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Registered Number: 2422514

Henderson High Income Trust plc

Report & Accounts for the period ended 31 December 2001

Notes:

1. This document includes also, for reference only, the Report & Accounts of Henderson High Income Trust Securities plc.
2. Colour copies of this document are available on request from the Company Secretary at 4 Broadgate, London EC2M 2DA.

Henderson High Income Trust plc
and Henderson High Income Trust Securities plc

Report & Accounts for the year ended 31 December 2001

Henderson High Income Trust plc and Henderson High Income Trust Securities plc – Report & Accounts for the year ended 31 December 2001

HGI9212/2001

Henderson High Income Trust plc
and Henderson High Income Trust Securities plc

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Henderson High Income Trust plc invests in a prudently diversified selection of both well known and smaller companies to provide a high income stream and prospects of capital growth.

Predictable and progressive income stream

Approximately three quarters of the Company's assets are invested in ordinary shares of listed companies with the balance in listed fixed interest stocks. The portfolio is selected to provide shareholders with a predictable high income which increases progressively, paid out four times a year.

Investment strategy

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

Potential for capital growth

The net asset value total return of the Company over five years is 58.5%*.

Independent board of directors

The directors, a majority of whom are independent of the management company, meet regularly to consider investment strategy and monitor performance.

Shares easy to buy

Details of how shares and units can be bought through the Henderson Investment Trust Share Plan and the Henderson ISA are given on the inside back cover.

*Source: AITC Services Limited.

Dividend Payment Dates

First interim payable at 31 July
Second interim payable at 31 October
Third interim payable at 31 January
Fourth interim payable at 30 April

Directors

Sir Anthony Beaumont-Dark* (Chairman) (age 69) is a consultant to Brewin Dolphin (Birmingham). He joined the Board in 1989.

W D Eason* (Deputy Chairman) (age 52) is Chief Investment Officer of Laing & Cruickshank Investment Management Limited. He joined the Board in 1989.

J S Curtis (age 40) was the Company's Portfolio Manager from 1989 to 1995. He joined the Board in 1994. He is also a director of Henderson Geared Income & Growth Trust plc.

P C J Dalby* (age 53) is a director – Cazenove Fund Management and was a director of Henderson Highland Trust plc from 1990. He joined the Board in April 1997.

C Dunkerley* (age 50) was a Senior Private Banker with Coutts & Co. He is now a director of Dunkerley Financial Planning Limited. He joined the Board in 1989.

The Rt Hon Sir John Stanley MP* (age 60) is a non-executive director of Fidelity Japanese Values PLC and Gartmore Split Capital Opportunities Trust PLC. He is a member of the AITC Representative Committee. He was a director of Henderson Highland Trust plc from 1990. He joined the Board in April 1997.

*Independent non-executive directors and members of the audit and management engagement committees which are chaired by Sir Anthony Beaumont-Dark.

All the directors are members of the nominations committee which is chaired by Sir Anthony Beaumont-Dark.

Management

Alex Crooke (age 32) is the Portfolio Manager.

James Henderson (age 40) is the Deputy Portfolio Manager.

John Ellman-Brown (age 43) acts as Company Secretary on behalf of Henderson Secretarial Services Limited, the corporate Company Secretary.

Financial Highlights

Per ordinary share	31 December 2001	31 December 2000	% Change
Net asset value	**127.6p**	136.7p	-6.7
Market price	**131.3p**	126.5p	+3.8
Market price (unit)*	**195.8p**	179.5p	+9.1
Earnings	**9.58p**	7.86p	+21.9
Annual dividend	**9.90p**	8.55p	+15.8

*Each unit comprises one ordinary share of 5p each in Henderson High Income Trust plc and one zero dividend preference share of 50p each in Henderson High Income Trust Securities plc.

Performance

Market Price and Assets

Total return (with net dividends reinvested)	1 Year %	3 Years %	5 Years %	10 years %
Market price per ordinary share*	**12.1**	**–**	**–**	**–**
Net asset value per ordinary share*	**0.3**	**–**	**–**	**–**
Market price per unit*•	**14.9**	**40.1**	**98.8**	**208.2**
Net asset value per unit*•	**2.5**	**18.7**	**58.5**	**207.8**
FTSE All-Share Index†	**(13.3)**	**1.3**	**42.5**	**199.9**
FTA Government All Stocks Index†	**3.0**	**11.1**	**50.8**	**153.5**

*Source: AITC Services Limited.

†Source: Datastream.

•Prior to 16 August 2000, ordinary shares of 25p each.

Performance

Dividends

Dividend yield at 31 December	2001	2000
Henderson High Income Trust plc*	**7.5%**	6.8%
FTSE All-Share Index†	**2.6%**	2.2%
FTA Government All Stocks Index†	**4.9%**	4.7%

†Source: Datastream.

*Ordinary shares of 5p each.

Dividend Information

A fourth interim dividend of 2.475p per ordinary share (including the ordinary shares held within units) for the year ended 31 December 2001 will be paid on 30 April 2002 to shareholders registered on 22 March 2002. The shares will be quoted ex-dividend from 20 March 2002.

Details of the dividends paid and declared for the year ended 31 December 2001 are given in the Statement of Total Return on page 21.

Chairman's Statement

Assets and Performance

The investment background was particularly difficult throughout the year, reaching a nadir after the atrocities of September 11. Economic conditions had been deteriorating from the beginning of the year and without the significant easing of interest rates by central banks, markets may have been worse. The rate cuts prompted a sharp rally in cyclical and technology stocks, although this is now showing signs of petering out, as investors have begun to question the rate of economic recovery. For a second consecutive year the UK equity market ended at a lower level, although this was offset by a positive performance from the bond market.

Sir Anthony Beaumont-Dark

The Company's ordinary shares registered a positive net asset value total return of 0.3%[*], which was a particularly good performance when compared with the 13.3%[†] fall in the FTSE All-Share Index and with a dividend yield at 31 December 2001 some 3 times greater than that on the FTSE All-Share Index. The units produced a positive net asset value total return of 2.5%[*], assisted by the performance of the zero dividend preference shares.

The re-rating of the Company's shares continued during the year, as new investors were attracted to our high dividend yield and record of long term capital performance. As a result the Company's share price regularly traded at a premium to its net asset value and 575,000 new ordinary shares were issued at a premium of 3% to satisfy demand. Supplying these new shares at a premium has enhanced the net asset value of existing shareholders.

Dividends

The Board has declared a fourth interim dividend of 2.475p per ordinary share, making a total of 9.90p for the year. This represents a rise of 15.8% from the previous year.

This increase in dividend reflects the continuing benefits of the reorganisation effected in August 2000. However the prospects for dividend growth from the market have receded and a number of high profile UK companies have materially reduced their dividends. This may impact the Board's ability to further increase the Company's dividends

[*]Source: AITC Services Limited.
[†]Source: Datastream.

this year but the Board intends to continue the current level of distribution and will review the possibility of increasing future dividends in the light of developing circumstances.

The Board

As I reported in my statement last year, it is my intention to retire at the forthcoming AGM. I am proud that your Company has remained loyal to its investment objectives over my tenure, when many of our peers have lost their way. Over the last 10 years our persistence has rewarded shareholders, with the share price total return averaging 11.9% per annum. Given that the shares have consistently yielded an average of 6%[†], it has been a remarkable achievement to have outperformed the FTSE All-Share throughout this period.

Your Board has agreed that Bill Eason will succeed me as Chairman and I am confident that the Company's future is in good hands. Job Curtis has also indicated that he does not wish to seek re-election to the Board; we would all like to thank Job for his dedication and hard work both as the portfolio manager and latterly as a director of the Company.

Prospects

The action taken by the Bank of England to cut interest rates to their lowest level since 1963 appears to have averted the advent of recession but has yet to materially stimulate the economy. While leading economic indicators point to signs of a pick up, investors will need some patience before recovery is apparent. Equity valuations are not expensive relative to bonds but, until earnings recover, the stockmarket will struggle to make significant progress.

