Revenue reserve	4,681	4,169
	Equity shareholders' funds	87,764	142,605
16	Net asset value per ordinary share	102.73p	166.91p

The accounts were approved by the directors on 20 March 2009, and signed on their behalf by:

Hugh Twiss

Chairman

Cash Flow Statement

for the year ended 31 December 2008

Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
19		7,772		5,195
	Servicing of finance			
	Bank overdraft and loan interest paid	(1,750)		(1,940)
	Financial investment			
	Purchases of investments	(32,229)	(37,541)	
	Sales of investments	45,434	36,871	
	Net cash inflow/(outflow) from financial investment	13,205		(670)
	Equity dividends paid	(7,092)		(6,268)
	Net cash inflow/(outflow) before financing	12,135		(3,683)
	Financing			
	Issue of shares for cash	–	1,233	
	Share issue expenses	–	(172)	
	Repurchase of shares	–	(596)	
	Repayment of loans	(8,997)	(999)	
	Net cash outflow from financing	(8,997)		(534)
20	Increase/(decrease) in cash in the year	3,138		(4,217)
	Reconciliation of net cash flow to movement in net debt			
	Increase/(decrease) in cash as above	3,138		(4,217)
	Cash outflow from repayment of loans	8,997		999
	Exchange movements	37		35
	Movement in net debt	12,172		(3,183)
	Net debt at 1 January	(33,059)		(29,876)
20	Net debt at 31 December	(20,887)		(33,059)

The notes on pages 32 to 45 form part of these accounts

Notes to the Accounts

1 Accounting policies

a Basis of accounting

The accounts have been prepared on the historical cost basis except for the measurement at fair value of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice *Financial Statements of Investment Trust Companies* ("the SORP") dated December 2005. All of the Company's operations are of a continuing nature.

b Valuation of investments

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

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

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

c Capital gains and losses

Realised and unrealised capital gains and losses are taken to the capital column in the income statement and transferred to other capital reserves.

d Income

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

e Expenses

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

f Taxation

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

Notes to the Accounts

continued

1 Accounting policies (continued)

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

g Foreign currency

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

h Trade receivables and trade payables

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

(ii) Trade payables – Other payables are non interest-bearing and are stated at their nominal value. The directors consider that the carrying amount of trade payables approximates to their value.

i Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

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

2	2008 £'000	2007 £'000
Realised (losses)/gains based on historical cost	(4,306)	2,582
Less: amounts recognised as unrealised in previous years	(6,915)	(5,566)
Realised losses based on carrying value at the previous balance sheet date	(11,221)	(2,984)
Net movement in unrealised appreciation	(43,129)	(9,302)
Net foreign exchange movement	37	35
	(54,313)	(12,251)
	2008 £'000	2007 £'000
3		
<i>Franked:</i>		
Listed – dividends	5,751	5,709
<i>Unfranked:</i>		
Listed – interest income	1,822	1,558
– dividend income	1,462	634
– stock dividends	27	–
	3,311	2,192
	9,062	7,901

Notes to the Accounts

continued

6 Other administrative expenses (continued)

Audit services (excluding VAT)	2008 £'000	2007 £'000
Audit of the Company's accounts, including work carried out on the Directors' Remuneration Report, Corporate Governance statement and Report of the Directors	17	17
Services relating to corporate finance transactions required by the Listing Rules♦	–	15
All other services:		
– review of half year report and reporting to the Board	–	2
– review of effectiveness of internal controls	–	1

♦Taken as issue costs to "Share premium account" (see Reconciliation of Movements in Shareholders' Funds on page 29).

7 Finance costs

	2008 £'000	2007 £'000
On bank loans and overdrafts repayable within one year	1,713	1,937
Less: allocated to capital	(1,285)	(1,453)
	428	484

8 8.1 Taxation on ordinary activities

	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
Irrecoverable overseas tax	–	–	–	6	–	6
Tax relief on expenses charged to capital	724	(724)	–	408	(408)	–
Tax charge in respect of the current year	724	(724)	–	414	(408)	6

Notes to the Accounts

continued

8 Taxation on ordinary activities (continued)

8.2 The tax assessed for the year is lower than the effective rate of corporation tax in the UK for the year ended 31 December 2008 of 28.5% (2007: 30%). (The standard rate of corporation tax in the UK was 30% until 31 March 2008 and 28% from 1 April 2008, giving an effective rate for the year of 28.5%). The differences are explained below:

