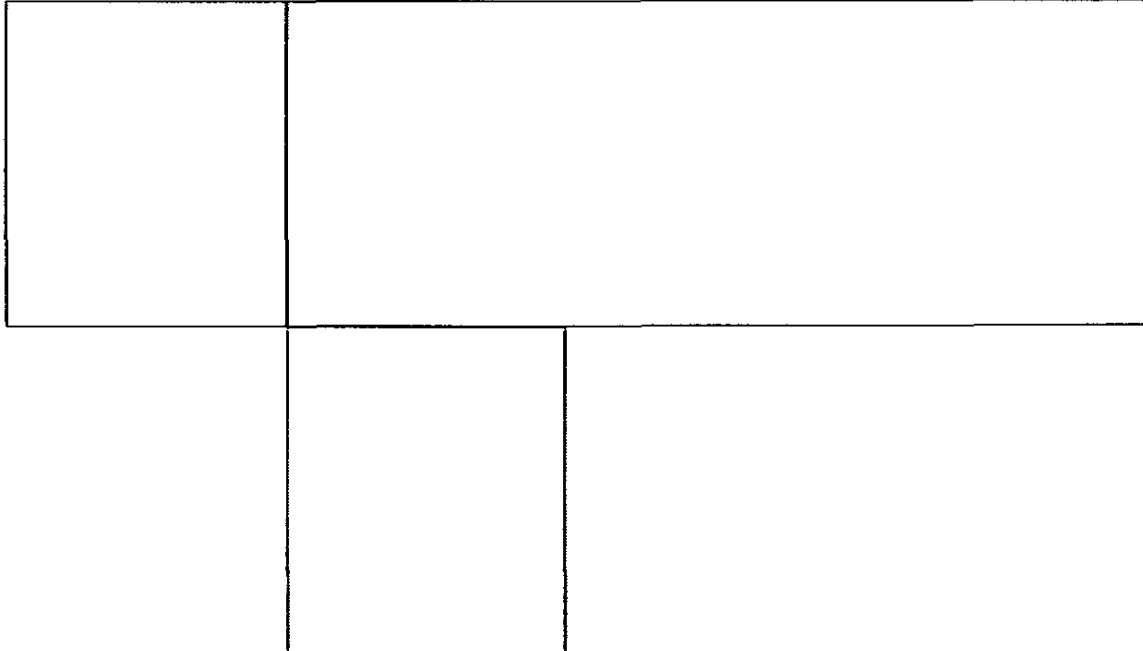
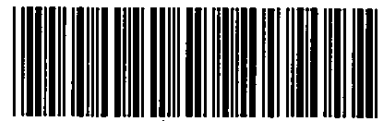


Henderson High Income Trust plc
Report and Financial Statements for the year ended 31 December

2010



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COMPANIES HOUSE

Henderson High Income Trust plc

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

Investment strategy

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

Growth

The net asset value total return of the Company over the past five years is 12.0% (source Morningstar)

Independent board of directors

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

Performance Summary

| Per ordinary share | 31 December 2010 | 31 December 2009 | Change % |
|--------------------|------------------|------------------|----------|
| Net asset value | 126.70p | 117.73p | +7.6 |
| Market price | 124.75p | 114.50p | +9.0 |
| Revenue return | 7.37p | 7.51p | -1.9 |

| Total return (with net dividends reinvested) | 1 year % | 3 years % | 5 years % |
|--|----------|-----------|-----------|
| Net asset value ("NAV") per ordinary share* | 15.4 | -5.3 | 12.0 |
| Market price per ordinary share | 19.0 | 7.5 | 13.1 |
| Benchmark* | 12.7 | 8.2 | 28.0 |
| FTSE All-Share Index | 14.5 | 4.4 | 28.4 |
| FTA Government All Stocks Index† | 7.2 | 19.5 | 26.7 |

*See page 46 for explanation of movement in the NAV

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

Source: Morningstar

†Source: Datastream, gross dividends reinvested

| Net dividend yield at 31 December | 2010 % | 2009 % |
|-----------------------------------|--------|--------|
| Henderson High Income Trust plc | 6.7 | 7.2 |
| FTSE All-Share Index† | 2.9 | 3.2 |
| FTA Government All Stocks Index† | 3.7 | 4.1 |

†Source: Datastream

Dividend Information and Payment Dates

The next dividend payment to shareholders will be on 28 April 2011. This will be the first interim dividend in respect of the year to 31 December 2011 and will replace the fourth interim dividend for the year ended 31 December 2010. Therefore the Company has declared and paid three dividends of 2.075p each in respect of the year to 31 December 2010, making a total of 6.225p for the year (2009: 8.30p). Further details are contained in the Chairman's Statement on page 3.

Details of the dividends paid during the year ended 31 December 2010 are given in the Reconciliation of Movements in Shareholders' Funds on page 28. The dividends in respect of 2011 are expected to be paid on the following dates:

- First interim: 28 April 2011
- Second interim: 29 July 2011
- Third interim: 31 October 2011
- Fourth interim: 31 January 2012

The first interim dividend of 2.075p per ordinary share for the year ended 31 December 2011 will be paid on 28 April 2011 to shareholders registered on 8 April 2011. The shares will be quoted ex-dividend from 6 April 2011.

Chairman's Statement



Hugh Twiss

Assets and performance

In my interim statement, which I wrote in July just after the equity market had hit a low for the year, I ventured to suggest that the market would find support at this lower level and so was cautiously optimistic for the outlook for the rest of the year. It is pleasing to be able to report that my optimism was well placed, with the equity market recovering strongly in the second half. However, it was not an entirely smooth run, with a couple of nervous moments when the market fell back, and uncertainty increased, before recovering its poise and moving ahead again. It must be said that an important element of this latter recovery was driven by the strong performance of the resource stocks, this reflected the strong rise in commodity prices that were being fuelled by the continued strong growth in the economies in China and other emerging countries.

There was also some switching out of gilts into equities as the UK inflation rate continued to rise, partly fuelled by the strong commodity prices, but in addition investors worried that interest rates might have to rise sooner than expected in order to control inflation. Given our limited exposure to the low yielding resource stocks and our exposure to bonds, it is very pleasing to be able to report another year of positive returns, with the share price total return of +19.0% outstripping that of our NAV of +15.4% and well ahead of our benchmark's return of +12.7%. This further step in recovering some of the lost ground from the previous market falls is to be welcomed and credit must be given to our Portfolio Manager for successfully managing our portfolio in the challenging market conditions. There are more details regarding portfolio activity in the Investment Review section.

In preparing to write this statement, I looked at the chart of the FTSE All-Share Index over the last year and was much struck by how it appeared to have a close resemblance to the outline of the *Big Dipper* rollercoaster at Blackpool Pleasure Beach and I was reminded how on occasions it has certainly felt like being on it.

Dividends

In last year's report I said that we were hopeful that the worst of the dividend cuts in the market were over and that in this year we would see the restoration of some dividends, and even increases in others. I am glad to be able to report that this almost completely came about but that the benefits of this were, unfortunately, largely offset by BP's suspension of its dividend following its disaster in the Gulf of Mexico. As I have outlined in my previous reports, our strategy has been to utilise revenue reserves to bridge the gap created by dividend cuts in recent years, until dividend growth rebuilds our revenue and once more covers our distributions to shareholders.

Whilst we expect further growth in the dividends from our investments this year and, as already announced, BP will resume paying dividends again, albeit at only half its previous level, it is still likely that our dividend will not be entirely covered in 2011. However, our current forecasts show a reduced requirement to draw on reserves in 2011 to maintain the existing dividends. Clearly we cannot continue like this for ever as our reserves are finite, but on current forecasts the improvement in 2011 is expected to continue in 2012. A maintained dividend is certainly our aspiration, but this will continue to be kept under review in light of actual experience and the investment conditions at the time.

Although we have sufficient revenue reserves overall, because of differences in the timing of our dividend payments and our dividend receipts this year, in accounting terms we have insufficient reserves in the 2010 accounting year to be able to pay the entire fourth interim dividend. We have, therefore, decided to replace the fourth interim dividend for 2010 by bringing forward the payment of the first interim dividend for 2011. This first interim dividend will now be paid to shareholders in April on the same day as the fourth interim dividend would have been, and subsequent quarterly dividends will be paid every three months thereafter. Shareholders will, therefore, not on this account see any change in the payment dates of their dividends nor in the

Chairman's Statement

continued

amounts, despite these financial statements only showing three dividend payments in respect of the 2010 financial year

Gearing

As shareholders will be aware, it is an important feature of this Company that we utilise an element of gearing, principally to enable us to generate additional income, and hopefully also capital growth over time. A year ago it was almost impossible to find long term borrowing facilities, so we took out a facility for just one year. Although conditions have improved in the banking sector and longer term facilities are starting to become available, we have decided in the present circumstances to renew our borrowing facility for another year. We have also taken the opportunity to increase the size of our facility, in light of the additional new shares issued over the past year and the level of our assets.

Custody

During the year the Board carried out a detailed review of our custody arrangements. After careful consideration it was decided to change from BNP Paribas and JPMorgan to HSBC Bank. This new arrangement will come into effect during 2011. I would like to thank BNP Paribas and JPMorgan for the service they provided to us.

Management agreement and performance fee

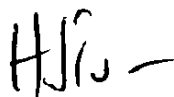
We have also reviewed our Investment Management Agreement with Henderson and have reached a new agreement which is in line with current formats. There are two material changes in the terms of the new agreement compared to the previous one. Firstly, in line with the best practice in the sector, we have agreed a shorter notice period of six months compared to the previous twelve months. Secondly, we have altered the basis of calculation of the performance fee arrangement which we have in place, although the overall cap on the fees payable in any one year has been maintained at its existing level. The main changes are to switch to a yearly calculation period rather than a rolling three year period as previously, to calculate any relative performance in cash terms rather than based on relative percentage changes, the introduction of a high water mark so that no performance fee will be paid until any shortfall in relative performance has been recovered, and to adopt a new benchmark that is more closely aligned to the reality of our underlying portfolio. The full details of the new basis are set out on pages 15 and 16 of this annual report.

We believe that this new basis is fairer to both shareholders and our Manager.

Outlook

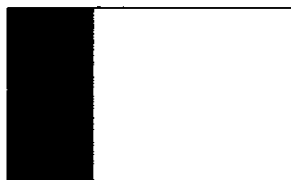
It is difficult not to conclude that 2011 is likely to feel like another rollercoaster year on the *Big Dipper*. Uncertainties abound regarding many issues at present, particularly arising from the awful disaster in Japan, whose full effects are emerging as I write this statement, and these are unlikely to be resolved any time soon. Whether it be about the strength of the economic recovery, the stubbornly high UK inflation rate, the impact of our government's spending cuts, the euro debt problems or the knock on consequences of the demands for real democracy amongst many Arab nations, just to mention a few of the known knowns, let alone the known unknowns or the unknown unknowns (courtesy of the unlamented Donald Rumsfeld). However, there is good news about too and there could be more in the months ahead, particularly if some of the current fears prove to be unfounded. So expect a ride on the *Big Dipper* as sentiment swings but there are good reasons to believe that we should reach the higher points, even if we have to endure the occasional downward dip to get there.

My cautious optimism comes from the fact that many companies are cash rich and so will either make acquisitions, buy their shares back or increase their dividends from profits which should continue to grow, whilst valuations are still not too demanding. In addition, given that interest rates are likely to remain low for some time, investors still have enormous amounts of cash looking for higher returns that can only really be found in riskier assets like equities. Therefore, despite markets likely to continue being volatile, there are probably still good reasons to remain invested and there should continue to be attractive opportunities for investment companies like ours.



Hugh Twiss, Chairman
21 March 2011

Investment Review



Alex Crooke

Review of the year to 31 December 2010

Given some of the remarkable events, both worldwide and closer to home, that occurred last year it is encouraging that both bonds and equities continued to find strength. The bailouts of Greece and Ireland did at times spook investors but as global economic growth continued to pick up, share prices advanced through the year, admittedly with the odd setback. The portfolio performance broadly mirrored the market's moves, although the equity investments are more defensive and tended to underperform rising markets and preserve value when prices fell. The corporate bond investments fared better than UK gilts and overall the Company's gearing enhanced the underlying performance of the investments.