At times when optimism is at its lowest ebb markets can turn on the smallest items of good news and the balance of risk now lies in not being invested rather than being invested. The defensive, high yielding nature of the Company's investments provides considerable comfort in these difficult markets while our element of gearing will assist our participation in a future upturn.

Sir Anthony Beaumont-Dark
Chairman
20 March 2002

†Source: Datastream.

Investment Review

Investment Policy and Process

Alex Crooke

The shares held in the portfolio are chosen for their combination of income and growth prospects. The Investment Manager is charged to deliver a sustainable stream of growing income, at the same time as seeking to grow the net assets of the Trust. The portfolio contains both bonds and equities to deliver a high level of income and long-term growth, ahead of that achieved in a Building Society, without taking undue risk. The portfolio is structured to reflect the broad mix of companies within the UK stockmarket, with no dominant exposure to any one economic sector.

The portfolio is diverse, having over 100 investments. This is to ensure that no single holding puts at risk the sustainability of the income generated by the portfolio. Investments are selected with an eye to the long-term value and the growth prospects of the business. The very best opportunities are often found when a company is out of favour and credit is not given for a change in its fortunes, but these do not come up all that often.

Using the economic, industry specific and quantitative research available to all clients of Henderson Global Investors, the Investment Manager focuses on themes and sectors of the market deemed appropriate for each stage of the economic cycle. The aim is to achieve consistent long-term performance.

Review of the year to 31 December 2001

For investors, 2001 was a very disappointing year with poor equity markets the world over. Economic activity continued to slow, not responding to interest rate cuts or the buoyant consumer spending. Unusually, the UK was the most robust major economy, largely escaping the excesses of the TMT boom and possessing a population whose wealth is driven by the property market. Lower rates meant increased affordability: house prices rose 15% last year and there was a record amount of remortgaging. With many companies warning of slowing earnings growth and forced into cutting dividends, the best investments were consumer related and defensive companies. Investors sought security of earnings and low levels of borrowing.

Following a quiet summer, the world was rocked by the atrocities on September 11 and the resulting prospect of a war in Afghanistan. For stockmarkets and investors, the events meant a re-evaluation of the risk premium accepted for investing in equities. Suddenly we were reminded of the external risks to investing, with many industries such as tourism, airlines and insurance pushed to the brink of collapse. Stockmarkets fell sharply but then staged a strong rally to the year-end, following prompt action from central banks to cut interest rates.

Lower interest rates had little effect on inflation, which remained within the Bank of England's targets throughout the year. This proved a positive background for gilts, which again performed well. The market for corporate debt was not as positive. The yields available on corporate bonds widened to reflect the greater uncertainty in the economy and reduced profitability for many companies.

Investment Review
continued

The 10 largest equity investments at 31 December 2001 were:

1. Barclays Bank
2. Royal Bank of Scotland
3. BP
4. GlaxoSmithKline
5. Scottish & Southern
6. Lloyds TSB
7. Gallaher
8. Shell Transport & Trading
9. British American Tobacco
10. Imperial Tobacco

Portfolio Activity

With a deteriorating economic outlook and continuing uncertainty over corporate profits, it was clear that bonds were likely to offer the best opportunities for performance. The fund has historically held a percentage of its assets in corporate bonds and the exposure was increased to 30% during the course of the year; the fourth quarter rally in equities reduced the year-end figure to 27%. A wide selection of corporate bonds was purchased to spread risk, including a small number of bonds from telecommunication companies such as **Orange** and **Energis**, however these were sold earlier this year. The bond portfolio continues to provide an important portion of the fund's income while also acting to dampen the volatility of the equities.

The number of convertible issues in the market has been declining for a number of years and last year saw the forced conversion of the issues from **Amec** and **Compass**. Convertibles have long played a useful role within an income-orientated fund but the opportunities are becoming rarer as new issues now yield so little. The majority of new convertibles are now issued to hedge funds for arbitrage trades rather than to long-term investors. Convertible issues comprise 4.3% of the fund, down from 7.1% at the end of last year.

The mining sector was one of the best performing sectors over the year. The companies within this sector have been very sensitive historically to economic activity and traditionally perform poorly when growth slows. However, the strong dollar has aided margins and consolidation has allowed the companies to cut production as demand has slowed. The shares have performed well and do not reflect the possibility of a weaker dollar. In light of this, we decided to sell the holding of **Rio Tinto** and reduce that of **BHP Billiton.**

The bright spot within the UK economy has been the consumer, with retail spending being particularly robust, boosted by cheap mortgage deals and banks willing to lend. We have attempted to benefit by additional purchases of retailers such as **DFS** and **Dixons** and the holiday company **First Choice Holidays.** The brewer **Wolverhampton and Dudley** successfully evaded a takeover bid by promising to return capital and concentrate on its core pub portfolio. The market initially doubted the management, which allowed us to build an investment in the company. Having delivered on the first phase of their plan, the shares have performed very strongly but still look attractive, valued at a significant discount to their peers.

The largest exposure by sector is to the banks. They are experiencing strong growth in mortgage and unsecured lending while there is the opportunity to expand their proportion of the long-term savings market. Inevitably bad debts are set to rise but the lack of negative equity in the housing market and the lowest interest rates since the 1960s should mean that the levels of bad debt seen in the last

Investment Review
continued

recession of 1991/2 will not be repeated. The fall in share prices to reflect the uncertainty over the outlook for bad debts has allowed us to increase holdings in domestic banks such as **Abbey National**, **Alliance & Leicester** and **Royal Bank of Scotland**.

The TMT sectors, namely technology, media and telecommunications, had another dreadful year. The fund had few stocks left in these sectors and very early in the year we decided to sell what we held. Sales were made of **Marconi**, **Spirent** and **BT**. Only towards the end of the year was a holding in **BT** repurchased, following that company's rights issue and the spinning off of the mobile operations. New management and a reconstructed balance sheet should at last allow for the potential to create value for shareholders.

Prospects

The UK stockmarket is currently stuck in a trading range awaiting news of the anticipated economic upturn. The building blocks for a sustained recovery are in place, namely low interest rates and increased government spending, but its the scale of any economic activity that perplexes analysts. Indicators of sentiment and confidence point to an imminent recovery but industrial production has yet to pick up and the consumer, spending freely all last year, can hardly do much more to improve demand. Our central case is that a sluggish recovery is underway which will slowly lead to better profitability for companies, particularly for those that export or are of a cyclical nature. Companies that are expecting a text book economic recovery, following the short downturn, will be greatly disappointed and we continue to expect profit warnings to unsettle the market. Patience will be the key virtue of a successful investor during 2002.

James Henderson

Alex Crooke
James Henderson
20 March 2002

Classification of Investments
at 31 December 2001

LISTED IN THE UNITED KINGDOM:

	2001 %	2000 %
FIXED INTEREST		
Preference Shares	**6.3**	5.6
Others	**20.8**	17.7
	27.1	23.3
†EQUITIES		
Resources		
Mining	**0.7**	1.5
Oil & Gas	**5.4**	5.5
	6.1	7.0
Basic Industries		
Chemicals	**0.8**	1.7
Construction & Building Materials	**4.7**	4.3
Forestry & Paper	**–**	0.4
	5.5	6.4
General Industrials		
Aerospace & Defence	**0.6**	0.6
Engineering & Machinery	**2.0**	3.6
	2.6	4.2
Cyclical Consumer Goods		
Automobiles	**–**	0.4
	–	0.4
Non-Cyclical Consumer Goods		
Beverages	**2.7**	3.1
Food Producers & Processors	**1.2**	1.7
Packaging	**0.6**	–
Personal Care & Household Products	**0.9**	1.1
Pharmaceuticals	**2.8**	2.2
Tobacco	**5.4**	5.1
	13.6	13.2
Cyclical Services		
Distributors	**–**	0.7
General Retailers	**3.8**	3.3
Leisure, Entertainment & Hotels	**4.9**	1.1
Media & Photography	**0.5**	0.8
Restaurants, Pubs & Breweries	**–**	3.5
Support Services	**3.1**	2.5
Transport	**1.3**	1.7
	13.6	13.6
Non-Cyclical Services		
Food & Drug Retailers	**0.4**	0.4
Telecommunication Services	**0.8**	2.1
	1.2	2.5

	2001 %	2000 %
Utilities		
Electricity	**2.8**	3.3
Gas Distribution	**1.0**	0.2
Water	**2.1**	2.5
	5.9	6.0
Financials		
Banks	**13.3**	11.4
Insurance	**1.6**	1.7
Life Assurance	**2.9**	4.0
Real Estate	**3.0**	3.1
Speciality & Other Finance	**3.6**	1.9
	24.4	22.1
Information Technology		
Information Technology Hardware	**–**	1.3
	–	1.3
TOTAL	**100.0**	100.0

†includes convertible stocks 4.3% (2000: 7.1%).