	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
Net return on ordinary activities before taxation	8,328	(56,077)	(47,749)	7,061	(13,619)	(6,558)
Theoretical tax at UK corporation tax rate of 28.5% (2007: 30%)	2,373	(15,982)	(13,609)	2,118	(4,086)	(1,968)
Effects of:						
– UK dividends which are not taxable	(1,647)	–	(1,647)	(1,713)	–	(1,713)
– Decrease in excess management expenses	(208)	–	(208)	(3)	–	(3)
– Expenses not deductible for tax purposes	(2)	(16)	(18)	9	–	9
– Irrecoverable overseas tax suffered	–	–	–	6	–	6
– Income taxable in different years	3	–	3	–	–	–
– Losses on investments held at fair value	–	15,479	15,479	–	3,675	3,675
– Adjustment for tax relief on expenses charged to capital	205	(205)	–	(3)	3	–
Tax charge in respect of the current year	724	(724)	–	414	(408)	6

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

8.3 Factors that may affect future tax charges

The Company has expenses in excess of taxable income of £4,801,000 (2007: £5,724,000) and surplus eligible unrelieved foreign tax of £65,000 (2007: £57,000) that are available to offset future taxable revenue. A deferred tax asset of £1,344,000 (2007: £1,717,000) has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

9 Loss per ordinary share

The loss per ordinary share is based on the loss attributable to the ordinary shares of £47,749,000 (2007: £6,564,000) and on the 85,435,744 weighted average number of ordinary shares in issue during the year (2007: 80,453,000).

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

The loss per ordinary share can be analysed between revenue and capital, as shown overleaf.

Notes to the Accounts

continued

9	Loss per ordinary share (continued)	2008 £'000	2007 £'000
	Net revenue return	7,604	6,647
	Net capital loss	(55,353)	(13,211)
	Net total loss	(47,749)	(6,564)
	Weighted average number of ordinary shares in issue during the year	85,435,744	80,453,000
		Pence	Pence
	Revenue return per ordinary share	8.90	8.26
	Capital loss per ordinary share	(64.79)	(16.42)
	Total loss per ordinary share	(55.89)	(8.16)
10	Fixed asset investments held at fair value through profit or loss	£'000	
	Valuation at 1 January 2008	173,662	
	Unrealised appreciation at 1 January 2008	(27,988)	
	Cost of investments at 1 January 2008	145,674	
	Purchases at cost	32,253	
	Sales at cost	(49,814)	
	Cost of investments at 31 December 2008	128,113	
	Unrealised depreciation at 31 December 2008	(22,113)	
	Valuation at 31 December 2008	106,000	
	Purchase transaction costs for the year to 31 December 2008 were £103,000 (2007: £120,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year to 31 December 2008 were £52,000 (2007: £21,000).		
11	Debtors	2008 £'000	2007 £'000
	Taxation recoverable	34	27
	Prepayments and accrued income	1,800	1,538
	VAT recoverable	1,127	1,030
	Unrealised gains on index derivatives	57	–
	Other debtors	–	9
		3,018	2,604

Notes to the Accounts

continued

12	Creditors: amounts falling due within one year	2008 £'000	2007 £'000
	Purchases for future settlement	–	3
	Bank loans and overdrafts	24,085	33,117
	Accruals	367	599
		24,452	33,719

The Company has a multi-currency loan facility with ING Bank NV of £45,000,000 (2007: £66,445,000) which is due to expire on 31 March 2010. At 31 December 2008 the Company had short-term sterling loans under the loan facility amounting to £24,085,000, repayable in January 2009 (2007: £33,082,000, repayable in January 2008). The average interest rate payable on these loans was 2.90% (2007: 6.74%).

13 Risk management policies and procedures

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

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

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

13.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see note 13.1.1), interest rate risk (see note 13.1.2) and other price risk (see note 13.1.3). The Board reviews and agrees policies for managing these risks; these have remained substantially unchanged from those applying in the year ended 31 December 2007. The Portfolio Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

13.1.1 Currency risk

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

13.1.2 Interest rate risk

Interest rate movements may affect:

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

Management of the risk

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

Notes to the Accounts

continued

13 Risk management policies and procedures (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
- fixed interest rates – when the financial instrument is due for repayment. These dates are shown on page 8.