The UK experienced an eventful year, with the general election in May ending with no party gaining an overall majority and the first Coalition Government for many decades. The change of leadership heralded a significant shift in economic policy, taking the country towards austerity and including plans to cut public spending. The Bank of England maintained its low interest rate policy throughout the year but inflationary pressures built as tax rises, commodity price increases and currency effects all fed through into higher levels of retail and consumer prices. Poor consumer sentiment and limited employment growth began to take its toll on economic recovery in the UK and the slowdown culminated in the economy shrinking in the fourth quarter of 2010, albeit heavily disrupted by poor weather. Overall, the UK

manufacturing and service sectors of the economy showed the best growth although consumer spending has clearly been impacted by higher prices and limited wage inflation.

The brightest spot in the UK has been the continued improvement in corporate profits, especially those companies exposed to commodities or emerging markets growth. In the periods during the year when companies reported profits (March and September) the stock market generally rose in value, with these results exceeding analysts' expectations. Companies are now reporting higher levels of sales and sustaining margins because costs are being controlled and debt is being repaid rapidly. The second half of the year saw a particular acceleration in expectations for future profits, which prompted investors to sell bonds to purchase equities. Although share prices grew over the year, the rise in profits outstripped the increase in share prices, leaving the overall UK market on a lower Price to Earnings ratio than at the beginning of the year.

The most favoured sector was again the mining sector, benefiting from higher metal prices and steady demand from emerging markets. However, unlike in 2009, the market broadened out and a wider selection of sectors participated in the move upwards. For instance, the utilities sector, and water companies in particular, performed well due to the publication of their next five year pricing review and in addition benefiting from increasing inflation which feeds through to higher water rates. The oil sector was hugely impacted by BP and underperformed despite oil

The ten largest investments at 31 December 2010 were:

| Position | Company | Sector | Market value 2010 £'000 | Market value 2009 £'000 | Percentage of portfolio 2010 | Percentage of portfolio 2009 |
|----------|--------------------------|--------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| 1 | British American Tobacco | Consumer Goods | 7,415 | 5,354 | 5.3% | 4.4% |
| 2 | Vodafone | Telecommunications | 6,355 | 5,508 | 4.6% | 4.5% |
| 3 | BP | Oil & Gas | 5,819 | 8,400 | 4.2% | 6.8% |
| 4 | HSBC* | Financials | 5,591 | 5,998 | 4.0% | 4.9% |
| 5 | National Grid* | Utilities | 4,883 | 4,773 | 3.5% | 3.9% |
| 6 | Aviva* | Financials | 4,518 | 4,723 | 3.3% | 3.8% |
| 7 | GlaxoSmithKline | Health Care | 4,427 | 3,066 | 3.2% | 2.5% |
| 8 | Catlin | Financials | 3,867 | 4,233 | 2.8% | 3.4% |
| 9 | Jardine Lloyd Thompson | Financials | 3,774 | 2,902 | 2.7% | 2.4% |
| 10 | Standard Life* | Financials | 3,574 | - | 2.6% | - |
| | | | 50,223 | 44,957 | 36.2% | 36.6% |

*includes fixed interest

Investment Review

continued

prices increasing. Shares in **BP** more than halved at one point, as the company failed to stem the flow of oil into the Gulf of Mexico from its Macondo well. Once the well was capped, there was a steady recovery in BP's share price, however, the suspension of dividends hit the market hard, effectively cancelling out growth from all the other market constituents.

Corporate bond prices continued their steady improvement from the lows in early 2009 and yield spreads over UK government gilts narrowed. As the year approached its end, there was increasing speculation that interest rates may need to rise to control inflation despite the sluggish growth in the UK economy. There was significant new bond issuance in 2010, especially from the banks, seeking to push out maturities and lock in lower yields. The limited number of corporate failures meant that high yield bonds outperformed better quality government credit and this trend generally benefited the portfolio which had a higher exposure to financials in particular.

Portfolio activity

From late 2009 we started to make adjustments in the mix of bonds and equities, favouring equities. Initially we reduced the holdings of preference shares which are effectively very long dated bonds and will be most vulnerable when interest rates start rising. Through 2010 we made further sales of fixed income holdings, reducing preference shares to 2.8% of the whole portfolio and corporate bonds to 13.6%. This left the total fixed interest holdings at 16.4% of assets and equities at their highest level (83.6%) during my tenure as Portfolio Manager. The preference for equities from this point is driven by the prospects for dividend growth, while increasing interest rates in the future will limit the capital potential from bonds. The Company's gearing has been broadly maintained at 23%, as the higher level of borrowings was offset by the increased level of overall assets. Importantly the equity gearing to net assets has increased relative to fixed interest investments reflecting the shift to favour equities over the medium term.

The portfolio activity over the year has not only been influenced by the move to increase equity exposure but also to reduce the impact upon income from this shift. Unfortunately the portfolio's income generation was also severely affected by **BP's** suspension of dividends which reduced income during the year by approximately £380,000. At the time **BP** was the largest holding and the events in the Gulf of Mexico were most alarming. When the company failed to limit the flow of oil after the initial phase, we took the decision to reduce significantly the holding, selling at 535p. We subsequently repurchased a large portion of these shares below 350p, when it was decided that there was an overreaction and that **BP** could meet its obligations to clean

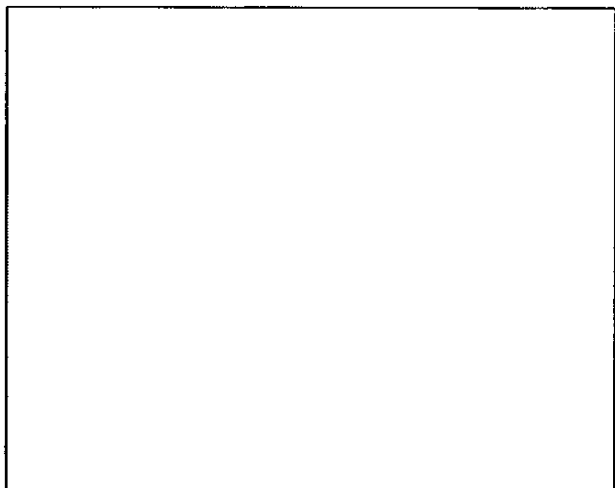
up the spill. However, the reduction in **BP** dividends cancelled out the growth we saw from the other holdings in the portfolio. Many of the other investments posted good growth in dividends, such as **Vodafone**, **IMI** and **British American Tobacco**.

With the certainty of a further five year regulatory price review for the water sector, we increased holdings that were sold two years ago. Larger positions in **Northumbrian Water**, **United Utilities** and **Severn Trent** were purchased. Balance sheets appear in better shape and the sector should benefit from higher inflation. There were also further purchases of **Centrica** and **Scottish & Southern**, as these mult utilities have been out of favour but we see scope for higher valuations based on good growth in dividends and increased market share.

There have been selective investments in European companies, as certain sectors in the UK have become very concentrated in terms of available investment opportunities. New purchases included **Terna**, the Italian electricity distribution network, and **CRH**, the global building materials distributor. We will continue to seek out new European investments in the higher yielding sectors, like pharmaceuticals and telecoms, but do not expect overall direct European holdings to exceed more than 10% of the portfolio value.

The successful holding in **Prodesse** was redeemed earlier in the year and initially it proved difficult to replace its high level of income. We have subsequently found an opportunity to make two new investment fund holdings in **Carador** and **John Laing Infrastructure Fund**. The latter will yield 6% and has exposure to high quality infrastructure properties, such as

Sector analysis of the equity portfolio at 31 December 2010



Investment Review

continued

hospitals and toll roads, providing rising income over time.

Carador invests in corporate loans and gives exposure to both the recovery in corporate profits but also rising interest rates being reflected in higher payments on loans

The mix of investments remains fairly defensive and reflects a balance between stable high dividend yields and an exposure to growth of income over the next few years. We have always struggled to invest in the lower yielding mining and service sectors and this will remain so, unless dividend growth accelerates significantly. We have continued to reduce exposure to equities and bonds where dividends or coupons may be at risk of being cut but overall the outlook for income is improving and, with a low payout ratio across the UK market, there is scope for dividend growth to pick up across most sectors

Outlook

The primary objective over the coming twelve months is to restore the Company's revenue to a basis that can sustain the current dividend distributions. The recession that started in 2008 hit the UK market's dividend payout particularly hard and total dividends fell by 30% from the peak (see the graph below). There has only been a partial recovery in market dividends because BP's suspended dividends wiped out growth elsewhere. The picture is clouded with the more defensive stocks maintaining their payouts but consequently they cannot be expected to grow their dividends as strongly as others during the recovery.

The Company's strategy has been to utilise revenue reserves for as long as justifiable in order to bridge an income shortfall and allow dividends to grow to cover the income requirement

once more. Reserves have been drawn upon in 2009 and 2010, in roughly equal measures. In 2011, however, we expect a significantly reduced draw down of reserves as company dividends continue to grow; a trend which, barring unforeseen circumstances, is expected to continue in 2012.

The outlook for capital growth will be influenced by the fight to control inflation and whether the Bank of England decides to increase interest rates soon. Rising short term rates tend to lead to growth stocks underperforming and overall the equity market struggles to make progress. The mix of investments in the portfolio may do better though, as both insurance and utilities are beneficiaries of higher interest rates and inflation. Generally equity valuations are not expensive with many stocks on single figure P/E's and dividend yields above government gilt yields. There will undoubtedly be further shocks in the world and each will need to be judged against its impact on the global economy but our stock selection remains defensive and is focused on the preservation of both capital and income. Corporate profits will continue to grow in 2011 and a modest flow of investors' funds from bonds to equities could produce another hard earned year with higher share prices.

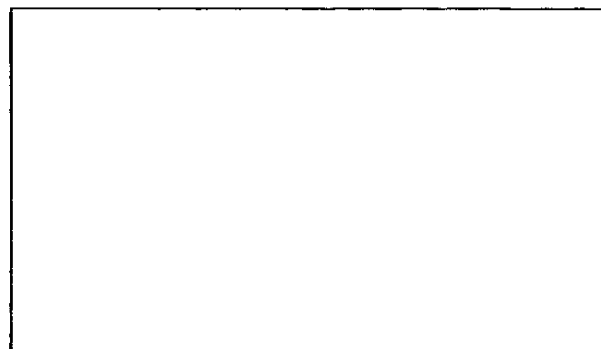
Alex Crooke
Ben Lofthouse
21 March 2011

Top ten holdings by contribution to income during the year ended 31 December 2010

| Holding | £'000 |
|---------------------------|--------------|
| Vodafone | 326 |
| British American Tobacco* | 320 |
| Aviva* | 316 |
| Catlin | 299 |
| National Grid* | 273 |
| HSBC* | 232 |
| GlaxoSmithKline | 206 |
| Scottish & Southern | 188 |
| Royal Dutch Shell | 174 |
| Standard Chartered* | 163 |
| Total | 2,497 |

These represent 34% of the total income from investments during the year
* includes fixed interest income

FTSE All-Share dividends (rebased to 100 at 1 January 2005)



Investments: Fixed Interest

Valuations at 31 December 2010

| FIXED INTEREST | £'000 | FIXED INTEREST | £'000 |
|---------------------------------------|--------------|--|---------------|
| Preference Shares | | Others | |
| Aviva 8.75% | 791 | Aviva 6.125% Perpetual | 875 |
| General Accident 8.875% | 373 | Barclays Bank 6% Perpetual 2049 | 1,522 |
| Middlefield Canadian Inc Part Pref 7% | 1,372 | BNP Paribas 7.436% Perpetual 2049 | 960 |
| National Westminster Bank 9% | 500 | Carnival 7.125% 2012 | 762 |
| Royal & Sun Alliance 7% | 400 | Credit Suisse Group 8.514% 2015 | 1,559 |
| Santander 10.375% | 390 | Daily Mail & General Trust 5.75% 2018 | 474 |
| Total Preference Shares | 3,826 | Daily Mail & General Trust 7.5% 2013 | 789 |
| | | HSBC Capital Funding 8.208% 2049 | 979 |
| | | Investec Finance 7.75% 2016 | 982 |
| | | Legal & General 6.385% Perpetual | 1,367 |
| | | Lloyds Capital 11.04% 2020 | 354 |
| | | National Grid 6.125% 2014 | 653 |
| | | National Westminster Bank 7.625% 2049 | 365 |
| | | Portman Building Society 7.125% 2016 | 1,017 |
| | | Prudential 11.75% 2049 | 210 |
| | | Rexam 6.75% 2067 | 825 |
| | | Royal & Sun Alliance Insurance 8.5% Perpetual | 609 |
| | | Société Générale 8.875% 2049 | 1,203 |
| | | Standard Chartered 8.103% Perpetual 2016 2,088 | |
| | | Standard Life 6.75% Perpetual | 1,306 |
| | | Total Others | 18,899 |
| | | TOTAL FIXED INTEREST | 22,725 |