Investments: Fixed Interest

Valuations at 31 December 2001

STERLING FIXED INTEREST	**£'000**
Preference Shares	
Abbey National 10⅜%	716
H P Bulmer 8¾%	398
CGNU 8¾%	1,106
Chemetall 9%	184
Co-operative Bank 9¼%	961
General Accident 8⅞%	1,035
HBOS 9¾%	1,290
National Westminster 9%	704
Royal & Sun Alliance 7⅜%	487
Standard Chartered 8½%	601
Total Preference Shares	**7,482**

STERLING FIXED INTEREST continued	**£'000**
Others	
BAE Systems 3.75% 2006	478
Energis 9.125% 2010	1,140
France Telecom 7% 2005	1,561
Grand Metropolitan 9% 2005	1,422
Hammerson 6.875% 2020	1,529
Hutchinson Ports Finance 6.75% 2015	1,522
ICI Investments 7.625% 2007	1,337
Innogy 8.375% 2006	1,492
Kelda Group 6.875% 2010	1,531
Kingfisher 8⅛% 2007	1,498
Lloyds Bank 7.834% 2015	1,669
National Westminster 7.625% 2049	1,577
Orange 8.625% 2008	1,037
P&O Princess Cruises 7.125% 2012	1,381
Rentokil Initial 6.125% 2008	1,483
SPI Finance 8¾% 2049	956
Welcome Break Financial 8.284% 2017	979
West Coast Train Finance 6% 2015	1,169
Wightlink Finance 8.14% 2024	992
Total Others	**24,753**
TOTAL FIXED INTEREST	**32,235**

Investments: Equities (including convertibles)

Valuations at 31 December 2001

RESOURCES	**£'000**
Mining	
BHP Billiton	803
Oil & Gas	
BP Amoco	3,631
Enterprise Oil	559
LASMO OPS	87
Shell Transport & Trading	2,162
Total Resources	**7,242**

BASIC INDUSTRIES	**£'000**
Chemicals	
British Vita	533
Imperial Chemical Industries	455
Construction & Building Materials	
AMEC	732
†Balfour Beatty	679
Galliford	727
Heywood Williams	723
Novar	379
Persimmon	962
RMC	929
Taylor Woodrow	425
Total Basic Industries	**6,544**

† including convertibles.

GENERAL INDUSTRIALS	**£'000**
Aerospace & Defence	
†British Aerospace	689
Engineering & Machinery	
Carclo	119
Cookson	442
Enodis	267
Kidde	670
Metalrax	323
Senior	163
Tomkins	413
Total General Industrials	**3,086**

NON-CYCLICAL CONSUMER GOODS	**£'000**
Beverages	
Allied Domecq	1,262
Diageo	978
Scottish & Newcastle	919
South African Breweries	95
Food Producers & Processors	
Cadbury Schweppes	438
Dairy Crest	837
Express Dairies	49
Uniq	152
Packaging	
Rexam	675
Personal Care & Household Products	
†Reckitt Benckiser	1,079
Pharmaceuticals	
AstraZeneca	620
GlaxoSmithKline	2,757
Tobacco	
British American Tobacco	2,004
Gallaher	2,428
Imperial Tobacco	1,969
Total Non-Cyclical Consumer Goods	**16,262**

Investments: Equities (including convertibles)

continued

CYCLICAL SERVICES	£'000
General Retailers	
Boots	497
DFS Furniture	1,280
Dixons	587
Electronics Boutique	343
Homestyle	931
Mothercare	88
WH Smith	806
Leisure, Entertainment & Hotels	
†Airtours	786
First Choice Holidays	502
Greene King	842
P&O Princess Cruises	472
Six Continents	1,649
Whitbread	576
Wolverhampton & Dudley	1,004
Media & Photography	
Carlton Communications	462
Granada	109
Support Services	
†Corporate Services	384
Davies Service	523
Interserve	1,721
Lex Service	576
Wincanton	451
Transport	
Avis Europe	914
National Express	356
Transport Development	355
Total Cyclical Services	**16,214**

NON-CYCLICAL SERVICES	£'000
Food & Drug Retailers	
Alldays	28
Safeway	434
Telecommunication Services	
BT	517
†TeleWest	386
Total Non-Cyclical Services	**1,365**

†including convertibles.

UTILITIES	£'000
Electricity	
Innogy	403
National Grid	214
Scottish & Southern Energy	2,666
Gas Distribution	
Lattice	1,248
Water	
Pennon	1,337
South Staffordshire	787
United Utilities	391
Total Utilities	**7,046**

FINANCIALS	£'000
Banks	
Abbey National	1,078
Alliance & Leicester	1,283
Barclays	4,209
HBOS	1,592
HSBC	572
Lloyds TSB	2,617
Royal Bank of Scotland	3,962
Standard Chartered	574
Insurance	
Royal & Sun Alliance	1,894
Life Assurance	
CGNU	1,643
Prudential	1,791
Real Estate	
Countrywide Assured	190
Great Portland	880
Land Securities	862
London Merchant	534
†Slough Estates	1,120
Speciality & Other Finance	
Cattles	434
ICAP	1,115
Intermediate Capital	588
Man	707
Provident Financial	1,484
Total Financials	**29,129**

TOTAL EQUITIES	**86,888**

The Group

Henderson High Income Trust plc

This is the 'parent' Company within the Group. Issued share capital consists of 53.2 million Ordinary shares of 5p each.

Henderson High Income Trust Securities plc

This is the 'subsidiary' Company within the Group. Issued share capital consists of 4 Ordinary shares of 50p each (owned entirely by the parent) and 52.6 million zero dividend preference shares of 50p each.

Share Characteristics

The **Ordinary shares** of each company are entitled to any income distributions paid by the Company to which they relate (i.e. dividend payments). On a winding up, they confer an entitlement to all the undistributed net income and, in relation to the ordinary shares within the subsidiary company, rank for payment of capital after the zero dividend preference shareholders have been paid their entitlement.

The **Zero dividend preference shares** of the Subsidiary offer a predetermined growth in capital entitlement of 50p per share from 17 August 2000. This increases at the annual rate of 8.2%, compounded daily, to a final preferential entitlement of 74.87p on winding up on 30 September 2005. They have no rights to any income distributions.

Graphical Explanation of Net Asset Value

The graph below shows the entitlements of the ordinary and zero dividend preference shares to the total net assets of the Group. The entitlements of the zero dividend preference shares increase at a predetermined rate, as represented by the area shaded grey on the graph. The balance of the assets, shaded blue on the graph are available for the ordinary shares. The dotted lines from December 2001 to September 2005 indicate assumed growth rates of 5.00%, 7.50% and 10.00% over the remainder of the life of the Company.

Illustrative Compound Annual Growth Rates

The following table illustrates the effects of various compound growth rates applied from 1 January 2002 to 30 September 2005 on the net assets available to each class of share.