	2008 Within one year £'000	2008 More than one year £'000	2008 Total £'000	2007 Within one year £'000	2007 More than one year £'000	2007 Total £'000
Exposure to floating interest rates:						
Cash at bank	3,198	–	3,198	58	–	58
Creditors – within one year						
Bank overdrafts	–	–	–	(35)	–	(35)
Borrowings under multi-currency loan facility	(24,085)	–	(24,085)	(33,083)	–	(33,083)
	(20,887)	–	(20,887)	(33,060)	–	(33,060)
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	–	26,577	26,577	–	35,833	35,833
Total exposure to interest rates	(20,887)	26,577	5,690	(33,060)	35,833	2,773

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR or its foreign currency equivalent (2007: same)
- Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan. The weighted average interest rate of these is 2.90% as at 31 December 2008 (2007: 6.74%)
- The nominal interest rates on the investments held at fair value through profit or loss are shown in the portfolio statement on page 8. The weighted average interest rate on these investments is 10.22% (2007: 7.16%).

Interest rate risk sensitivity

The Company is primarily exposed to interest rate risk through its loan facility with ING Bank NV, and its fixed income 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 £24,085,000 (note 12) and if that level of borrowings was maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total net return on ordinary activities after taxation by approximately £173,000.
- Fixed income investment sensitivity – The Company's fixed income portfolio at the year end was valued at £26,577,000, and it had a modified duration (interest rate sensitivity) of approximately 5.7 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 £1,500,000, all other factors being equal.

Notes to the Accounts

continued

13 Risk management policies and procedures (continued)

13.1.3 Other price risk

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

Management of the risk

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

When appropriate, the Company may manage its exposure to risk by buying/selling put and call options and futures on indices and on equity investments in its portfolio. At 31 December 2008 the fair value of derivatives was £57,000 (2007: £8,000).

Concentration of exposure to other price risks

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

Other price risk sensitivity

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

	2008 20% increase in fair value £'000	2008 20% decrease in fair value £'000	2007 10% increase in fair value £'000	2007 10% decrease in fair value £'000
Income statement – net return after tax				
Revenue return	(21)	21	(17)	17
Capital return	21,184	(21,184)	17,340	(17,340)
Net return after tax for the year	21,163	(21,163)	17,323	(17,323)
Equity shareholders' funds	21,163	(21,163)	17,323	(17,323)

Notes to the Accounts

continued

13 Risk management policies and procedures (continued)

13.2 Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £45,000,000 with ING Bank NV (2007: £66,445,000 with ING Bank NV), due to expire on 31 March 2010, and an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review.

Liquidity risk exposure

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

	2008 Due within one month £'000	2007 Due within one month £'000
Bank loans and overdrafts (including accrued interest)	24,144	33,241
Other creditors and accruals	367	602
	24,511	33,843

13.3 Credit and counterparty risk

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

Management of the risk

The risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the creditworthiness of which is carefully assessed so as to minimise the risk to the Company of default
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Portfolio Manager, and limits are set on the amount that may be due from any one broker
- cash at bank is held only with banks considered to be credit-worthy
- with regards to the corporate bonds in the portfolio, there is a credit risk that the borrowers do not repay principal or make interest payments. This is managed through careful selection, supported by monitoring of credit ratings, and is reviewed regularly.

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

13.4 Fair values of financial assets and financial liabilities

The fair values of the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility).

Notes to the Accounts

continued

13 Risk management policies and procedures (continued)

13.5 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 maximise the revenue and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital is its equity share capital and reserves that are shown in the balance sheet at a total of £87,764,000 (2007: £142,605,000).

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

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

The Company is subject to several externally imposed capital requirements:

- borrowings under the loan facility are not to exceed 40% of the total assets
- as a public company, the Company has a minimum share capital of £50,000
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital retention tests imposed on investment companies by company law.

The Company has complied with these requirements.