Investments: Equities (including convertibles and investment funds)

Valuations at 31 December 2010

| OIL & GAS | £'000 | INDUSTRIALS continued | £'000 |
|-------------------------------------|--------------|----------------------------------|---------------|
| Oil & Gas Producers | | Industrial Transportation | |
| BP | 5,819 | British Airways* | 530 |
| LASMO OPS | 32 | Fisher J & Sons | 1,010 |
| Royal Dutch Shell 'B' | 3,093 | Goldenport (Greece) | 115 |
| Total Oil & Gas | 8,944 | Wincanton | 479 |
| | | Support Services | |
| INDUSTRIALS | £'000 | Amec | 780 |
| Aerospace & Defence | | Berendsen | 661 |
| BAE Systems | 1,155 | De La Rue | 860 |
| Construction & Materials | | Electrocomponents | 1,143 |
| Balfour Beatty* | 864 | Premier Farnell | 338 |
| CRH (Ireland) | 885 | Smiths News | 1,653 |
| Galliford Try | 2,258 | Total Industrials | 15,506 |
| Marshalls | 540 | | |
| Industrial Engineering | | | |
| IMI | 1,276 | | |
| Metalrax | 100 | | |
| Senior | 859 | | |

*includes convertibles

Investments: Equities (including convertibles and investment funds)

continued

| CONSUMER GOODS | £'000 | UTILITIES | £'000 |
|--|---------------|---------------------------------------|----------------|
| Beverages | | Electricity | |
| Diageo | 1,185 | Scottish & Southern Terna (Italy) | 1,642 2,028 |
| Food Producers | | Gas Water & Multiutilities | |
| Dairy Crest | 1,757 | Centrica | 1,564 |
| Hilton Food Group | 969 | National Grid | 4,230 |
| Tate & Lyle | 1,036 | Northumbrian Water | 2,979 |
| Tobacco | | Severn Trent | 3,088 |
| British American Tobacco | 7,415 | United Utilities | 1,480 |
| Imperial Tobacco | 2,165 | Total Utilities | 17,011 |
| Total Consumer Goods | 14,527 | | |
| | | FINANCIALS | £'000 |
| HEALTH CARE | £'000 | Banks | |
| Pharmaceuticals & Biotechnology | | HSBC | 4,612 |
| AstraZeneca | 2,630 | Nonlife Insurance | |
| GlaxoSmithKline | 4,427 | Catlin | 3,867 |
| Total Health Care | 7,057 | Hiscox | 954 |
| | | Jardine Lloyd Thompson | 3,774 |
| CONSUMER SERVICES | £'000 | RSA Insurance | 939 |
| General Retailers | | Life Insurance | |
| HMV | 166 | Aviva | 2,852 |
| Kingfisher | 1,870 | Chesnara | 1,638 |
| Majestic Wine | 1,310 | Hansard | 900 |
| Media | | Prudential | 1,202 |
| ITV | 444 | Standard Life | 2,268 |
| Trinity Mirror | 282 | Real Estate | |
| Travel & Leisure | | Conygar Investment | 209 |
| The Hotel Corporation | 703 | Land Securities | 1,112 |
| Marston's | 1,217 | Mapeley* | 61 |
| Thomas Cook | 1,290 | General Financial | |
| Total Consumer Services | 7,282 | Eurocastle (Netherlands) | 7 |
| | | Intermediate Capital | 2,492 |
| TELECOMMUNICATIONS | £'000 | Investec | 942 |
| Fixed Line Telecommunications | | London Scottish | 1 |
| BT | 2,170 | Tullett Prebon | 1,531 |
| Kcom | 585 | Equity Investment Instruments | |
| KPN (Netherlands) | 1,497 | Carador (Ireland) | 1,798 |
| Mobile Telecommunications | | Henderson Diversified Income | 1,688 |
| Vodafone | 6,355 | John Laing Infrastructure | 2,130 |
| Total Telecommunications | 10,607 | Total Financials | 34,977 |
| | | TOTAL EQUITIES | 115,911 |

*includes convertibles

Classification of Investments

at 31 December 2010

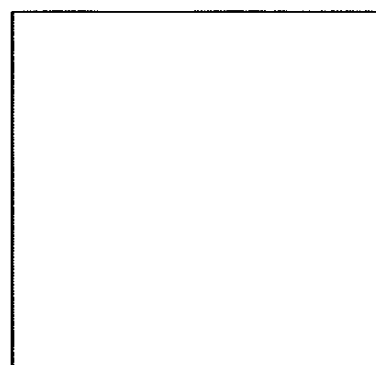
| | Total 31 December 2010 % | Total 31 December 2009 % | | Total 31 December 2010 % | Total 31 December 2009 % |
|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| FIXED INTEREST | | | Telecommunications | | |
| Preference shares | 2.8 | 4.2 | Fixed Line Telecommunications | 3.1 | 1.7 |
| Others | 13.6 | 19.4 | Mobile Telecommunications | 4.6 | 4.5 |
| Total Fixed Interest | 16.4 | 23.6 | Total Telecommunications | 7.7 | 6.2 |
| EQUITIES | | | Utilities | | |
| Oil & Gas | | | Electricity | 2.7 | 2.2 |
| Oil & Gas Producers | 6.4 | 9.0 | Gas Water & Multiutilities | 9.6 | 6.3 |
| Total Oil & Gas | 6.4 | 9.0 | Total Utilities | 12.3 | 8.5 |
| Industrials | | | Financials | | |
| Aerospace & Defence | 0.8 | 1.0 | Banks | 3.3 | 4.1 |
| Construction & Materials | 3.3 | 3.0 | Nonlife Insurance | 6.9 | 6.5 |
| Electronic & Electrical Equipment | – | 0.2 | Life Insurance | 6.4 | 4.9 |
| Industrial Engineering | 1.6 | 0.4 | Real Estate | 1.0 | 0.8 |
| Industrial Transportation | 1.6 | 2.2 | General Financial | 3.6 | 5.8 |
| Support Services | 3.9 | 4.0 | Equity Investment Instruments | 4.0 | 1.3 |
| Total Industrials | 11.2 | 10.8 | Total Financials | 25.2 | 23.4 |
| Consumer Goods | | | Total investments | 100.0 | 100.0 |
| Automobiles & Parts | – | 0.8 | | | |
| Beverages | 0.9 | 1.1 | | | |
| Food Producers | 2.7 | 1.8 | | | |
| Tobacco | 6.9 | 6.8 | | | |
| Total Consumer Goods | 10.5 | 10.5 | | | |
| Health Care | | | | | |
| Pharmaceuticals & Biotechnology | 5.1 | 4.2 | | | |
| Total Health Care | 5.1 | 4.2 | | | |
| Consumer Services | | | | | |
| General Retailers | 2.4 | 0.9 | | | |
| Media | 0.5 | 0.8 | | | |
| Travel & Leisure | 2.3 | 2.1 | | | |
| Total Consumer Services | 5.2 | 3.8 | | | |

Distribution of the UK equity holdings of Henderson High Income Trust plc at 31 December 2010

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 over 30 years ago and included periods with James Capel the stockbrokers, and Mercury Asset Management, before spending nearly 10 years at Gartmore where he became Managing Director of Pension Funds. In 1996 he joined M&G as Chief Investment Officer, retaining the same position until 2002 after M&G's acquisition by Prudential. He was also a director of M&G High Income Investment Trust plc. He is currently a non-executive director of Brunner Investment Trust plc and Perpetual Income and Growth Trust plc, an adviser to BAE Systems Pension Fund and the Nuffield Foundation, as well as being a member of the Investment Committee of St James's Place PLC. Among a number of charity involvements, he is deputy chairman of the governors of Dulwich College and a member of the Advisory Board of Greenwich Hospital.

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 2000 until February 2010 he worked for Carr Sheppards Crosthwaite and Rensburg Sheppards as Head of Research, leaving to take up appointment as a director and Chief Executive Officer of Witan Investment Trust plc from 8 February 2010. Prior to the City, he worked for Shell in Oman, leaving to take a Sloan

Fellowship at the London Business School. He is a deputy chairman of the Association of Investment Companies.

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

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

Janet S Walker joined the Board on 1 June 2007 and was appointed Chairman of the Audit Committee on 1 October 2008. Since the beginning of 2011 she has been the Bursar of Eton College. She was formerly the Commercial & Finance Director of Ascot Racecourse and a non-executive director of the Design Council and Royal Holloway College. From 1980 until 2003 Miss Walker was employed in broadcasting, including roles as Director of Finance and Business Affairs at Channel Four Television from 1998 to 2003, Director of Finance at Granada Media Group from 1996 to 1998, Financial Controller, Regional Broadcasting for the BBC from 1994 to 1996 and Deputy Director of Finance and Corporation Secretary at Channel Four Television from 1988 to 1994.

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

Management



Alex Crooke



Ben Lofthouse



Deborah Trickett

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

Ben Lofthouse has been Deputy Portfolio Manager since August 2006.

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

Report of the Directors

The directors present the audited financial statements of the Company and their report for the year ended 31 December 2010.

BUSINESS REVIEW

The following business review is designed to provide information about the Company's business and results for the year ended 31 December 2010. The Business Review should be read in conjunction with the Investment Review on pages 5 to 7, which gives a detailed review of the investment activities for the year and an outlook for the future

a) Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("CTA"). It is required to seek approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under Section 1158 every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2009, although this approval is subject to there being no subsequent enquires under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

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

b) Investment objective and policy

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

Investment approach

To achieve this objective, the Company invests in a prudently diversified selection of both equities and fixed interest securities. A substantial majority of the Company's assets is 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 capable of 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 strong management 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 95) to ensure that no single investment puts undue risk on the sustainability of the income generated by the portfolio or indeed the capital value, as well as reflecting the value based investment approach. Regard is also given to having a broad mix of companies in the portfolio, as well as a spread of risk across a range of economic sectors.

Investment policy

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

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

Risk management and portfolio analysis

The Company looks to reduce investment risk and achieve an appropriate spread of investment risk principally through holding a broadly diversified portfolio containing both equities and fixed interest securities, as described above. The largest single exposure to any individual company at 31 December 2010 was British American Tobacco, which accounted for 5.3% of the total portfolio. The top 10 holdings amounted to 36.2% (2009: 41.7%) of the total portfolio.

Report of the Directors

continued

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

Full details of the Company's portfolio can be found on pages 8 and 9, and an explanation of the movement in NAV against the Company's relevant composite benchmark index is contained on page 46. Further information regarding investment risk and portfolio activity throughout the year can be found in the Investment Review on pages 5 to 7.

c) Financial review

| | 2010 | 2009 | % Change |
|---------------------------|---------|---------|----------|
| Net asset value per share | 126.70p | 117.73p | +7.6 |
| Revenue return per share | 7.37p | 7.51p | -1.9 |

Assets

Total net assets at 31 December 2010 amounted to £112,712,000 compared with £100,763,000 at 31 December 2009, and the net asset value per ordinary share increased from 117.73p to 126.70p.

At 31 December 2010 there were 95 (2009: 97) separate investments, as detailed on pages 8 and 9.

Costs

In the year under review borrowing costs totalled £677,000, the management fee totalled £555,000 and other expenses totalled £318,000. These figures include VAT where applicable. Notwithstanding the outperformance achieved in 2010, no performance fee is payable as the Company did not outperform the benchmark index over the three year rolling period from 1 January 2008 to 31 December 2010. Transaction costs, which include stamp duty and totalled £207,000, are included within the purchase costs or netted against the sales proceeds of investments.