Illustrative compound annual growth rate:	0% £'000	3.16% £'000	5.00% £'000	7.50% £'000	10.00% £'000
Total assets as at 31 December 2001	97,156	97,156	97,156	97,156	97,156
Capital growth from 1 January 2002 to 30 September 2005 at assumed growth rates	–	12,027	19,494	30,249	41,714
Total assets at 30 September 2005	97,156	109,183	116,650	127,405	138,870
Less redemption value of zero dividend preference shares	39,386	39,386	39,386	39,386	39,386
Surplus available for ordinary shares	57,770	69,797	77,264	88,019	99,484
Illustrative net asset values on redemption (p)					
Zero dividend preference	74.87	74.87	74.87	74.87	74.87
Ordinary	108.63	131.25	145.29	165.52	187.07
Net redemption yield (%)					
Zero dividend preference	4.71	4.71	4.71	4.71	4.71
Ordinary	5.72	14.02	18.86	25.47	32.13

Notes to the illustrative compound annual growth rates

When examining the above table, the following should be taken into consideration:

1 The total assets at 30 September 2005 included in the above table have been determined by applying compound annual growth rates which reflect both capital appreciation and retention of any net income but do not include all the possible costs of realisation.

2 The maximum amount repayable on 30 September 2005 on the zero dividend preference shares is 74.87p per share.

3 The assumed compound annual growth rates used in the table above have been selected to illustrate:
0% – no increase or decrease in the Group's net assets.
3.16% – the minimum growth rate required to pay the maximum entitlement on the zero dividend preference shares and to pay 131.25p on the ordinary shares (being the ordinary share price at 31 December 2001).
5.00%, 7.50% and 10.00% – selected to demonstrate the impact of applying different growth rates for total assets on the net assets which would be available to the ordinary shareholders.

4 The net redemption yield (excluding the 10% tax credit reclaimable by PEP/ISA holders up to 5 April 2004) assumes a total minimum dividend of 9.90p (net) per annum per ordinary share payable in four quarterly 2.475p payments in each financial year from 1 January 2002 to 30 September 2005.

5 Shareholders should be aware that asset values may decrease rather than increase and that the above compound annual growth rates have been used solely for illustrative purposes. There can be no guarantee whatsoever that these rates will be achieved or that the amounts to be paid on redemption to the holders of any class of the Group's shares will be those illustrated above.

6 The figures are unaudited.

Henderson High Income Trust plc
Report of the Directors

The directors present the audited accounts of the Group and their report for the year ended 31 December 2001. The Group comprises Henderson High Income Trust plc ("the Company") and its wholly owned subsidiary undertaking, Henderson High Income Trust Securities plc.

Activities and Business Review
A review of the business is given in the Chairman's Statement on pages 4 and 5 and in the Investment Review on pages 6 to 8.

Status
The Company is an investment company as defined in section 266 of the Companies Act 1985 and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. The Company is required to seek Inland Revenue approval of its status as an investment trust under the above mentioned section 842 every year and this approval will continue to be sought. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the years ended 31 December 1999 and 31 December 2000. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval.

The Company intends to continue as a fully qualifying investment trust company under the regulations governing Personal Equity Plans and Individual Savings Accounts.

Revenue and Dividend
The Group's net revenue after taxation for the year was £5,045,000. Earnings per ordinary share amounted to 9.58p. On the ordinary shares of 5p each, three quarterly dividends of 2.475p have been paid and a fourth interim dividend of 2.475p will be paid on 30 April 2002, making a total of 9.90p for the year.

Assets
The total net assets of the Group (before deduction of the zero dividend preference shares in the subsidiary) at 31 December 2001 amounted to £97,156,000 compared with £99,007,000 at 31 December 2000.

Directors
Sir Anthony Beaumont-Dark, Mr J S Curtis, Mr P C J Dalby, Mr C Dunkerley, Mr W D Eason and the Rt Hon Sir John Stanley all held office throughout the year.

As indicated previously, Sir Anthony Beaumont-Dark will retire from the Board and as Chairman at the conclusion of the forthcoming annual general meeting. He will be succeeded as Chairman by Mr W D Eason, the Deputy Chairman.

The directors retiring by rotation at the forthcoming annual general meeting are Mr J S Curtis and Mr C Dunkerley. Mr Curtis is not seeking re-election. However, Mr Dunkerley, who is eligible, offers himself for re-election.

Mr J S Curtis is an employee of the management company, Henderson Global Investors Limited. Mr P C J Dalby is a director – Cazenove Fund Management, part of Cazenove Group plc, the Company's stockbroker and one of the brokers through which the Company buys and sells investments on an arm's length basis in the normal course of business.

There were no contracts 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 contract of service with the Company.

The directors' interests in the share capital of the Company are as shown in the table below:

	31 December 2001	1 January 2001
	Ordinary shares of 5p	Ordinary shares of 5p
With beneficial interest:		
Sir Anthony Beaumont-Dark	**64,000**	64,000
J S Curtis	**7,000**	7,000
P C J Dalby	**17,500**	17,500
C Dunkerley	**13,500**	13,500
W D Eason	**22,500**	22,500
Sir John Stanley	**1,825**	1,825

The ordinary shares indicated include some held within Units.

Each unit comprises one ordinary share of 5p each in Henderson High Income Trust plc and one zero dividend preference share of 50p each in Henderson High Income Trust Securities plc.

There have been no changes in the directors' interests between the end of the financial year and the date of this report.

The directors' interests in the share capital of the subsidiary are shown on page 34.

Report of the Directors

continued

Corporate Governance

A corporate governance statement is set out on pages 17 to 19.

Substantial Share Interests

As at 20 March 2002 the following interests in the Company's issued ordinary share capital had been declared to the Company:

Discretionary managed clients of Henderson Global Investors Limited	4.9%
Discretionary managed clients of Laing & Cruickshank Investment Management Ltd	11.6%

Investment Manager

Investment management, UK custodial, accounting, administrative and company secretarial services are provided to the Company by subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson").

The management agreement between the Company and Henderson provides for the payment of a composite annual management fee which is calculated as a percentage of the average value of assets under management on the last day of each of the two years preceding the calendar year in respect of which the calculation is made. The percentage applicable throughout the year ended 31 December 2001 was 0.6 per cent. The fee rate will next be reviewed in 2003.

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 the assets at the 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 charge. The management fee is payable quarterly in advance. VAT is payable on the fees where applicable.

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 year's notice of termination is given.

The Investment Manager uses certain services which are paid for, or provided, by various brokers. In return it places business, which may include transactions relating to the Company, with these brokers.

Duration of the Company

In accordance with the Company's articles of association, an ordinary resolution will be proposed at the annual general meeting in 2005, and thereafter at five-year intervals, to continue the life of the Company.

Authority to Allot Shares

At the extraordinary general meeting of the Company held on 16 August 2000, the directors were authorised, in accordance with section 80 of the Companies Act 1985 ("the Act"), as amended, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80) up to an aggregate nominal amount of £16,650,000, such authority to expire on 16 August 2005.

The directors were also empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply, this power being limited to the allotment of (i) the B shares and the Special Redeemable Preference Shares pursuant to the Company's capital reorganisation; (ii) a rights issue or other offer of securities to the ordinary shareholders, pro rata to their existing holdings; and (iii) equity securities up to a nominal amount equal to 10 per cent of the ordinary share capital of the Company in issue immediately after the capital reorganisation. This authority expires on 16 August 2005. There were 52,603,865 ordinary shares of 5p in issue after the capital reorganisation on 16 August 2000.

The Board has exercised these authorities on two occasions during the year, allotting a total of 575,000 ordinary shares of 5p at a premium to net asset value. It therefore has a residual authority under section 80 of the Act to allot up to an aggregate nominal amount of £16,621,250, and a residual authority under section 95 of the Act to allot, on a non pre-emptive basis, up to 4,685,386 ordinary shares of 5p for cash.