14 Share capital	Shares held in treasury	Shares entitled to dividend	Total shares in issue	Nominal value in issue £'000
Authorised ordinary shares of 5p each			940,000,000	47,000
Issued ordinary shares of 5p each At 31 December 2008 and 2007	400,000	85,435,744	85,835,744	4,291

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

Notes to the Accounts

continued

15	Reserves	Share	Capital	Other capital reserves		Revenue
		premium	redemption	Realised	Unrealised	reserve
		account	reserve	reserve	reserve	reserve
		£'000	£'000	£'000	£'000	£'000
	Reserves at 1 January 2008	56,877	26,302	22,978	27,988	4,169
	Transfer on disposal of investments	–	–	6,915	(6,915)	–
	Net losses from investments	–	–	(11,221)	(43,186)	–
	Foreign exchange gains	–	–	37	–	–
	Unrealised gains on index derivatives	–	–	–	57	–
	Management fee and finance costs charged to capital	–	–	(1,764)	–	–
	Tax relief thereon	–	–	724	–	–
	Net revenue after tax for the year	–	–	–	–	7,604
	Dividends paid	–	–	–	–	(7,092)
	At 31 December 2008	56,877	26,302	17,669	(22,056)	4,681

The revenue reserve is distributable by way of dividend.

Under the terms of the Company's articles of association, sums standing to the credit of capital reserves are distributable only by way of redemption or purchase of any of the Company's own shares, for so long as the Company carries on business as an investment company. Company law states that investment companies may only distribute accumulated "realised" profits.

The Institute of Chartered Accountants in England and Wales, in its technical guidance TECH 01/08, states that profits arising out of a change in fair value of assets, recognised in accordance with accounting standards, may be distributed, provided the change recognised can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the unrealised capital reserve, may be regarded as distributable under company law.

This technical interpretation of the meaning of distributable reserves would, as a consequence, at 31 December 2008 leave no capital reserves available for distribution after adjusting for net unrealised capital losses on investments of £22,056,000.

16 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £87,764,000 (2007: £142,605,000) and on the 85,435,744 ordinary shares of 5p in issue (excluding treasury shares) at 31 December 2008 (2007: 85,435,744 ordinary shares of 5p).

17 Contingent liabilities

There were no partly paid shares or underwriting commitments at 31 December 2008 (2007: £nil).

Notes to the Accounts

continued

18 Value Added Tax

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

In accordance with a standstill agreement reached between the Manager and the Company the Manager (Henderson Global Investors Limited) has reclaimed from HMRC the amount of VAT charged to the Company in respect of investment management services from 1 October 2000 to 30 June 2007. An amount of £1,030,000 was written back in the accounts for the previous year.

Since year end the Manager has now reached agreement with HMRC and the Company has received an amount of £1,127,000 in respect of the above period. Accordingly, an additional £97,000 has been recognised in this year's income statement. This write-back has been allocated between revenue return and capital return according to the allocation of the amounts originally paid.

The Company will receive from the Manager any interest paid by HMRC on the amounts recovered. The Board has therefore included an estimate of £184,000 in "Other interest receivable and similar income" in the income statement. This has been allocated to revenue return.

The Company expects to be able to reclaim VAT paid in respect of the period from 1 January 1990 to 4 December 1996, following the judgement of the House of Lords in a case concerning the time limits applicable to VAT claims. However, the Board considers that it is premature to incorporate an estimate of repayment at this stage. At this stage the potential for recovery of VAT paid in the period from December 1996 to September 2000 appears remote.

19 Reconciliation of net loss on ordinary activities before finance costs and taxation to net cash inflow from operating activities	2008 £'000	2007 £'000
Net loss before finance costs and taxation	(46,036)	(4,621)
Losses on investments held at fair value through profit or loss	54,313	12,251
Increase in accrued income and debtors of a revenue nature	(443)	(1,472)
Decrease in creditors	(35)	(959)
Withholding tax recovered	-	9
Tax on investment income	-	(13)
Stock dividends included in investment income	(27)	-
Net cash inflow from operating activities	7,772	5,195

Notes to the Accounts

continued

20 Analysis of changes in net debt	1 January 2008 £'000	Cash flow £'000	Exchange movement £'000	31 December 2008 £'000
Cash at bank and overdrafts	23	3,138	37	3,198
Debt due within one year	(33,082)	8,997	–	(24,085)
	<u>(33,059)</u>	<u>12,135</u>	<u>37</u>	<u>(20,887)</u>

21 Transactions with the Manager

The Company has appointed wholly-owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and BNP Paribas Securities Services to provide investment management, UK custodial, accounting, administrative and company secretarial services. Details of the fee arrangements for these services are given on pages 14 and 15 in the Report of the Directors. The total of the fees payable under this agreement by the Company to Henderson in respect of the year ended 31 December 2008 was £895,000 (2007: £981,000) of which £199,000 was outstanding at 31 December 2008 (2007: £444,000).