Revenue

The Company's gross revenue totalled £7,415,000 (2009 £7,727,000). After deducting expenses, the revenue return for the year was £6,389,000, a decrease of 0.6% from the previous year's figure of £6,425,000.

Dividends paid and proposed

Four dividends were paid during the financial year to 31 December 2010: the third and fourth interim dividends in respect of the financial year to 31 December 2009 and the

first and second interim dividends in respect of the year to 31 December 2010.

A third interim dividend in respect of the financial year to 31 December 2010 was paid on 31 January 2011. The fourth interim dividend for the year to 31 December 2010, payable on 30 April, has been reclassified as the first interim dividend for the year to 31 December 2011. For accounting purposes, there are therefore only three dividends being paid in respect of these 2010 financial statements, these three dividends total 6.225p per share (2009: four dividends totalling 8.30p per share). However, shareholders have received, and will continue to receive, four interim dividend payments in any one calendar year.

Payment of suppliers

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

Loan facility and gearing

The Board has in place a loan facility that allows it to borrow as and when appropriate. At 31 December 2010 the Company had a committed loan facility of £35m. Details of the facility are contained in note 12 on page 37. The facility expires on 31 March 2011. A new one year multi-currency facility of £41m has been agreed with ING Bank NV to commence on 1 April 2011. Net gearing at 31 December 2010 was 23%.

Future developments

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

d) Performance measurement and key performance indicators

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

Report of the Directors

continued

Dividend policy

The Board places a high level of importance on maintaining the Company's dividend payments. The aim is to maintain a suitable asset allocation that will permit a progressive and steady annual level of dividend distributions to shareholders although market conditions in the last two years have not made this possible. 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 the Company's shares to other relevant sectors of the AIC.

Shareholders must, however, recognise that dividend payments can never be guaranteed, and that circumstances may arise when it may be necessary to reduce or pass a dividend payment. In addition, the Board may from time to time decide to utilise some of the Company's revenue reserves to fund dividends, as has been the case in the past two years. Equally, there may be instances when the level of payment must be increased in order to comply with Section 1158 of the CTA which requires an investment trust to distribute at least 85% of its eligible investment income. Where such instances would result in a payment going beyond the Board's aim, one-off "special dividend" payments would be declared and paid.

Performance

At each meeting the Board reviews the performance of the portfolio as well as the net asset value and share price of the Company. The Board also compares the performance of the Company against the benchmark. The Board has determined that this measure be used to calculate whether a performance fee is payable to the Manager as set out below. A new benchmark and revised performance fee calculation has been agreed with the Manager. Further details are given in section h) on pages 15 and 16.

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

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

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

Performance against the Company's peer group

The Company is included in the AIC UK High Income sector. In addition to comparison against the stated benchmark, the

Board also considers at each meeting the performance of its AIC peer group.

Total expense ratio ("TER")

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

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

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

| | Year to 31 December 2010 % | Year to 31 December 2009 % |
|---|-------------------------------------|-------------------------------------|
| Net asset value total return | +15.4 | +27.8 |
| Benchmark total return | +12.7 | +22.3 |
| FTSE All-Share Index total return | +14.5 | +30.1 |
| FTA Government All Stocks Index total return | +7.2 | -1.2 |
| AIC UK High Income sector net asset value total return | +18.4 | +41.9 |
| Share price total return | +19.0 | +31.4 |
| AIC UK High Income sector share price total return | +19.3 | +42.7 |
| Discount at year end | 1.5 | 2.7 |
| TER (incl performance fee) | 0.8 | 1.0 |
| TER (excl performance fee) | 0.8 | 1.0 |

e) Going concern

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

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

A continuation vote was put to shareholders at the 2010 AGM and was duly passed. The Articles of Association require the next continuation vote to be proposed at the 2015 AGM.

Report of the Directors

continued

f) Related party transactions

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

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

During the year under review UK custody services were provided by BNP Paribas Securities Services, non-UK custody services were provided by JPMorgan Chase Bank N.A. New custody arrangements have been reached with HSBC Bank to replace BNP Paribas and JPMorgan during 2011.

g) Management arrangements to 31 December 2010

The management agreement provides for the payment of a composite annual management fee which is calculated as a percentage of the average value of assets under management on the last day of each of the two years preceding the calendar year in respect of which the calculation is made. The percentage applicable throughout the year ended 31 December 2010 was 0.5%.

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

Performance is measured on a three-year rolling basis. Thus, the fee calculated at 31 December 2010 takes the average

performance over the calendar years 2008 to 2010.

In any given year in which a performance fee is payable, the fee rate is increased by 0.15% for every 1% average outperformance on a sliding scale. The upper limit on the total fee, including both the annual management fee and any performance fee, for any given accounting year is 1.5% of average assets under management. While performance is measured over three years, only the current year's fee would be increased in the event of outperformance. No performance fee was earned in the year (2009: £nil).

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

The average annual total return of the Company's total assets over the three years to 31 December 2010 was 2.0% (2009: -3.1%). This compared with the benchmark return of 4.8% (2009: 2.3%).

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

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

h) Management arrangements from 1 January 2011

A new investment management agreement has been agreed with Henderson effective from 1 January 2011. The main changes are a revised benchmark, a reduced notice period and new performance fee arrangements.

The new benchmark is 80% FTSE All-Share Index (total return) and 20% Merrill Lynch Sterling Non-Gilts Index (total return) instead of 75% FTSE All-Share Index and 25% FTA Government All Stocks Index.

Report of the Directors

continued

The new investment management agreement may be terminated by either party giving six months' notice, a reduction from 12 months in the previous agreement.

From 1 January 2011 performance will be measured over a single financial year. Performance will be measured by aggregating the 12 monthly differences between the portfolio performance and the benchmark performance.

The portfolio performance is the sum of the cash differences in the value of each holding in the total portfolio over each month after adjusting for purchases, sales and income.

The benchmark performance is the amount calculated by multiplying the percentage increase in the benchmark over the month by the mean value of the portfolio for that month.

In the event that the aggregate portfolio performance is greater than the benchmark performance over the financial year, a performance fee of 15% of the difference will be payable.

In the event that the aggregate portfolio performance is less than the benchmark performance over the financial year, the negative cash amount will be carried over to the following financial year. No performance fee will be payable until the future positive performance exceeds the aggregate amount of any negative performance carried over from any previous years.

There is no change to the base management fee, which is still 0.5% of the average value of assets under management on the last business day of each of the two years preceding the calendar year in respect of which the calculation is made, payable quarterly in advance. Assets under management excludes any Henderson managed funds or Henderson Group plc shares that might be held in the portfolio.

In addition, a supplemental fee will be paid on any new funds in the year they were raised at the pro rata annual rate. For the following year any funds raised are added to prior year assets for the purposes of calculating the fee.

The upper limit that may be paid to the Manager in respect of the sum of the base fee plus any supplemental fees and performance fees in any one financial year remains at 1.5% of the average of assets under management over the four quarter ends. There is therefore no change in the total amount of fees that may be paid to the Manager in any one financial year. Any excess positive performance above this cap

shall be carried over to the following financial year and added to the performance for that year.

i) 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.

Financial

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

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

Further details of these risks and how they are managed are contained in note 13 on pages 37 to 43.

Regulatory

A breach of Section 1158 of CTA would lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. The Manager has contracted to provide investment, company secretarial, accounting and administration services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm regulatory compliance.

Report of the Directors

continued

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 21.

CORPORATE GOVERNANCE STATEMENT

a) Applicable corporate governance codes

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

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

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

In May 2010 the FRC published the new UK Corporate

Governance Code, which is effective for accounting periods commencing on or after 29 June 2010. The AIC revised its Code of Corporate Governance in October 2010, which has been endorsed by the FRC. The Company will report against the new Codes in its annual report to 31 December 2011.

b) Statement of compliance

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

Senior independent director

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

The role of chief executive

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

Executive directors' remuneration

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

Internal audit function

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

c) Directors

Board composition

The Articles of Association provide that the total number of directors shall not be less than two nor more than ten, the Board currently consists of six non-executive directors.

The biographies of the directors holding office at the date of this report, which are set out on page 11, demonstrate the

Report of the Directors

continued

breadth of investment, commercial and professional experience relevant to their positions as directors.

All the directors served on the Board throughout the year.

Directors' appointment, retirement and rotation

The Board may appoint directors to the Board without shareholder approval. No directors were appointed during the year

All directors are appointed for an initial term of three years, after which time they are subject to re-appointment. The Board believes that length of service does not diminish the contribution from a director; on the contrary, a director's knowledge of the Company can be a positive advantage to the Board and retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. Moreover, long-serving directors are less likely to take a short-term view. Consequently, the Board does not have a fixed term tenure policy for its directors.

In accordance with the Articles of Association, directors stand for election at the first Annual General Meeting ("AGM") following their appointment. At every AGM any director who has been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them, or who has held office with the Company for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members.

Mr Bazalgette, Mr Bell and Miss Walker, who were last re-elected at the AGM in 2008, will therefore retire by rotation and have offered themselves for re-election. No director has held office for more than nine years.

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

Board independence

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

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially

interested and which is or was significant in relation to the Company's business.

Directors' remuneration

A report on directors' remuneration is on page 24.

Directors' interests in shares

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

| Ordinary shares of 5p | 31 December 2010 | 31 December 2009 |
|-----------------------|------------------|------------------|
| Beneficial | | |
| Vivian Bazalgette | 10,000 | 10,000 |
| Andrew Bell | 30,000 | 30,000 |
| Margaret Littlejohns | 3,000 | 3,000 |
| Anthony Newhouse | 20,000 | - |
| Hugh Twiss | 39,354 | 36,747 |
| Janet Walker | 6,000 | 6,000 |

Since the end of the financial year Mr Twiss has acquired a further 646 shares and Mrs Littlejohns has acquired a further 4,000 shares in the Company. There have been no other changes in the directors' interests between the end of the financial year and the date of this report.

Directors' conflicts of interest

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

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. All the directors have also undertaken to notify the Chairman as soon as they

Report of the Directors

continued

become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which is reviewed annually by the Board

Directors advise the Chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the Act in advance of joining the Board. The Chairman then determines 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 are able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors act in a way they consider, in good faith, to 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 reviewed its conflicts of interest procedures in September 2010 and confirmed that its powers of authorisation of conflicts have operated effectively since they were introduced. The Board also confirmed that its procedures for the approval of conflicts of interest have been followed by all the directors.

Directors' professional development

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

Directors' indemnity

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

d) The Board

Responsibilities of the Board and relationship with the Manager

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

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 25, the Independent Auditor's Report on page 26 and the statement of going concern on page 14.

The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance, conflicts of interest and Board membership and appointments. A procedure has been adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Board has delegated to the Manager, the management of the investment portfolio, accounting, company secretarial and administration services.

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

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

Report of the Directors

continued

matters of concern. The Board and the Manager operate in a supportive, co-operative and open environment.

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

Audit Committee

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

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

Representatives of Grant Thornton UK LLP, the Company's auditor, attend the Committee meeting at which the draft annual report and financial statements are reviewed and 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 auditor did not provide any non-audit services. Grant Thornton UK LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint Grant Thornton UK LLP as auditor to the Company, and to authorise the directors to determine the auditor's remuneration, will be proposed at the AGM.

Management Engagement Committee

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

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

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

Nominations Committee

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

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

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

Report of the Directors

continued

when appointing new directors if it believes that either method is likely to provide any meaningful advantage over the above process

The Committee met in January 2011 to carry out its annual review of the Board, its composition and size and its Committees.

At its meeting the Nominations Committee reviewed the performance and commitment of the directors standing for re-election at the 2011 AGM and confirmed that all three directors continue to bring wide, current and relevant business experience that allows them to contribute effectively to the leadership of the Company. The Nominations Committee is therefore pleased to recommend that all three directors should seek re-election to the Board.