Following the allotment of shares reported above, there are 53,178,865 ordinary shares of 5p in issue. The Board considers it has sufficient residual authority under section 80 of the Act and therefore will not be seeking a new authority at this time. However, with the increased number of ordinary shares in issue, the Board wishes to continue to have authority under section 95 of the Act available to it. A new authority will therefore be sought to empower the directors, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply, this power being limited to the allotment of equity securities up to a nominal amount of £5,317,886 equivalent to 10 per cent of the ordinary share capital of the Company in issue at the date of this report. If renewed, this authority will expire at the conclusion of the AGM in 2003. The directors intend to issue new ordinary shares pursuant to these powers if investor demand for them is strong. However, the directors will issue new shares only when they believe it to be advantageous to the Company's existing shareholders to do so. New shares will not be allotted at other than a premium to net asset value.

Share Buy-Backs

The authority granted to the Company at the annual general meeting on 25 April 2001 to make market purchases of up to 7,885,319 of its own ordinary shares of 5p each was not used.

The Board wishes to seek a fresh authority and, accordingly, a special resolution will be proposed at the forthcoming annual general meeting to give the Company authority to make market purchases for cancellation of its own shares, of up to 14.99% of the ordinary shares in issue at 1 May 2002, the date of the annual general meeting (equivalent to approximately 7,971,511 ordinary shares at 20 March 2002, the date of this notice of annual general meeting). 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 or if to do so would result (together with any related purchase of zero dividend preference shares in Henderson High Income Trust Securities plc) in an increase in the net asset value per share. Shares cannot be bought back if as a result the cover of the zero dividend preference shares in Henderson High Income Trust Securities plc would fall below the requisite level of one and a half times. The authority will lapse unless renewed at the annual general meeting due to be held in 2003.

The maximum purchase price which may be paid for an ordinary share will not be more than 5 per cent 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. Any shares purchased by the Company will be cancelled and the number of ordinary shares in issue will be reduced accordingly.

Auditors

A resolution to reappoint Deloitte & Touche as auditors to the Company, and to authorise the directors to determine their remuneration, will be proposed at the forthcoming annual general meeting.

The Payment of Suppliers

It remains the Company's policy for the forthcoming financial year to obtain the best 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 2001.

By order of the Board

John Ellman-Brown
For and on behalf of
Henderson Secretarial Services Limited
Secretary
20 March 2002

Statement of Directors' Responsibilities

in respect of the Accounts

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the net revenue of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 December 2001. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

This statement relates to both Henderson High Income Trust plc and, where applicable, to its wholly owned subsidiary, Henderson High Income Trust Securities plc ("the Subsidiary").

Application of the Principles of the Code

The Board attaches importance to the matters set out in the Code and applies its principles. However, as an investment company, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus not all the provisions of the Code are directly applicable to the Company.

Directors

The Board currently consists of six non-executive directors, the majority of whom are independent of the Company's Investment Manager (Henderson Global Investors Limited). Their biographical details, set out on page 2, demonstrate a breadth of investment, commercial and professional experience.

The Board meets at least six times a year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Manager attend each Board meeting, enabling the directors to seek clarification on specific issues or to probe further on matters of concern. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense. The directors have access to the advice and services of the corporate company secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed.

When a director is appointed he or she is offered an induction seminar which is held by the Investment Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

Directors are appointed for specified terms, subject to re-election and to the provisions of the Companies Act. In accordance with the Company's articles of association, new directors stand for election at the first annual general meeting following their appointment and every director stands for re-election at intervals of not more than three years.

The Chairman of the Company is a non-executive director. The Deputy Chairman is identified as a senior non-executive director to whom concerns can be conveyed.

Board Committees

The Board has established audit, management engagement and nominations committees with defined terms of reference and duties. The membership of these committees is set out on page 2.

The Audit Committee is responsible for the review of the annual report and the interim report, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. It also meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

The Management Engagement Committee is responsible for the regular review of the terms of the management contract with the Investment Manager. The Committee meets at least once every year and reviews the terms of the management agreement to ensure that they are competitive and sensible to shareholders. The Committee has established a procedure whereby it decides each year whether or not the Investment Manager should be retained. At its meeting in October 2001 the Committee confirmed that Henderson Global Investors Limited should be retained as the Investment Manager.

The Nominations Committee is responsible for making recommendations on the appointment of new directors and for all Board positions.

Directors' Remuneration

The Board as a whole considers the directors' remuneration; therefore it has not appointed a separate remuneration committee. Because the Company is an investment trust company and all its directors are non-executive, the Company is not required to comply with the provisions of the Code in respect of the remuneration of executive directors. The directors' fees are detailed in note 7 to the accounts on page 26; no fees are paid by the Subsidiary.

Relations with Shareholders

The Investment Manager has an ongoing programme of meetings with major shareholders and matters raised at these meetings are reported to the Board.

The Board considers that shareholders should be encouraged to attend and participate in the annual general meeting. The annual general meeting is chaired by the Chairman of the Board who is also the Chairman of the Audit, Management Engagement and Nominations Committees. Details of the proxy votes received in respect of each resolution are made available to shareholders. Representatives of the Investment Manager make a presentation to the meeting. The Company has adopted a nominee share code which is set out on page 44.

Accountability and Audit

The directors' statement of responsibilities in respect of the accounts is set out on page 17 (Subsidiary: page 35). The report of the auditors is set out on page 20 (Subsidiary: page 36). The Board has delegated contractually to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman or the Deputy Chairman attends meetings of all the chairmen of the investment trust companies managed by the Investment Manager; these meetings provide a forum to discuss industry matters and the Chairman or the Deputy Chairman reports on them to the Board.

The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Investment Manager's compliance and risk department on an ongoing basis.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The process was fully in place from 21 June 2000 and up to the date of approval of this annual report. In addition the Board has conducted its annual review of the effectiveness of the Company's system of internal control, covering all the controls, including financial, operational and compliance controls and risk management. This review took into account points raised during the year in the Board's regular appraisal of specific areas of risk.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Investment Manager, undertook a full review of the Company's business risks and these are analysed and recorded in a risk map. The Board receives each quarter from the Investment Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Investment Manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and of its key suppliers.

The Company delegates to third parties most of its operations and does not employ any staff; therefore it does not itself have an internal audit function. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors will review from time to time whether a function equivalent to an internal audit is needed.

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 that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Exercise of Voting Powers

The Board has approved a corporate governance voting policy which, in its opinion, accords with current best practice whilst maintaining a primary focus on financial returns.

Statement of Compliance

The directors consider that the Company has complied throughout the year ended 31 December 2001 with all the relevant provisions set out in Section 1 of the Code.

Report of the Independent Auditors

to the members of Henderson High Income Trust plc

We have audited the financial statements of Henderson High Income Trust plc for the year ended 31 December 2001 which comprise the Group statement of total return, the balance sheets, the Group cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the total return of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors
London
20 March 2002

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

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

Group Statement of Total Return (incorporating the revenue account)