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

In addition to the above services, Henderson has previously provided the Company with share plan marketing and administration services. The total fees payable for these services for the year ended 31 December 2008 (excluding VAT) amounted to £nil (2007: £25,000). At 31 December 2008, £nil was outstanding (2007: £12,000).

22 Dividends

In respect of the year ended 31 December 2008, a fourth interim dividend of 2.075p has been declared. The aggregate cost of this dividend based on the number of eligible shares is estimated to be £1,773,000. This dividend, together with the third interim dividend paid on 30 January 2009, will be reflected in the 2009 accounts.

	£'000
Revenue available for distribution by way of dividend for the year	7,604
First interim dividend (2.075p)	(1,773)
Second interim dividend (2.075p)	(1,773)
Third interim dividend (2.075p) paid on 30 January 2009	(1,773)
Fourth interim dividend (2.075p) payable on 30 April 2009	(1,773)
Undistributed revenue for section 842 purposes	<u>512</u>

After payment of the four interim dividends detailed above, the Company will have distributed 93.3% of its net revenue for the year ended 31 December 2008.

Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting of Henderson High Income Trust plc will be held at 201 Bishopsgate, London EC2M 3AE on Tuesday 5 May 2009 at 12.00 noon for the transaction of the following business:

Ordinary Business

- 1 To receive the report of the directors and the audited accounts for the year ended 31 December 2008.
- 2 To approve the directors' remuneration report for the year ended 31 December 2008.
- 3 To elect Mrs M Littlejohns as a director of the Company.
- 4 To elect Mr A J R Newhouse as a director of the Company.
- 5 To re-appoint the auditors, Grant Thornton UK LLP.
- 6 To authorise the directors to determine the remuneration of the auditors.

Special Business

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

as an Ordinary Resolution

- 7 THAT the directors be and are hereby generally and unconditionally authorised in substitution for all existing authorities to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to a maximum aggregate nominal amount of £427,178 (being 10% of the Company's issued ordinary share capital on 20 March 2009) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the said authority shall allow and enable the directors to make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

as Special Resolutions

- 8 THAT, subject to the passing of resolution 7, the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) and/or where such allotment constitutes an allotment of equity securities by virtue of Section 94(3A) of the said Act, for cash, pursuant to the authority conferred on them by the passing of resolution 7 in accordance with Section 80 of the Act, as if sub-section (1) of Section 89 of the Act did not apply to any such allotment PROVIDED THAT this power shall be limited:

- (a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;
- (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal value of £427,178 (being 10% of the Company's issued ordinary share capital on 20 March 2009); and
- (c) to the allotment of equity securities at a price not less than the Net Asset Value per share

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

continued

9 That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Act to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") upon and subject to the following conditions:

- (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's ordinary shares in issue at the date of the Annual General Meeting (equivalent to 12,806,818 ordinary shares at the date of this Notice);
- (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed 105% of the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase or such other amount as may be specified by the UK Listing Authority from time to time;
- (c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 5p, being the nominal value per ordinary share;
- (d) the authority hereby conferred will expire at the conclusion of the Annual General Meeting of the

Company in 2010, or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time; and

- (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract provided that all ordinary shares purchased pursuant to the said authority shall be either
 - (i) cancelled immediately upon completion of the purchase; or
 - (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 1985.

By order of the Board

D J Trickett ACIS

For and on behalf of

Henderson Secretarial Services Limited

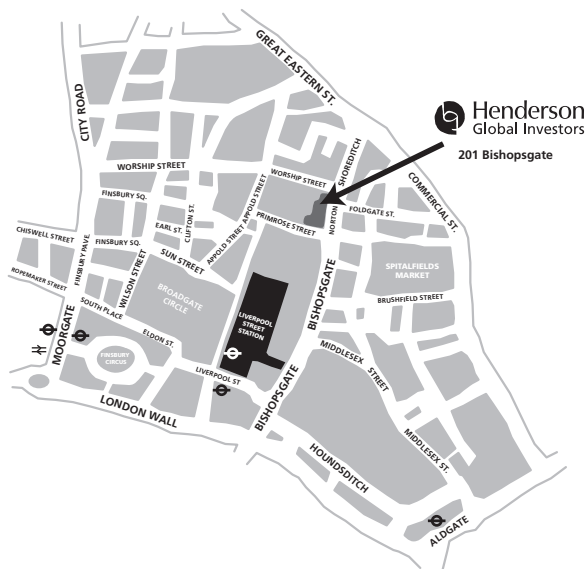
Secretary

20 March 2009

Registered Office:

201 Bishopsgate, London EC2M 3AE

Annual General Meeting Venue



Shown left is a map of the location of Henderson Global Investors where the AGM will be held at 12.00 noon on Tuesday 5 May 2009.