Board attendance

Attendance at the Board and Committees meetings held during the financial year are shown below. All directors usually attend the AGM.

| | Board | Audit Committee | Nominations Committee | Management Engagement Committee |
|------------------------|----------|-----------------|-----------------------|---------------------------------|
| No. of meetings | 6 | 3 | 2 | 1 |
| Hugh Twiss | 6 | 3 | 2 | 1 |
| Vivian Bazalgette | 6 | 3 | 2 | 1 |
| Andrew Bell | 6 | 2 | 2 | 1 |
| Margaret Littlejohns | 6 | 3 | 2 | 1 |
| Anthony Newhouse | 6 | 3 | 2 | 1 |
| Janet Walker | 5 | 2 | 2 | 1 |

e) Performance evaluation

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

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

f) Internal controls

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

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

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

g) Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The directors undertake a formal review of the Manager annually. At its meeting in November 2010 the Management Engagement Committee confirmed that the continuing appointment of Henderson is in the interests of the Company's shareholders as a whole and should be retained for the financial year ending 31 December 2011. The main reasons are the long-term performance of the Manager in managing the Company, its extensive investment management resources and experience in managing and administering investment trust companies.

Report of the Directors

continued

The directors also reviewed the terms of the management agreement and have agreed with Henderson revised arrangements as set out on pages 15 and 16

h) Share capital and shareholders

Share capital

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

At the beginning of the year, there were 85,835,744 shares in issue (which included 250,000 shares held in treasury). During the year, the Company sold 250,000 shares out of treasury for a total consideration of £303,000 and issued a further 3,125,000 new ordinary shares for total proceeds of £3,842,000. At 31 December 2010 the number of shares in issue was 88,960,744.

Since 31 December 2010 and up to the date of this document, a further 250,000 shares have been issued. At the date of this report the number of shares in issue is 89,210,744.

Substantial share interests

Declarations of interests in the voting rights of the Company at 28 February 2011 are set out below.

| Shareholder | % of voting rights |
|--|--------------------|
| Rensburg Sheppards Investment Management | 4.4% |
| Legal & General Investment Management | 3.6% |

The Board is aware that, at 28 February 2011, 11.0% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products and 4.3% on behalf of participants in Henderson products. The participants in these products are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. The nominee companies have stated that they will exercise the voting rights of any shares held through these products that are not 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.

Relations with shareholders

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

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

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

Board authorities to issue and buy back share capital

At each AGM the directors seek authority from the shareholders to allot new ordinary shares, to disapply the pre-emption rights of existing shareholders, and to buy back for cancellation or to hold in treasury the Company's ordinary shares.

i) Corporate Responsibility (SEE statement)

Responsible investment

Responsible Investment is the term Henderson uses to cover its work on corporate governance and corporate responsibility (or social, environmental and ethical issues ('SEE')) in the companies in which it invests on its clients' behalf, across all funds. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and

Report of the Directors

continued

aspirational framework for incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision, however, an investment may not necessarily be ruled out for social and environmental reasons only.

Voting policy

The Board has reviewed Henderson's Responsible Investment Policy (which sets out the Manager's approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients, and its policy on proxy voting) and has delegated responsibility for voting to the Manager. The Policy also sets out how Henderson implements the UK Stewardship Code.

The Board receives a report, at least annually, on the voting undertaken by the Manager on behalf of the Company.

The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Portfolio Manager and/or members of the Board will give specific instructions to the Manager on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefor are fed back to the investee company prior to voting.

The Henderson Responsible Investment Policy and further details of Henderson's responsible investment activities can be found on the Henderson website, www.henderson.com/sites/henderson/responsibleinvestment.aspx

Employee and environmental matters

The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Thursday 28 April 2011 at 12 00 noon at the Company's registered office. Separate resolutions will be proposed for each substantive issue. The formal notice as well as full details of the resolutions to be put at the AGM are contained in the separate circular being sent to shareholders with this report.


The directors seek annual authority from the shareholders to allot new ordinary shares, to disapply the pre-emption rights of existing shareholders, and to buy back for cancellation or to be held in treasury the Company's ordinary shares. At the AGM in May 2010 the directors were granted authority to buy back up to 12,829,303 ordinary shares. At 31 December 2010 and also at the date of this report, this authority has not been used and the directors therefore have remaining authority to buy back up to 12,829,303 ordinary shares, this authority will expire at the conclusion of the AGM in April 2011.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

By order of the Board



D J Trickett ACIS

For and on behalf of Henderson Secretarial Services Limited
Secretary

21 March 2011

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Sections 420-422 of the Companies Act 2006. The report also meets the relevant Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by Section 439 of the Act, a resolution to approve the report will be proposed at the AGM. The Company's auditor is required to report on certain information contained within this report. Where information set out below has been audited, it is indicated as such.

Remuneration policy

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

Directors are remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by that director. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively. The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other directors in recognition of their more onerous roles. The current annual rates of fees paid to the members of the Board are: Chairman £28,500, Chairman of the Audit Committee £22,800, and directors £19,000. The policy is to review these rates annually, although such review will not necessarily result in any change to the rates. The actual amounts paid to the directors during the financial year under review are as shown in the table in the following column.

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

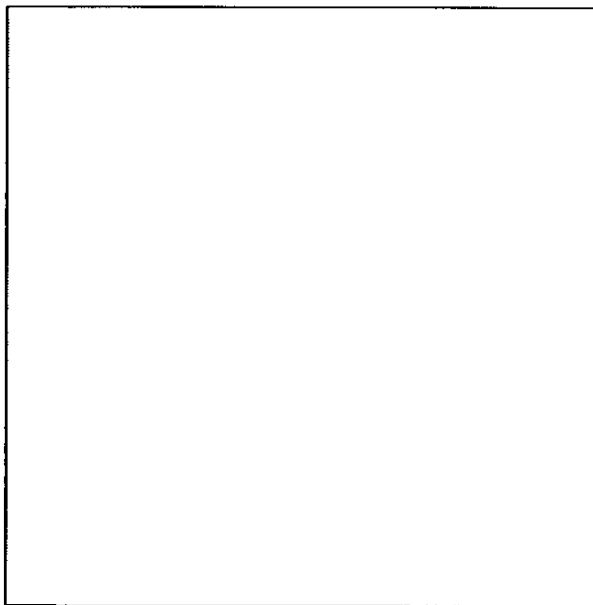
None of the directors has a contract of service and a director may resign by notice in writing to the Board at any time. There are no notice periods. Directors' and officers' liability insurance cover is held by the Company in respect of the directors.

Amount of each Director's Emoluments (audited)

The fees payable in respect of each of the directors who served during the year, and during 2009, were as follows:

| | 2010 £ | 2009 £ |
|----------------------|----------------|----------------|
| Vivian Bazalgette | 18,750 | 18,500 |
| Andrew Bell | 18,750 | 18,500 |
| Margaret Littlejohns | 18,750 | 18,500 |
| Anthony Newhouse | 18,750 | 18,500 |
| Hugh Twiss | 28,125 | 27,750 |
| Janet Walker | 22,500 | 22,200 |
| TOTAL | 125,625 | 123,950 |

Performance graph



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

By order of the Board

D J Trickett ACIS

For and on behalf of

Henderson Secretarial Services Limited

Secretary

21 March 2011

Statement of Directors' Responsibilities

in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have chosen to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's

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

Statement under DTR 4.1.12

To the best of our knowledge

- a) the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- b) the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.



For and on behalf of the Board
Hugh Twiss
Chairman
21 March 2011

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

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

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

Independent Auditor's Report

to the members of Henderson High Income Trust plc

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

We have audited the financial statements of Henderson High Income Trust plc for the year ended 31 December 2010 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

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

Under the Listing Rules, we are required to review:

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

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
21 March 2011

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2010

| Year ended 31 December 2010 | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Other capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|----------------------------------|--------------------------------|-------------------------------------|---------------------------------|--------------------------|----------------|
| At 31 December 2009 | 4,291 | 56,877 | 26,302 | 9,281 | 4,012 | 100,763 |
| Net return on ordinary activities after taxation | - | - | - | 8,535 | 6,389 | 14,924 |
| Sale of shares held in treasury | - | - | - | 303 | - | 303 |
| Issue of new shares | 157 | 3,685 | - | - | - | 3,842 |
| Third interim dividend (2.075p per share) for the year ended 31 December 2009 paid 29 January 2010 | - | - | - | - | (1,776) | (1,776) |
| Fourth interim dividend (2.075p per share) for the year ended 31 December 2009 paid 30 April 2010 | - | - | - | - | (1,776) | (1,776) |
| First interim dividend (2.075p per share) for the year ended 31 December 2010 paid 29 July 2010 | - | - | - | - | (1,776) | (1,776) |
| Second interim dividend (2.075p per share) for the year ended 31 December 2010 paid 29 October 2010 | - | - | - | - | (1,822) | (1,822) |
| Refund of unclaimed dividends | - | - | - | - | 30 | 30 |
| At 31 December 2010 | 4,448 | 60,562 | 26,302 | 18,119 | 3,281 | 112,712 |

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

The notes on pages 31 to 45 form part of these financial statements

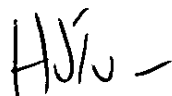
Balance Sheet

at 31 December 2010

| Notes | 2010 £'000 | 2009 £'000 |
|-------|---|-----------------|
| 10 | 138,636 | 122,881 |
| | | |
| | Current assets | |
| 11 | Debtors | 1,509 |
| | Cash at bank | 1,345 |
| | 4,808 | 2,854 |
| 12 | Creditors: amounts falling due within one year | (24,972) |
| | Net current liabilities | (22,118) |
| | | |
| | Total assets less current liabilities | 100,763 |
| | | |
| | Capital and reserves | |
| 14 | Share capital | 4,291 |
| 15 | Share premium account | 56,877 |
| 15 | Capital redemption reserve | 26,302 |
| 15 | Other capital reserves | 9,281 |
| 15 | Revenue reserve | 4,012 |
| | Equity shareholders' funds | 100,763 |
| | | |
| 16 | Net asset value per ordinary share | 117.73p |

The financial statements were approved by the directors on 21 March 2011, and signed on their behalf by

Hugh Twiss



Chairman

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting

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

(b) Going concern

The Company's Articles of Association require that at the annual general meeting of the Company held in 2010, and at every fifth year thereafter, an ordinary resolution be put to shareholders to approve the continuation of the Company. The resolution put to the annual general meeting in 2010 was duly passed.

The assets of the Company consist of securities that are readily realisable and, accordingly, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

(c) Valuation of investments

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

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

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

(d) Capital gains and losses

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

(e) Income

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

Notes to the Financial Statements

continued

1 Accounting policies (continued)

(f) Expenses

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

(g) Taxation

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

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

(h) Foreign currency

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

(i) Bank borrowings

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

Notes to the Financial Statements

continued

| | | | | |
|----------|---|--|-----------------------|-----------------------|
| 2 | Gains from investments held at fair value through profit or loss | | 2010 | 2009 |
| | | | £'000 | £'000 |
| | Gains/(losses) on sale of investments based on historical cost | | 383 | (10,639) |
| | (Less)/add: revaluation (gains)/losses recognised in previous years | | (212) | 7,786 |
| | Gains/(losses) on investments sold in the year based on carrying value at the previous balance sheet date | | 171 | (2,853) |
| | Net movement on revaluation of investments | | 9,119 | 16,227 |
| | Exchange (losses)/gains | | (138) | 8 |
| | | | 9,152 | 13,382 |
| 3 | Income from investments held at fair value through profit or loss | | 2010 | 2009 |
| | | | £'000 | £'000 |
| | <i>Franked.</i> | | | |
| | Listed – dividends | | 4,742 | 4,071 |
| | <i>Unfranked.</i> | | | |
| | Listed – interest income | | 1,398 | 1,996 |
| | – dividend income | | 1,227 | 1,288 |
| | | | 2,625 | 3,284 |
| | | | 7,367 | 7,355 |
| 4 | Other interest receivable and similar income | | 2010 | 2009 |
| | | | £'000 | £'000 |
| | Bank interest | | 9 | 3 |
| | Underwriting commission | | 39 | 258 |
| | Interest on VAT repayment (see note 18) | | – | 111 |
| | | | 48 | 372 |
| 5 | Management fees | | 2010 | 2009 |
| | | | Revenue return | Revenue return |
| | | | £'000 | £'000 |
| | | | 2010 | 2009 |
| | | | Total | Total |
| | | | £'000 | £'000 |
| | Management fees | | 222 | 270 |
| | | | 333 | 405 |
| | | | 555 | 675 |

A summary of the terms of the management agreement is given on page 15 in the Report of the Directors. An explanation of the split between revenue and capital is contained in accounting policy 1(f) on page 32. No performance fee was earned during the year (2009 £nil).