for the year ended 31 December 2001

Notes		Year ended 31 December 2001 Revenue £'000	Year ended 31 December 2001 Capital £'000	Year ended 31 December 2001 Total £'000	Year ended 31 December 2000 Revenue £'000	Year ended 31 December 2000 Capital £'000	Year ended 31 December 2000 Total £'000
2	Total capital (losses)/gains from investments	–	**(1,314)**	**(1,314)**	–	7,693	7,693
3	Income from fixed asset investments	**6,147**	–	**6,147**	4,804	–	4,804
4	Other interest receivable and similar income	**97**	–	**97**	161	–	161
	Gross revenue and capital gains/(losses)	**6,244**	**(1,314)**	**4,930**	4,965	7,693	12,658
5	Management fee	**(299)**	**(448)**	**(747)**	(357)	(312)	(669)
6	Other administrative expenses	**(170)**	–	**(170)**	(157)	–	(157)
	Net return/(loss) on ordinary activities before interest payable and taxation	**5,775**	**(1,762)**	**4,013**	4,451	7,381	11,832
8	Interest payable	**(338)**	**(1,015)**	**(1,353)**	(98)	(248)	(346)
	Net return/(loss) on ordinary activities before taxation	**5,437**	**(2,777)**	**2,660**	4,353	7,133	11,486
9	Taxation on net return/(loss) on ordinary activities	**(392)**	**393**	**1**	(216)	168	(48)
	Net return/(loss) on ordinary activities after taxation	**5,045**	**(2,384)**	**2,661**	4,137	7,301	11,438
14	Provision for redemption of the zero dividend preference shares in the subsidiary	–	**(2,221)**	**(2,221)**	–	(784)	(784)
	Net return/(loss) attributable to the ordinary shareholders	**5,045**	**(4,605)**	**440**	4,137	6,517	10,654
	Dividends: ordinary shares						
	1st interim paid of 2.475p (2000: 1.80p)	**(1,302)**	–	**(1,302)**	(947)	–	(947)
	2nd interim paid of 2.475p (2000: 1.80p)	**(1,302)**	–	**(1,302)**	(947)	–	(947)
	3rd interim declared of 2.475p (2000: 2.475p)	**(1,316)**	–	**(1,316)**	(1,302)	–	(1,302)
	4th interim proposed of 2.475p (2000: 2.475p)	**(1,316)**	–	**(1,316)**	(1,302)	–	(1,302)
		(5,236)	–	**(5,236)**	(4,498)	–	(4,498)
	Transfer (from)/to reserves	**(191)**	**(4,605)**	**(4,796)**	(361)	6,517	6,156
10	**Return/(loss) per ordinary share**	**9.58p**	**(8.74)p**	**0.84p**	7.86p	12.39p	20.25p
10	**Return per zero dividend preference share in the subsidiary**	–	**4.22p**	**4.22p**	–	1.49p	1.49p
10	**Return/(loss) per unit**	**9.58p**	**(4.52)p**	**5.06p**	7.86p	13.88p	21.74p

The revenue columns of this statement represent the revenue accounts of the Group

The notes on pages 24 to 32 form part of these accounts.

Henderson High Income Trust plc

GROUP Balance Sheets (INCLUDING COMPANY BALANCE SHEET)

at 31 December 2001

Notes		Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
11	**Fixed asset investments**				
	Listed in the United Kingdom	**119,123**	**119,123**	123,713	123,713
		119,123	**119,123**	123,713	123,713
	Current assets				
12	Debtors	**2,019**	**2,019**	4,049	4,049
	Bank balances and short term deposits	**1,000**	**1,000**	7,829	7,829
		3,019	**3,019**	11,878	11,878
13	**Creditors:** amounts falling due within one year	**(24,986)**	**(24,986)**	(36,584)	(36,584)
	Net current liabilities	**(21,967)**	**(21,967)**	(24,706)	(24,706)
	Total assets less current liabilities	**97,156**	**97,156**	99,007	99,007
14	**Creditors:** amounts falling due after more than one year				
	Amounts owed to group undertaking	–	**(29,307)**	–	(27,086)
	Zero dividend preference shares in the subsidiary	**(29,307)**	–	(27,086)	–
	Provisions for liabilities and charges	–	–	–	–
	Total net assets	**67,849**	**67,849**	71,921	71,921
	Capital and reserves				
16	Share capital	**2,659**	**2,659**	2,630	2,630
17	Capital redemption reserve	**26,302**	**26,302**	26,302	26,302
17	Other capital reserves				
	Share premium	**5,630**	**5,630**	4,935	4,935
	Realised reserve	**20,192**	**20,192**	19,222	19,222
	Unrealised appreciation	**11,922**	**11,922**	17,497	17,497
17	Revenue reserve	**1,144**	**1,144**	1,335	1,335
18	**Equity shareholders' funds**	**67,849**	**67,849**	71,921	71,921
	Net asset value per ordinary share	**127.59p**	**127.59p**	136.72p	136.72p

Notes		Group 2001	Group 2000
	Funds attributable to:		
18	*Ordinary shares*	***67,849***	*71,921*
	Zero dividend preference shares in the subsidiary	***29,307***	*27,086*
		97,156	*99,007*
	Net asset value per:		
20	*Ordinary share*	***127.59p***	*136.72p*
20	*Zero dividend preference share in the subsidiary*	***55.71p***	*51.49p*
20	*Unit*	***183.30p***	*188.21p*

The accounts were approved by the directors on 20 March 2002.

Sir Anthony Beaumont-Dark
Job Curtis
} Directors

Job Curtis

The notes on pages 24 to 32 form part of these accounts.

Henderson High Income Trust plc

Group Cash Flow Statement

for the year ended 31 December 2001

Notes		2001 £'000	2001 £'000	2000 £'000	2000 £'000
21	**Net cash inflow from operating activities**		**5,394**		3,338
	Servicing of finance				
	Bank overdraft and loan interest paid		**(1,398)**		(272)
	Taxation				
	Taxation recovered		**154**		204
	Financial investment				
	Purchase of investments	**(50,374)**		(40,986)	
	Sale of investments	**47,867**		27,350	
	Net cash outflow from financial investment		**(2,507)**		(13,636)
	Equity dividends paid		**(5,208)**		(3,788)
	Net cash outflow before financing		**(3,565)**		(14,154)
	Financing				
	Proceeds from the liquidation of a subsidiary	**–**		3	
	Issue of shares	**724**		–	
	Expenses of capital reorganisation	**16**		(555)	
	Increase in debt	**3,807**		13,400	
	Net cash inflow from financing		**4,547**		12,848
22	**Increase/(decrease) in cash**		**982**		(1,306)
	Reconciliation of net cash flow to movement in net debt				
	Increase/(decrease) in cash as above		**982**		(1,306)
	Cash inflow from increase in debt		**(3,807)**		(13,400)
	Exchange movements		**(2)**		–
	Movement in net debt		**(2,827)**		(14,706)
	Net debt at 1 January		**(18,380)**		(3,674)
22	**Net debt at 31 December**		**(21,207)**		(18,380)

The notes on pages 24 to 32 form part of these accounts.

Henderson High Income Trust plc
Notes to the Accounts

1 Accounting policies

a Basis of accounting

The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation 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"). All of the Company's operations are of a continuing nature.

b Group accounts

The Group accounts consolidate the accounts of the Company and its wholly owned subsidiary, Henderson High Income Trust Securities plc.

c Valuation of investments

UK listed investments are valued according to the prices issued by the London Stock Exchange, these being the closing mid-market prices for all investments other than FTSE 100 constituents and FTSE 100 reserve list constituents for which the last trade prices are used.

d Capital gains and losses

Realised and unrealised capital gains and losses are dealt with in the other capital reserves.

e Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. Income from fixed interest debt securities and preference shares is recognised on a time apportionment basis and, if material, so as to reflect the effective yield on these securities. In accordance with Financial Reporting Standard 16 *Current Taxation* franked investment income is shown net of the related tax credits.

f Expenses

All expenses are accounted for on an accruals basis. The Board's expectation is that over the long term three quarters of the Group's investment returns will be in the form of capital gains. On this basis, the Group 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).

g Deferred taxation

Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. A deferred tax asset or provision is established to the extent that it is probable that an asset or liability will crystallise in the future.

h Financial instruments

Derivative instruments utilised by the Company include traded options. The Company has taken advantage of the exemption allowed under Financial Reporting Standard 13 and excluded short term debtors and creditors from disclosures under financial instruments where allowed.