■ Henderson Global Investors,
201 Bishopsgate, London EC2M 3AE

Notice of Annual General Meeting

continued

Notes

- 1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 entitlement to attend and vote at the AGM and the number of votes which may be cast thereat will be determined by reference to the Register of Members at the close of business two days before the day of the meeting. Changes to entries on the Register of Members after close of business on 3 May 2009 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
- 2 Pursuant to section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Company's Registrars (Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3FA) not less than forty-eight hours before the time fixed for the meeting. The completion of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
- 3 Section 324 does not apply to persons nominated to receive information rights pursuant to section 146 of the Companies Act 2006. Persons nominated to receive information rights under section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- 4 By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.
- 5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
- 6 Total voting rights: as at 20 March 2009 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 85,435,744 ordinary shares (excluding shares held in treasury), each share carrying one vote. Therefore the total number of voting rights in the Company as at 20 March 2009 is 85,435,744.

Ten Year Record

Year to 31 December	Total net assets	Net asset value per ordinary share	Net asset value per unit	Market price per ordinary share	Market price per unit	Dividends per ordinary share/unit
1998	£92.4m	–	175.6p	–	160.0p	6.90p
1999	£92.6m	–	176.1p	–	149.5p	7.10p
2000	£99.0m	136.7p	188.2p	126.5p	179.5p	8.55p
2001	£97.2m	127.6p	183.3p	131.3p	195.8p	9.90p
2002	£84.2m	94.7p	155.0p	97.5p	161.8p	9.90p
2003 [†]	£103.6m	114.6p	179.8p	106.0p	175.0p	9.90p
2004 [†]	£110.7m	131.3p	201.8p	116.3p	186.8p	9.90p
2005*	£106.6m	155.3p	–	153.8p	–	8.83p
2006*	£126.6m	181.7p	–	177.3p	–	7.91p
2007	£142.6m	166.9p	–	147.8p	–	8.18p
2008	£87.8m	102.7p	–	95.0p	–	8.30p

The net asset value and market price figures shown in the “per unit” columns above prior to the year 2000 are in respect of the former ordinary shares of 25p. The figures for the dividends per ordinary share relate to the ordinary shares of 25p each up to 15 August 2000 and to the ordinary shares of 5p each thereafter.

[†]Restated in accordance with new accounting policies.

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

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

Over the year to 31 December 2008, the Net Asset Value (total return) fell by 35.9% compared to a fall in the benchmark index (75% FTSE All-Share Index and 25% FTA Government All Stocks Index) of 19.3%.

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

Portfolio performance	Performance of Composite Index (total return)	-19.3%
	Performance of portfolio against benchmark	
	Due to asset allocation	-4.2%
	Due to stock selection – Equities	+1.3%
	– Fixed interest	-5.7%
	Due to gearing	-6.6%
		<u>-15.2%</u>
		<u>-34.5%</u>
Other factors	Management fee and finance costs charged to capital	-1.4%
	Performance of Net Asset Value (total return)	<u>-35.9%</u>

General Shareholder Information

Release of Results

The full year results were announced on 20 March 2009. The half year results will be announced in early August.

Annual General Meeting

The AGM of Henderson High Income Trust plc will be held in London at 12.00 noon on 5 May 2009. The notice of this meeting setting out the business that will be proposed is on pages 46 and 47.

Dividend Payment Dates

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

Dividend Payments

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

Share Price Listings

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

Website

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

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

ISIN/SEDOL numbers

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

Nominee Share Code

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

Investors in the Henderson savings schemes receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Disability Act

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

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

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

General Shareholder Information

continued

Capital Gains Tax

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

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

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

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

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

Warning to Shareholders

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

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

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

Glossary of Terms

Ordinary shares

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

Dividend Yield

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

Net Asset Value

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

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

Discount

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

Premium

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

Gearing

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

Effective Interest Rate

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

A Brief History

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

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

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

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

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