VAT is no longer payable on management fees – see note 18 on page 44.

Notes to the Financial Statements

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| 6 Other administrative expenses (including irrecoverable VAT) | 2010 £'000 | 2009 £'000 |
|--|-----------------------|-----------------------|
| Directors' fees (see Directors' Remuneration Report on page 24) | 126 | 124 |
| Auditor's remuneration (also see table below) | 24 | 21 |
| Other expenses payable to the management company* | 48 | 18 |
| Other expenses | 120 | 112 |
| | 318 | 275 |

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

| Audit services (excluding VAT) | 2010 £'000 | 2009 £'000 |
|---|-----------------------|-----------------------|
| Audit of the Company's financial statements, including the Directors' Remuneration Report and the Report of the Directors (which includes the corporate governance statement) | 20 | 18 |

| 7 Finance costs | 2010 £'000 | 2009 £'000 |
|--|-----------------------|-----------------------|
| On bank loans and overdrafts repayable within one year | 677 | 349 |
| Less allocated to capital | (508) | (262) |
| | 169 | 87 |

| 8 Taxation on net return on ordinary activities | 2010 Revenue return £'000 | 2010 Capital return £'000 | 2010 Total £'000 | 2009 Revenue return £'000 | 2009 Capital return £'000 | 2009 Total £'000 |
|--|--|--|---------------------------------|--|--|---------------------------------|
| 8.1 Irrecoverable overseas tax | 93 | - | 93 | 14 | - | 14 |
| Tax relief on expenses charged to capital | 224 | (224) | - | 718 | (718) | - |
| Tax charge in respect of the current year | 317 | (224) | 93 | 732 | (718) | 14 |

Notes to the Financial Statements

continued

8 Taxation on net return on ordinary activities (continued)

8.2 The tax assessed for the year is lower than the 28% effective rate of corporation tax in the UK for the year ended 31 December 2010 (2009 28%). The differences are explained below

| | 2010 Revenue return £'000 | 2010 Capital return £'000 | 2010 Total £'000 | 2009 Revenue return £'000 | 2009 Capital return £'000 | 2009 Total £'000 |
|---|------------------------------------|------------------------------------|------------------------|------------------------------------|------------------------------------|------------------------|
| Net return on ordinary activities before taxation | 6,706 | 8,311 | 15,017 | 7,157 | 12,798 | 19,955 |
| Theoretical tax at UK corporation tax rate of 28% | 1,878 | 2,327 | 4,205 | 2,004 | 3,583 | 5,587 |
| Effects of: | | | | | | |
| - UK dividends which are not taxable | (1,328) | - | (1,328) | (1,140) | - | (1,140) |
| - Non-taxable overseas dividends | (316) | - | (316) | (148) | - | (148) |
| - (Decrease)/increase in excess management expenses and finance costs | (22) | 12 | (10) | 73 | (532) | (459) |
| - Expenses not deductible for tax purposes | 13 | - | 13 | 5 | (23) | (18) |
| - Irrecoverable overseas tax suffered | 93 | - | 93 | (60) | - | (60) |
| - Income taxable in different years | (1) | - | (1) | (2) | - | (2) |
| - Gains on investments held at fair value | - | (2,563) | (2,563) | - | (3,746) | (3,746) |
| Tax charge in respect of the current year | 317 | (224) | 93 | 732 | (718) | 14 |

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

8.3 Factors that may affect future tax charges

The Company has expenses in excess of taxable income of £3,114,000 (2009 £3,163,000) that are available to offset future taxable revenue. A deferred tax asset of £841,000 (2009 £886,000) has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

Notes to the Financial Statements

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9 Return per ordinary share

The return per ordinary share figure is based on the gains attributable to the ordinary shares of £14,924,000 (2009 £19,941,000) and on the 86,654,031 weighted average number of ordinary shares in issue during the year (2009 85,519,991)

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

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

| | 2010 £'000 | 2009 £'000 |
|---|----------------|----------------|
| Net revenue return | 6,389 | 6,425 |
| Net capital return | 8,535 | 13,516 |
| Net total return | 14,924 | 19,941 |
| Weighted average number of ordinary shares in issue during the year | 86,654,031 | 85,519,991 |
| | Pence | Pence |
| Revenue return per ordinary share | 7.37 | 7.51 |
| Capital return per ordinary share | 9.85 | 15.81 |
| Total return per ordinary share | 17.22 | 23.32 |
| | 2010 £'000 | 2009 £'000 |
| 10 Investments held at fair value through profit or loss | | |
| Valuation at 1 January | 122,881 | 106,000 |
| Investment holding (gains)/losses at 1 January | (1,866) | 22,113 |
| Cost at 1 January | 121,015 | 128,113 |
| Purchases at cost | 42,533 | 22,310 |
| Sales at cost | (35,776) | (29,408) |
| Cost at 31 December | 127,772 | 121,015 |
| Investment holding gains at 31 December | 10,864 | 1,866 |
| Valuation at 31 December | 138,636 | 122,881 |

Purchase transaction costs for the year to 31 December 2010 were £176,000 (2009 £51,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year to 31 December 2010 were £31,000 (2009 £42,000).

Notes to the Financial Statements

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| 11 Debtors | 2010 £'000 | 2009 £'000 |
|---------------------------------------|-----------------------|-----------------------|
| Taxation recoverable | 87 | 54 |
| Prepayments and accrued income | 1,494 | 1,364 |
| Unrealised gains on index derivatives | – | 91 |
| | 1,581 | 1,509 |

| 12 Creditors: amounts falling due within one year | 2010 £'000 | 2009 £'000 |
|--|-----------------------|-----------------------|
| Purchases for future settlement | – | 3,156 |
| Bank loans and overdrafts | 30,514 | 21,529 |
| Accruals | 218 | 287 |
| | 30,732 | 24,972 |

The Company has a multi-currency loan facility with ING Bank NV of £35,000,000 (2009: £45,000,000) which is due to expire on 31 March 2011. A new one year multi-currency loan facility of £41,000,000 has been agreed with ING Bank NV to commence on 1 April 2011. At 31 December 2010 the Company had short-term sterling loans under the loan facility amounting to £30,514,000, repayable in March 2011 (2009: £21,529,000, repayable in January 2010). The average interest rate payable on these loans was 2.32% (2009: 1.02%).

13 Risk management policies and procedures

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

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

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

13.1 Market risk

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

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.1.1 Currency risk

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

13.1.2 Interest rate risk

Interest rate movements may affect:

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

Management of the risk

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

Interest rate exposure

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

- floating interest rates when the interest rate is due to be re-set
- fixed interest rates when the financial instrument is due for repayment. These dates are shown on page 8

| | 2010 Within one year £'000 | 2010 More than one year £'000 | 2010 Total £'000 | 2009 Within one year £'000 | 2009 More than one year £'000 | 2009 Total £'000 |
|--|-------------------------------------|--|------------------------|-------------------------------------|--|------------------------|
| Exposure to floating interest rates | | | | | | |
| Cash at bank | 3,227 | - | 3,227 | 1,345 | - | 1,345 |
| Creditors - within one year | | | | | | |
| Borrowings under multi-currency loan facility | (30,514) | - | (30,514) | (21,529) | - | (21,529) |
| | (27,287) | - | (27,287) | (20,184) | - | (20,184) |
| Exposure to fixed interest rates | | | | | | |
| Investments held at fair value through profit or loss | - | 22,725 | 22,725 | - | 28,968 | 28,968 |
| Total exposure to interest rates | (27,287) | 22,725 | (4,562) | (20,184) | 28,968 | 8,784 |

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.1.2 Interest rate risk (continued)

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR or its foreign currency equivalent (2009 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 2.32% at 31 December 2010 (2009 1.02%)
- The nominal interest rates on the investments held at fair value through profit or loss are shown on page 8. The weighted average interest rate on these investments is 7.58% (2009 7.96%).

Interest rate risk sensitivity

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

- *Loan sensitivity:* Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £30,514,000 (note 12) and if that level of borrowings were maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total net return on ordinary activities after taxation by approximately £305,000.
- *Fixed interest investment sensitivity:* The Company's fixed interest portfolio at the year end was valued at £22,725,000, and it had a modified duration (interest rate sensitivity) of approximately 5 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 £1,136,000, all other factors being equal.

13.1.3 Other price risk

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

Management of the risk

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

When appropriate, the Company may manage its exposure to risk by buying/selling put and call options and futures on indices and on equity investments in its portfolio. At 31 December 2010, there was no derivative exposure (2009 £91,000 fair value, related to a short position in UK gilt futures).

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.1.3 Other price risk (continued)

Concentration of exposure to other price risks

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

Other price risk sensitivity

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

| | 2010 20% increase in fair value £'000 | 2010 20% decrease in fair value £'000 | 2009 20% increase in fair value £'000 | 2009 20% decrease in fair value £'000 |
|--|--|--|--|--|
| Income statement – net return after tax | | | | |
| Revenue return | (40) | 40 | (24) | 24 |
| Capital return | 27,629 | (27,629) | 24,543 | (24,543) |
| Net return after tax for the year | 27,589 | (27,589) | 24,519 | (24,519) |
| Equity shareholders' funds | 27,589 | (27,589) | 24,519 | (24,519) |

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 £35,000,000 with ING Bank NV (2009: £45,000,000 facility with ING Bank NV), due to expire on 31 March 2011, and an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review. A new one year multi-currency loan facility for £41,000,000 has been agreed with ING Bank NV to commence on 1 April 2011.

Liquidity risk exposure

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

| | 2010 Due within three months £'000 | 2009 Due within one month £'000 |
|--|---|--|
| Bank loans and overdrafts (including accrued interest) | 30,689 | 21,543 |
| Other creditors and accruals | 218 | 3,443 |
| | 30,907 | 24,986 |

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.3 Credit and counterparty risk

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

Management of the risk

The risk is managed as follows

- transactions involving derivatives are entered into only with investment banks, whose creditworthiness is carefully assessed so as to minimise the risk to the Company of default
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Portfolio Manager, and limits are set on the amount that may be due from any one broker
- the Company's trades are usually on a delivery versus payment (DVP) settlement basis. This process mitigates the risk of loss during the settlement process
- the Board reviews the terms of the custody agreement. The Manager monitors the Company's risk by reviewing the custodian's annual internal controls report and reports to the Board on its findings
- 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. None of the Company's financial assets is past due or impaired.

13.4 Fair values of financial assets and financial liabilities

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

13.5 Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss at 31 December 2010

| | Level 1 £'000 | Level 2 £'000 | Total £'000 |
|----------------------------|------------------|------------------|----------------|
| Equity investments | 115,288 | 32 | 115,320 |
| Convertibles | 530 | 61 | 591 |
| Fixed interest investments | | | |
| Preference shares | 3,826 | – | 3,826 |
| Other | 18,899 | – | 18,899 |
| Total | 138,543 | 93 | 138,636 |

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures (continued)

| Financial assets at fair value through profit or loss at 31 December 2009 | Level 1 £'000 | Level 2 £'000 | Total £'000 |
|---|------------------|------------------|----------------|
| Equity investments | 93,028 | 32 | 93,060 |
| Convertibles | 792 | 61 | 853 |
| Fixed interest investments | | | |
| Preference shares | 5,181 | – | 5,181 |
| Other | 23,787 | – | 23,787 |
| Derivative instrument | 91 | – | 91 |
| Total | 122,879 | 93 | 122,972 |

There were no Level 3 investments at 31 December 2010 (2009 none).

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

Level 1 – valued using quoted prices in active markets for identical assets

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

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

The valuation techniques used by the Company are explained in the accounting policies note on page 31

There have been no transfers during the year between levels

13.6 Capital management policies and procedures

The Company's capital management objectives are

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

The Company's capital is its equity share capital, reserves and debt that are shown in the balance sheet at a total of £143,226,000 (2009 £122,292,000)

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

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

Notes to the Financial Statements

continued

13 Risk management policies and procedures (continued)

13.6 Capital management policies and procedures (continued)

The Company is subject to several externally imposed capital requirements

– under the bank facility with ING Bank NV borrowings may not exceed 40% of adjusted total assets (as defined in the facility agreement) and net assets must be more than £54m (increased to £65m under the new facility with effect from 1 April 2011)

– 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 |
|----|-----------------------------------|-------------------------|-----------------------------|-----------------------|------------------------------|
| | Issued ordinary shares of 5p each | | | | |
| | At 31 December 2009 | 250,000 | 85,585,744 | 85,835,744 | 4,291 |
| | Sold out of treasury | (250,000) | 250,000 | – | – |
| | Issued during the year | – | 3,125,000 | 3,125,000 | 157 |
| | At 31 December 2010 | – | 88,960,744 | 88,960,744 | 4,448 |

During the year the Company sold 250,000 shares out of treasury for proceeds of £303,000 and issued a further 3,125,000 shares for proceeds of £3,842,000.