2	Total capital (losses)/gains from investments	Group 2001 £'000	Group 2000 £'000
	Realised gains based on historical cost	**4,247**	6,880
	Less: amounts recognised as unrealised in previous years	**(5,217)**	(4,941)
	Realised (losses)/gains based on carrying value at previous balance sheet date	**(970)**	1,939
	Net movement in unrealised appreciation	**(358)**	5,751
	Capital reorganisation expenses	**16**	–
	Net foreign exchange movement	**(2)**	–
	Proceeds from dissolution of Sceneuser Limited	**–**	3
		(1,314)	7,693

3	Income from fixed asset investments	2001 £'000	2000 £'000
	Franked:		
	Listed – dividends	**4,209**	3,576
		4,209	3,576
	Unfranked:		
	Listed – interest income	**1,924**	1,183
	– dividend income	**14**	9
	– stock dividends	**–**	36
		1,938	1,228
		6,147	4,804

4	Other interest receivable and similar income	2001 £'000	2000 £'000
	Bank interest	**82**	147
	Underwriting commission	**15**	14
		97	161

5	Management fee	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
	Management fee	**258**	**387**	**645**	308	270	578
	Irrecoverable VAT thereon	**41**	**61**	**102**	49	42	91
		299	**448**	**747**	357	312	669

A summary of the terms of the management agreement is given on page 15 in the Report of the Directors.

Notes to the Accounts

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6	**Other administrative expenses** (including irrecoverable VAT)	**2001 £'000**	2000 £'000
	Directors' fees (note 7)	**46**	41
	Auditors' remuneration – for audit services	**12**	11
	Other expenses payable to the management company*	**8**	5
	Other expenses	**104**	100
		170	157

*Other expenses payable to the management company relate to share plan administration services.

7 Directors' emoluments

The directors' fees stated in note 6 are those actually paid by the Company. However, one director, Mr J S Curtis, is paid by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson"), part of which remuneration relates to the provision of services to the Company. Under the Companies Act 1985 it is necessary to state the proportion of the emoluments he receives from Henderson which relate to the management of the Company even though the Company does not pay these emoluments and is not directly involved in their determination. The Company has been informed that the applicable proportion of the emoluments paid by Henderson (including performance related bonus) was £7,000 (2000: £8,000). This amount, together with the amounts paid directly by the Company to the other directors, is included in the analysis below:

	2001 £'000	2000 £'000
Fees (paid by the Company)	**38**	34
Salaries and other benefits (paid by Henderson)	**3**	5
Performance related bonus (paid by Henderson)	**4**	3
Total emoluments excluding amounts paid to third parties	**45**	42
Fees paid to third parties	**8**	7

The fees payable to the directors in respect of the year were as follows: the Chairman £11,625; the Deputy Chairman £9,375; three other directors £7,875 each. No fees are paid in respect of Mr Curtis.

Mr Dalby's fees are paid to Cazenove Group plc.

8	**Interest payable**	**2001 £'000**	2000 £'000
	On bank loans and overdrafts repayable within one year	**1,353**	346
	Less: charged to realised capital reserve	**(1,015)**	(248)
		338	98

Notes to the Accounts

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9	Taxation on ordinary activities	2001 £'000	2000 £'000
	UK corporation tax at 30% (2000: 30%)	–	57
	Transfer from deferred tax account	–	1
	Overprovision in previous year	**(1)**	(10)
		(1)	48
	Tax attributable to expenses and interest payable charged to capital	**393**	168
	Tax charged to revenue	**392**	216

10 Return per share

a Returns per ordinary share

Revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £5,045,000 (2000: £4,137,000) and on the 52,677,016 weighted average number of ordinary shares in issue during the year (2000: 52,603,865).

Capital loss per ordinary share is based on the net capital loss for the year of £4,605,000 (2000: capital gains of £6,517,000) and on the 52,677,016 weighted average number of ordinary shares in issue during the year (2000: 52,603,865).

b Returns per zero dividend preference share

Capital return per zero dividend preference share reflects the predetermined growth in capital entitlement for the year of £2,221,000 (2000: £784,000) based on the 52,603,865 (2000: 52,603,865) zero dividend preference shares in issue.

c Returns per unit

Revenue return per unit, each unit consisting of one ordinary share of 5p each in the Company and one zero dividend preference share of 50p each in the subsidiary, amounts to 9.58p per unit.

Capital loss per unit, each unit consisting of one ordinary share of 5p each in the Company and one zero dividend preference share of 50p each in the subsidiary, amounts to (4.52)p per unit.

11	Fixed asset investments	Group & Company investments £'000	Subsidiary undertaking* £'000
	Valuation at 1 January 2001	**123,713**	–
	Unrealised appreciation at 1 January 2001	**(17,497)**	–
	Cost of investments at 1 January 2001	**106,216**	–
	Purchases at cost	**42,857**	–
	Sales at cost	**(41,872)**	–
	Cost of investments at 31 December 2001	**107,201**	–
	Unrealised appreciation at 31 December 2001	**11,922**	–
	Valuation at 31 December 2001	**119,123**	–

* The subsidiary is valued at the cost of the four ordinary shares of 50p each, fully paid and held by the parent.

Notes to the Accounts

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12 Debtors	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Sales for future settlement	**582**	**582**	2,329	2,329
Taxation recoverable	**145**	**145**	213	213
Prepayments and accrued income	**1,292**	**1,292**	1,507	1,507
	2,019	**2,019**	4,049	4,049

13 **Creditors:** amounts falling due within one year	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Bank loans and overdrafts	**22,207**	**22,207**	26,209	26,209
Purchases for future settlement	**–**	**–**	7,517	7,517
Dividends payable on the ordinary shares	**2,632**	**2,632**	2,604	2,604
Taxation payable	**–**	**–**	57	57
Accruals	**147**	**147**	197	197
	24,986	**24,986**	36,584	36,584

14 **Creditors:** amounts falling due after more than one year	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Zero dividend preference shares in the subsidiary	**26,302**	**–**	26,302	–
Loan from Henderson High Income Trust Securities plc	**–**	**26,302**	–	26,302
Provision for redemption of the zero dividend preference shares in Henderson High Income Trust Securities plc	**3,005**	**3,005**	784	784
	29,307	**29,307**	27,086	27,086

The loan from Henderson High Income Trust Securities plc is made on an interest free basis. It is repayable in full on 30 September 2005.

15 Derivatives and other financial instruments

a Management of risk

The Company's financial instruments comprise:

- Equity shares held within the portfolio;
- Short term sterling loans used to finance its investing activities;
- Derivative transactions comprising traded options, the purpose of which is to manage market price risks arising from its investment activities; and
- Cash and short-term debtors and creditors which arise from its investing activities.

The risks arising from these financial instruments are market price risk, liquidity risk and interest rate risk. The Company is not exposed to any material risk arising from fluctuations in foreign currency exchange rates.

Market price risk

An investment trust is exposed to market risk due to fluctuations in the market prices of the investments held in its portfolio. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The Company has used traded options during the year to manage market price risk. The Portfolio Manager actively monitors market prices throughout the year and reports to the Board which meets regularly in order to consider investment strategy.

15 Derivatives and other financial instruments (continued)

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. The maturities of the Company's existing borrowings are set out in part b to this note.

Interest rate risk

The majority of the Company's assets comprise equity shares, bonds, preference shares, bank balances and short term deposits. The equity shares neither pay interest nor carry a maturity date. Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date may have a different price from its purchase cost and a profit or loss may be incurred. Bond and preference share prices are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short term interest rates and international market comparisons. The Portfolio Manager takes all these factors into account when making investment decisions as well as considering the financial position of the potential investee company.

The Company has drawn down fixed rate short term sterling loans to finance its investment operations and these liabilities do not expose the Company to any material risk arising from fluctuations in interest rates.

b Interest rate risk profile of financial assets and financial liabilities

Financial assets

The interest rate profile of the assets of the Company at 31 December 2001 was as follows:

	Total £'000	Floating rate £'000	Fixed rate £'000	Financial assets on which no interest is paid £'000	Weighted average interest rate† %	Weighted average period for which rate is fixed (years)*
UK corporate bonds	24,753	–	24,753	–	7.42	13.44
Preference and convertible shares	12,606	–	12,606	–	8.66	–
Equities	81,764	–	–	81,764	–	–
Cash at bank	1,000	1,000	–	–	4.63	–
Total	**120,123**	**1,000**	**37,359**	**81,764**	**7.76**	

†The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

*This excludes all equities.

Financial liabilities

At 31 December 2001 the Company had fixed rate short term sterling loans totalling £22.2 million that were repayable on 4 January 2002 and 11 January 2002. The weighted average interest rate payable on these loans was 4.72%.