Since the year end a further 250,000 shares have been issued

| 15 | Reserves | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve arising on investments sold £'000 | Capital reserve arising on revaluation of investments held £'000 | Revenue reserve £'000 |
|----|---|-----------------------------|----------------------------------|---|--|-----------------------|
| | At 1 January 2010 | 56,877 | 26,302 | 7,324 | 1,957 | 4,012 |
| | Transfer on disposal of investments | – | – | 212 | (212) | – |
| | Net gains from investments | – | – | 171 | 9,119 | – |
| | Foreign exchange losses | – | – | (138) | – | – |
| | Sale of shares held in treasury | – | – | 303 | – | – |
| | Issue of shares | 3,685 | – | – | – | – |
| | Management fee and finance costs charged to capital | – | – | (841) | – | – |
| | Tax relief thereon | – | – | 224 | – | – |
| | Net revenue after tax for the year | – | – | – | – | 6,389 |
| | Dividends paid | – | – | – | – | (7,120) |
| | At 31 December 2010 | 60,562 | 26,302 | 7,255 | 10,864 | 3,281 |

The revenue reserve is distributable by way of dividend

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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 £112,712,000 (2009 £100,763,000) and on the 88,960,744 ordinary shares in issue at 31 December 2010 (2009 85,585,744 ordinary shares)

17 Contingent liabilities

There were no partly paid shares or underwriting commitments at 31 December 2010 (2009 £nil)

18 VAT on management fees

Following the 2007 decision by the European Court of Justice that Value Added Tax ("VAT") should not be charged on fees paid for management services provided to investment trust companies, over the previous two financial years the Company received in total £1,272,000 in VAT reclaims relating to management fees paid during the periods 1 January 1990 to 4 December 1996 and 1 October 2000 to 30 June 2007. The reclaims were allocated between revenue return and capital return according to the allocation of the amounts originally paid. In addition, the Company received £295,000 of simple interest on those VAT reclaims, which was recognised in prior years' financial statements. No further reclaims of VAT or interest were received or expected during the year under review.

The possibility of recovering any VAT paid on management fees during the period from 5 December 1996 to 30 September 2000, or compound interest on all VAT reclaims since 1990, is remote and consequently there is no recognition of any potential reclaims in these financial statements.

VAT has not been applied to investment management fees invoiced since June 2007.

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

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Net return before finance costs and taxation | 15,694 | 20,304 |
| Gains on investments held at fair value through profit or loss | (9,152) | (13,382) |
| (Increase)/decrease in accrued income and debtors of a revenue nature | (130) | 436 |
| Decrease in other debtors | - | 1,127 |
| Decrease in creditors | (71) | (58) |
| Tax deducted on investment income | (126) | (46) |
| Net cash inflow from operating activities | 6,215 | 8,381 |

20 Analysis of changes in net debt

| | 1 January 2010 £'000 | Cash flow £'000 | Exchange movement £'000 | 31 December 2010 £'000 |
|-----------------------------|----------------------------|-----------------------|-------------------------------|------------------------------|
| Cash at bank and overdrafts | 1,345 | 2,020 | (138) | 3,227 |
| Debt due within one year | (21,529) | (8,985) | - | (30,514) |
| | (20,184) | (6,965) | (138) | (27,287) |

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21 Related party transactions

The Company has appointed wholly-owned subsidiary companies of Henderson Global Investors Limited ("Henderson") and BNP Paribas Securities Services to provide investment management, accounting, administration and company secretarial services. Details of the fee arrangements for these services are given on pages 15 and 16 in the Report of the Directors. The total of the fees payable by the Company to Henderson in respect of the year ended 31 December 2010 was £555,000 (2009: £675,000) of which £125,000 was outstanding at 31 December 2010 (2009: £152,000).

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

In addition to the above services, Henderson provides the Company with sales and marketing services. The total fees payable for these services for the year ended 31 December 2010 (excluding VAT) amounted to £41,000 (2009: £15,000). At 31 December 2010, £10,000 was outstanding (2009: £4,000).

The compensation payable to key management personnel in respect of short term employment benefits was £126,000 (2009: £124,000). This relates wholly to the fees paid to the directors in respect of the year; the directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on page 24 provides further details. The Company has no employees.

22 Dividends

| | £'000 |
|--|------------|
| Revenue available for distribution by way of dividend for the year | 6,389 |
| First interim dividend (2.075p) | (1,776) |
| Second interim dividend (2.075p) | (1,822) |
| Third interim dividend (2.075p) paid on 31 January 2011 | (1,846) |
| Undistributed revenue for section 1158 purposes* | 945 |

*The Company is required under Section 1158 of the Corporation Tax Act 2010 to retain no more than 15% of income from investments. For the year under review undistributed revenue comprises 12.8% of the income from investments of £7,367,000.

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 |
|---------------------|------------------|------------------------------------|--------------------------|---------------------------------|-----------------------|-----------------------------------|
| 2001 | £97.2m | 127.6p | 183.3p | 131.3p | 195.8p | 9.90p |
| 2002 | £84.2m | 94.7p | 155.0p | 97.5p | 161.8p | 9.90p |
| 2003† | £103.6m | 114.6p | 179.8p | 106.0p | 175.0p | 9.90p |
| 2004† | £110.7m | 131.3p | 201.8p | 116.3p | 186.8p | 9.90p |
| 2005* | £106.6m | 155.3p | - | 153.8p | - | 8.83p |
| 2006* | £126.6m | 181.7p | - | 177.3p | - | 7.91p |
| 2007 | £142.6m | 166.9p | - | 147.8p | - | 8.18p |
| 2008 | £87.8m | 102.7p | - | 95.0p | - | 8.30p |
| 2009 | £100.8m | 117.7p | - | 114.5p | - | 8.30p |
| 2010 | £112.7m | 126.7p | - | 124.8p | - | 6.23p** |

†Restated in accordance with new accounting policies

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

**Only three interim dividends were paid in respect of the year to 31 December 2010 as the 4th interim dividend was reclassified as the 1st interim dividend for the year to 31 December 2011 and will be paid in April 2011. In consequence, shareholders effectively receive the same total dividend of 8.30p as in the previous year.

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

Over the year to 31 December 2010, the Net Asset Value total return was 15.4% compared to the benchmark index total return (75% FTSE All-Share Index and 25% FTA Government All Stocks Index) of 12.7%

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 share issuance and the proportions of management fee and finance costs charged to capital, as shown below. All data is geometrically compounded to calculate returns.

| | | |
|------------------------------|--|--------------|
| Portfolio performance | Performance of Composite Index (total return) | 12.7% |
| | Performance of portfolio against benchmark | |
| | Due to asset allocation | 0.7% |
| | Due to stock selection – Equities | -1.0% |
| | – Fixed interest | 0.9% |
| | Due to gearing | 2.9% |
| Other factors | Management fee and finance costs charged to capital | -1.0% |
| | Performance of Net Asset Value (total return) | 15.4% |

General Shareholder Information

Release of results

The full year results were announced on 18 March 2011. 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 Thursday 28 April 2011. The notice of this meeting setting out the business that will be proposed is contained in a separate circular to be sent to shareholders with this annual report.

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.

Online information

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.

Disability Act

Copies of this Annual Report and Financial Statements and other documents issued by the Company are available from the Company Secretary. If needed, copies could 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.

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

Discount

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

Premium

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

Gearing

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

Effective interest rate

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

A Brief History

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

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

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

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

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

Directors and other Information

Directors

Hugh Twiss (Chairman)
Vivian Bazalgette
Andrew Bell
Margaret Littlejohns
Anthony Newhouse
Janet Walker

Registered Office

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

Registered Number

Registered as an investment company in England and Wales
No 2422514

Investment Manager

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

Portfolio Manager: Alex Crooke
Deputy Portfolio Manager: Ben Lofthouse

Secretary

Henderson Secretarial Services Limited,
represented by Deborah Trickett ACIS

ISIN/SEDOL numbers

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

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Stockbrokers

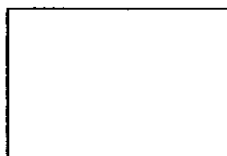
JPMorgan Cazenove
10 Aldermanbury
London
EC2V 7RF

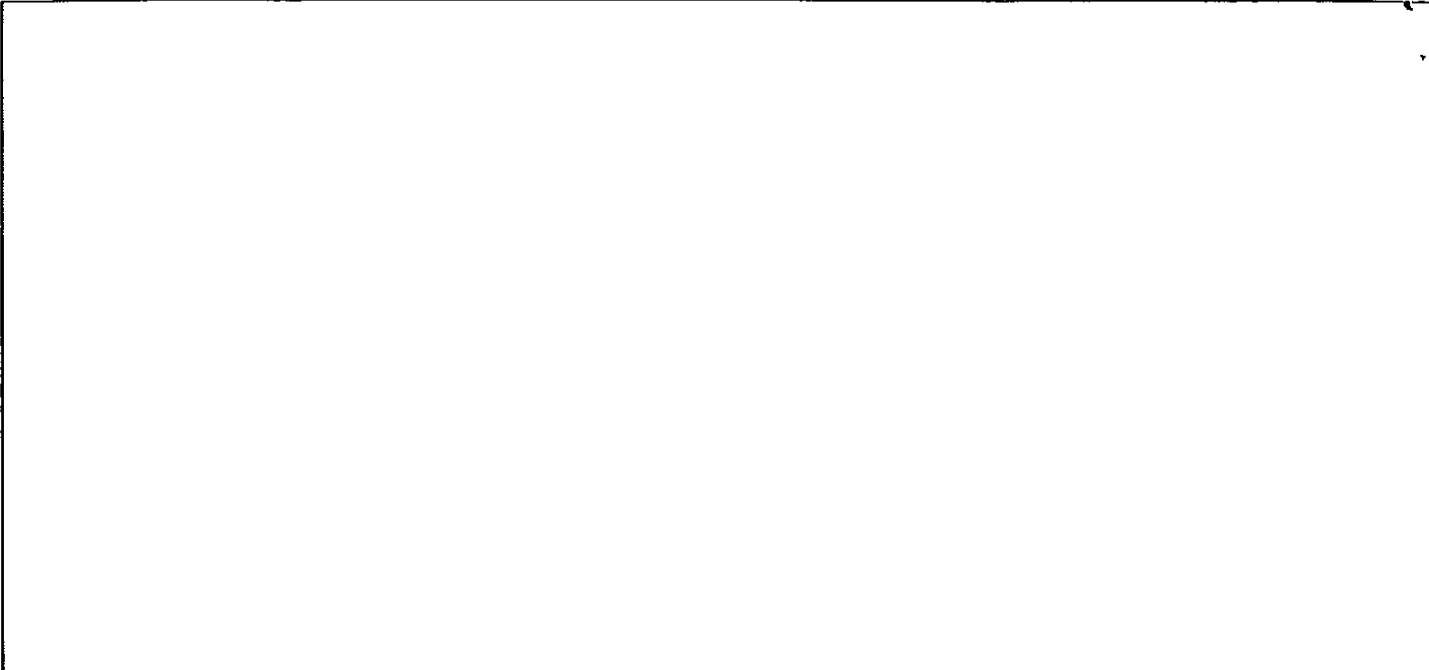
Registrar

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

Halifax Share Dealing Limited

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





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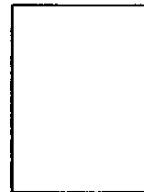
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Henderson High Income Trust plc
Notice of 2011 Annual General Meeting

TUESDAY



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05/04/2011

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COMPANIES HOUSE

Letter from the Chairman

Dear Shareholders

I hope that you will be able to attend this year's Annual General Meeting of the Company ("AGM" or "the Meeting"), which is to be held at 12 noon on Thursday 28 April 2011 at 201 Bishopsgate, London EC2M 3AE (the offices of Henderson Global Investors, our Investment Manager)

The Notice of Meeting can be found on pages 1 and 2, together with a map showing the venue for the Meeting. Further details of each of the resolutions to be proposed at the Meeting are set out in Explanations of the Resolutions on pages 3 and 4. I also refer you to the Company's Annual Report and Financial Statements for the year ended 31 December 2010 ("the Annual Report"), which is being sent with this document.

Our Portfolio Manager, Alex Crooke, will give a presentation at the Meeting and there will be opportunities to ask questions during and after the Meeting. I hope that you are able to attend the AGM and, if not, that you vote by completing and returning your form of proxy.

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company's shareholders as a whole. The Board therefore recommends unanimously to shareholders that they vote in favour of each of the resolutions, as the directors intend to do in respect of their own beneficial holdings.

Yours sincerely

Hugh Twiss

Chairman

21 March 2011

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you should consult your stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK, or if not from another appropriately independent professional adviser in your own jurisdiction.

If you have sold, transferred or otherwise disposed of all your shares in Henderson High Income Trust plc (the "Company"), please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold or transferred or otherwise disposed of only part of your holding, you should retain this document and the accompanying form of proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

Notice of Annual General Meeting

continued

(b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed the higher of (i) 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase, and (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange,

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

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2012, or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed before that expiry,

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

(f) any ordinary shares so purchased shall be

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

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

as a *Special Resolution*

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

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary
21 March 2011

Registered Office
201 Bishopsgate, London EC2M 3AE

Annual General Meeting Venue



Henderson Global Investors is located in the City of London at 201 Bishopsgate. It is a few minutes walk from Liverpool Street mainline and underground stations and Moorgate underground station.

Henderson High Income Trust plc

(an investment company within the meaning of section 833 of the Companies Act 2006, incorporated in England and Wales with registered number 2422514)

Notice of Annual General Meeting

Notice is hereby given that the twenty-second Annual General Meeting of Henderson High Income Trust plc will be held on Level 12, 201 Bishopsgate, London EC2M 3AE on **Thursday 28 April 2011 at 12 noon** for the transaction of the following business

- 1 To receive the Report of the Directors and the audited Financial Statements for the year ended 31 December 2010
- 2 To approve the Directors' Remuneration Report for the year ended 31 December 2010
- 3 To re-elect Mr Vivian Bazalgette as a director of the Company
- 4 To re-elect Mr Andrew Bell as a director of the Company
- 5 To re-elect Miss Janet Walker as a director of the Company
- 6 To re-appoint Grant Thornton UK LLP as statutory auditor to the Company
- 7 To authorise the directors to determine the auditor's remuneration

Other Business

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

as an Ordinary Resolution

- 8 THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551) up to an aggregate nominal amount of £446,053 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2012, but that the directors may make an offer or agreement 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 a Special Resolution

- 9 THAT in substitution for all existing authorities and subject to the passing of resolution 8 the directors be empowered pursuant to section 570 and/or section 573 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 8 as if section 561 of the Act did not apply to the allotment and to sell relevant shares (within the meaning of section 560 of the Act) held by the Company immediately before the sale as treasury shares (as defined in section 724 of the Act) for cash as if section 561 of the Act did not apply to any such sale

This power

- (a) shall expire at the conclusion of the Annual General Meeting of the Company in 2012, 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, and
- (b) shall be limited to the allotment of equity securities and/or the sale of shares held in treasury for cash up to a maximum aggregate nominal value of £446,053 (being 10% of the Company's issued ordinary share capital at the date of this Notice)

as a Special Resolution

- 10 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 5p each in the capital of the Company provided that
 - (a) the maximum number of ordinary shares which may be purchased is 14.99% of the Company's issued ordinary share capital at the date of the Annual General Meeting (equivalent to 13,372,690 ordinary shares at the date of this Notice),

Explanations of the Resolutions

Resolutions 1 to 8 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed more than half of the votes cast must be in favour of the resolution. Resolutions 9 to 11 are proposed as special resolutions. This means that for each of those resolutions to be passed at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1 Company's Report and Financial Statements (ordinary resolution)

The directors are required to present to the Meeting the Annual Report and Financial Statements, including the Directors' Report and Auditor's Report for the financial year to 31 December 2010. Members will be given an opportunity to ask questions at the Meeting before being invited to receive the Annual Report and Financial Statements.

Resolution 2 Approval of the Directors' Remuneration Report (ordinary resolution)

Shareholders are required to approve the Directors' Report on Remuneration, which is set out on page 24 in the Annual Report and Financial Statements.

Resolutions 3 to 5 Re-election of directors (ordinary resolutions)

Resolutions 3 to 5 relate to the re-election of directors.

Resolution 3 is for the re-election of Vivian Bazalgette, who has been on the Board since November 2004 and was first elected by shareholders at the 2005 AGM. Mr Bazalgette was re-elected by shareholders in 2008 and now, having served a further three-year term, is required to seek re-election in accordance with the Company's Articles of Association.

Resolution 4 is for the re-election of Andrew Bell, who has also been on the Board since November 2004 and was first elected by shareholders at the 2005 AGM. Mr Bell was also re-elected by shareholders in 2008 and now, having served a further three-year term, is also required to seek re-election in accordance with the Company's Articles of Association.

Resolution 5 is for the re-election of Janet Walker, who has been on the Board since June 2007. Miss Walker stood for election at the 2008 AGM and now, having served her first three-year term, is required to seek re-election at the 2011 AGM. Miss Walker is the Audit Committee Chairman.

At its meeting in January 2011, the Nominations Committee reviewed the performance and commitment of the directors standing for re-election and confirmed that each of these directors continues to bring wide, current and relevant business experience that allows them to contribute effectively to the leadership of the Company. The Nominations Committee is therefore pleased to recommend all three directors for re-election to the Board.

Biographical details for the directors are shown on page 11 of the Annual Report and also on the Company's website, www.hendersonhighincome.com.

Resolutions 6 and 7 Re-appointment and remuneration of the auditor (ordinary resolutions)

In accordance with sections 489 and 492 of the Companies Act 2006, shareholders are required to approve the appointment of the Company's auditor, Grant Thornton UK LLP, each year and to give the directors authority to determine the auditor's remuneration. Grant Thornton UK LLP has expressed its willingness to continue as auditor to the Company.

Other Business

Resolution 8 Authority to allot shares (ordinary resolution)

On 11 May 2010 the directors were granted authority to issue a limited number of new ordinary shares. 3,375,000 shares have been issued under this authority. The directors therefore have remaining authority to issue a further 5,183,560 shares that authority will expire at the 2011 AGM.

Resolution 8 will renew this authority and will allow the directors to issue up to 8,921,060 new ordinary shares (with a nominal value of £446,053) (being 10% of the issued share capital as at the date of this Notice). The resolution is set out in full in the Notice on page 1. If renewed, the authority will expire at the conclusion of the AGM in 2012.

Resolution 9 Power to disapply pre-emption rights (special resolution)

At the AGM on 11 May 2010, the directors were also empowered to issue shares of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. The directors have issued 3,375,000 new shares and sold 250,000 shares out of treasury under this power. The directors therefore have remaining

Explanations of the Resolutions

authority to issue a further 4,933,560 shares under the existing power which will expire at the 2011 AGM

Resolution 9 will give the directors power to issue up to 8,921,060 new ordinary shares (with a nominal value of £446,053) for cash on a non pre-emptive basis (being 10% of the issued share capital as at the date of this Notice) The resolution is set out in full in the Notice on pages 1 and 2 If renewed, the power will expire at the conclusion of the AGM in 2012

The directors will only allot shares pursuant to resolutions 8 and 9 to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of net asset value per share (ie shares will only be issued at a premium to net asset value)

Resolution 10 Repurchase of the Company's ordinary shares (special resolution)

On 11 May 2010 the directors were granted authority to repurchase 12,829,303 ordinary shares (with a nominal value of £641,465) The directors have not used this authority and therefore at the date of this Notice the directors have remaining authority to repurchase 12,829,303 shares

Resolution 10 seeks to renew the Company's authority to buy back shares The authority under this resolution is limited to the purchase of a maximum of 14.99% of the ordinary shares in issue at the date of the passing of this resolution

The minimum price which may be paid for an ordinary share is 5p In accordance with the Listing Rules of the UK Listing Authority, the maximum price which may be paid for an ordinary share is the higher of

- a) 5% above the average market value for the shares taken from the London Stock Exchange Daily Official List for the five business days prior to the date on which the purchase is made, and
- b) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange

Both the minimum and maximum price are exclusive of any relevant tax and expenses payable by the Company

The directors believe that, from time to time and subject to market conditions, it will continue to be in the shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share

The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders This proposal does not indicate that the Company will purchase shares at any particular time or price, nor imply any opinion on the part of the directors as to the market or other value of the Company's shares

The Company may cancel or hold in treasury any shares bought back under this authority The authority will expire at the conclusion of the 2012 AGM and it is the present intention of the directors to seek a similar authority annually

Resolution 11 Notice of general meetings (special resolution)

Under the Companies Act 2006 the notice period for general meetings (other than the annual general meeting) is 21 days At the 2010 AGM shareholders approved the resolution to allow general meetings (other than the annual general meeting) to be called on 14 days' notice That approval expires at the conclusion of the 2011 AGM

In order to maintain maximum flexibility in communicating with shareholders, the Board is seeking to renew this authority at the 2011 AGM so that general meetings (other than the AGM) may be called on the shortest permissible notice This authority will only be used if to do so will be in the best interests of shareholders The Company will only be able to take advantage of this authority if all shareholders are given the opportunity (but not the obligation) to vote at such a general meeting by electronic means This authority will expire at the conclusion of the 2012 AGM

Notes to the Notice of Annual General Meeting

1 Rights to attend and vote

Subject to Note 2, all of the Company's members are entitled to attend and vote at the forthcoming AGM or at any adjournment(s) thereof. On a poll each member has one vote for each share held.

2 Voting record date

Only members registered in the Register of Members of the Company at close of business on Tuesday 26 April 2011 shall be entitled to attend and vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

3 Right to appoint proxies

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

The completion of the enclosed form of proxy or a CREST proxy instruction (as described in paragraph 8) will not preclude a member from attending and voting in person at the Meeting.

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 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 do not wish to exercise their right or do not have such right, 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 their arrangements.

The rights of members relating to the appointment of proxies in Notes 1 and 2 above do not apply to nominated persons.

4 Proxies' rights to vote at the Meeting

On a vote by a show of hands, each proxy has one vote.

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

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

5 Voting by corporate representatives

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006 provided they do not do so in relation to the same shares.

6 Receipt and termination of proxies

To be valid the enclosed form of proxy must be received by the Company's Registrars (Computershare Investor Services PLC) before 12 noon on Tuesday 26 April 2011.

A member may terminate a proxy's authority at any time before the commencement of the Meeting. Termination must be provided in writing and submitted to the Company's Registrar.

In accordance with the Company's Articles of Association, in determining the deadline for receipt of proxies, no account shall be taken of any part of a day that is not a working day.

7 Communication with the Company

Members may not use any electronic address provided either in the Notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

Notes to the Notice of Annual General Meeting

continued

8 Electronic receipt of proxies

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Issuer's agent (3RA50) by the latest time for receipt of proxy appointments specified in Note 6 overleaf. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

9 Questions at the Meeting

Any member attending the Meeting has the right to ask questions. Section 319A of the Companies Act 2006 requires the directors to answer any question raised at the AGM which relates to the business of the Meeting, although no answer need be given (a) if to do so would interfere unduly with the proceedings of the Meeting or involve disclosure of confidential information, (b) if the answer has already been given on the Company's website, or (c) if it is undesirable in the best interests of the Company or the good order of the Meeting that the question be answered.

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

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

10 Website

A copy of this Notice, including the information required by section 311A of the Companies Act 2006, is available from the Company's website, www.hendersonhighincome.com.

11 Total voting rights

As at 21 March 2011 (being the last practicable date prior to the publication of this Notice) the total number of shares in the Company was 89,210,744. The total number of voting rights on that date was therefore 89,210,744.