At 31 December 2001 the Company had a loan of £26,302,000 from its wholly owned subsidiary, Henderson High Income Trust Securities plc. The loan is made on an interest free basis and is repayable in full on 30 September 2005.

The Company has also undertaken that, no later than 30 September 2005, it will subscribe for such number of ordinary shares in Henderson High Income Trust Securities plc as will be necessary to provide that company on 30 September 2005 (after taking into account the monies to be received by it on repayment of the loan) with sufficient funds to meet the final capital entitlements of its zero dividend preference shareholders. The amount required, in respect of the 52,603,865 zero dividend preference shares in issue at 31 December 2001, will be £13,083,000. The provision for this amounted to £3,005,000 at 31 December 2001.

Notes to the Accounts

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15 Derivatives and other financial instruments (continued)

c Loan facilities

The Company had a committed loan facility of £25 million at 31 December 2001 (2000: committed loan facility of £25 million). The committed facility, which is with The Royal Bank of Scotland plc, is for a period of five years from 20 July 2000; loans drawn down under the facility can be for different durations but normally are for terms of not more than nine months. The Company had at 31 December 2001 a facility under an ISDA Master Agreement with The Royal Bank of Scotland plc dated 13 September 2000 enabling it to fix the rate of its borrowings; this facility was not used during the year.

d Fair value of financial assets and financial liabilities

All of the Company's assets and the short term sterling loans and overdrafts are carried at fair value.

At 31 December 2001 the market value of the zero dividend preference shares issued by Henderson High Income Trust Securities plc was £33,140,000.

16 Share capital	**2001 £'000**	2000 £'000
Authorised		
940,000,000 ordinary shares of 5p each	**47,000**	47,000
Allotted, issued and fully paid		
53,178,865 ordinary shares of 5p each	**2,659**	–
(2000: 52,603,865 ordinary shares of 5p each)	–	2,630

On 31 October 2001, 75,000 ordinary shares of 5p each were allotted and issued to CLS Nominees Limited at a price of 125.0p per share. On 2 November 2001, 500,000 ordinary shares of 5p each were allotted and issued to Apollo Nominees Limited at a price of 126.0p per share. Therefore, at 31 December 2001, there were 53,178,865 ordinary shares of 5p each in issue (2000: 52,603,865).

17 Company and Group reserves	**Capital redemption reserve £'000**	**Share premium £'000**	**Realised reserve £'000**	**Unrealised appreciation £'000**	**Revenue reserve £'000**
Reserves at 1 January 2001	26,302	4,935	19,222	17,497	1,335
Transfer on disposal of investments	–	–	5,217	(5,217)	–
Net gains from investments	–	–	(970)	(358)	–
Exchange loss	–	–	(2)	–	–
Management fee and finance costs charged to capital	–	–	(1,464)	–	–
Corporation tax relief thereon	–	–	394	–	–
Provision for redemption of the zero dividend preference shares in the subsidiary	–	–	(2,221)	–	–
Capital reorganisation expenses	–	–	16	–	–
Share issuance	–	695	–	–	–
Retained revenue for the year	–	–	–	–	(191)
At 31 December 2001	**26,302**	**5,630**	**20,192**	**11,922**	**1,144**

Notes to the Accounts

continued

18	Company and Group reconciliation of movement in ordinary shareholders' funds	**2001 £'000**	2000 £'000
	Net revenue on ordinary activities after taxation	**5,045**	4,137
	Dividends	**(5,236)**	(4,498)
		(191)	(361)
	Increase in realised and unrealised profits	**(3,897)**	5,962
		(4,088)	5,601
	Capital reorganisation	**16**	(26,302)
	Shareholders' funds at 1 January	**71,921**	92,622
	Ordinary shareholders' funds at 31 December	**67,849**	71,921

19 Company revenue account

As permitted by section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue after taxation of the Company dealt with in the accounts of the Group was £5,045,000 (2000: £4,137,000).

20 Net asset values

a 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 £67,849,000 (2000: £71,921,000) and on the 53,178,865 ordinary shares of 5p each in issue at 31 December 2001 (2000: 52,603,865 ordinary shares of 5p each).

b Net asset value per zero dividend preference share

The net asset value per zero dividend preference share is based on the net assets attributable to the zero dividend preference shares in the subsidiary of £29,307,000 (2000: £27,086,000) and on the 52,603,865 zero dividend preference shares in the subsidiary in issue at 31 December 2001 (2000: 52,603,865).

c Net asset value per unit

The net asset value per unit was 183.30p at 31 December 2001. Each unit comprises one ordinary share of 5p each in the Company and one zero dividend preference share of 50p each in Henderson High Income Trust Securities plc.

21	Reconciliation of operating revenue to net cash inflow	**2001 £'000**	2000 £'000
	Net revenue before interest payable and taxation	**5,775**	4,451
	Decrease/(increase) in accrued income	**218**	(580)
	Stock dividends	**-**	(36)
	Increase in other debtors	**(3)**	(1)
	(Decrease)/increase in creditors	**(6)**	23
	Underwriting credited against stock purchased	**-**	3
	Tax on investment income included in income from UK companies	**(142)**	(210)
	Management fee charged to capital	**(448)**	(312)
	Net cash inflow from operating activities	**5,394**	3,338

Notes to the Accounts

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22	Analysis of changes in net funds/(debt)	1 January 2001 £'000	Cash flow £'000	Exchange movement £'000	At 31 December 2001 £'000
	Cash at bank	**7,829**	**(6,827)**	**(2)**	**1,000**
	Bank overdrafts	**(7,809)**	**7,809**	**-**	**-**
	Debt due within one year	**(18,400)**	**(3,807)**	**-**	**(22,207)**
	Total	**(18,380)**	**(2,825)**	**(2)**	**(21,207)**

23 Contingent liabilities

There were no partly paid shares or underwriting commitments at 31 December 2001 (2000: £nil).

24 Related party transactions

Under the terms of an agreement dated 23 November 1994 the Company appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, UK custodial, accounting, administrative and company secretarial services. Details of the fee arrangements for these services are given on page 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 2001 was £645,000 excluding VAT (2000: £578,000) of which £nil was outstanding at 31 December 2001 (2000: £nil).

In addition to the above services, Henderson has provided the Group with share plan administration services during the year. The total fees payable for these services for the year ended 31 December 2001 (excluding VAT) amounted to £8,000 (2000: £5,000). At 31 December 2001 £15,000 was outstanding (2000: £7,000).

25 Capital reorganisation

Under the terms of the loan and subscription agreements between the two companies, Henderson High Income Trust Securities plc has lent its assets to the Company, on an interest free basis, and these are managed in accordance with the Company's investment policy (as summarised on page 1 of this document). The terms of the loan require it to be repaid no later than 30 September 2005, the redemption date of the zero dividend preference shares. The Company has undertaken that, no later than 30 September 2005, it will subscribe for such number of ordinary shares in Henderson High Income Trust Securities plc as will be necessary to provide Henderson High Income Trust Securities plc (after taking into account the repayment of that company's loan to its parent) with sufficient funds to meet the final capital entitlements of the zero dividend preference shareholders. In this way the whole of the Group's net assets will be available to meet the repayment obligation in respect of the zero dividend preference shares. At 31 December 2001 the amount provided for in this respect amounted to £3,005,000 (2000: £784,000) (see note 14 on page 28).

The zero dividend preference shares of Henderson High Income Trust Securities plc had an initial capital entitlement of 50p per share at 17 August 2000 which increases at a daily rate, equivalent to a compound annual rate of 8.2% per annum, so as to reach a final capital entitlement of 74.87p per share on 30 September 2005.

The loan and subscription agreements between the two companies include covenants and undertakings by the Company in favour of Henderson High Income Trust Securities plc in respect of increases in borrowings and other actions that could limit the ability of the Company to meet its obligations to Henderson High Income Trust Securities plc.