Henderson High Income Trust plc

Report and Accounts for the year ended 31 December

2007

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 whilst also maintaining the prospect of capital growth.

Investment strategy

Approximately three quarters of the Company's assets are currently invested in ordinary shares of listed companies with the balance in listed fixed interest stocks. The selection process seeks to identify companies with strong balance sheets and dividends. There is a focus on well-managed companies whose qualities may have been temporarily overlooked and which offer potential for capital appreciation over the medium term. The Company has an active policy of using appropriate levels of gearing to enhance returns.

Growth

The net asset value total return of the Company over the past five years is 139.1% (source: AIC Information Services Limited).

Independent board of directors

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

Highlights of the Year

Per ordinary share	31 December 2007	31 December 2006	Change %
Net asset value	**166.9p**	181.7p	-8.1
Market price	**147.8p**	177.3p	-16.6
Revenue return	**8.26p**	8.09p	+2.1
Annual dividend	**8.18p**	7.91p	+3.4

Performance

Total return (with net dividends reinvested)	1 year %	3 years %	5 years %
Net asset value per ordinary share◆	-4.6	45.9	139.1
Market price per ordinary share	-12.7	50.3	112.8
FTSE All-Share Index	5.3	50.1	104.7
FTA Government All Stocks Index†	5.3	14.4	24.5
Benchmark*	5.3	42.3	84.0

Source: AIC Information Services Limited.
◆See page 49 for explanation of movement in the NAV.
†Source: Datastream, gross dividends reinvested.
*The benchmark is a composite of 75% of the FTSE All-Share Index and 25% of the FTA Government All Stocks Index.

Performance Dividends

Net dividend yield at 31 December	2007 %	2006 %
Henderson High Income Trust plc	**5.5**	4.4
FTSE All-Share Index†	**3.0**	2.9
FTA Government All Stocks Index†	**4.4**	4.5

†Source: Datastream.

Dividend Information and Payment Dates

A fourth interim dividend of 2.075p per ordinary share for the year ended 31 December 2007 will be paid on 30 April 2008 to shareholders registered on 4 April 2008. The shares will be quoted ex-dividend from 2 April 2008.

Details of the dividends paid during the year ended 31 December 2007 are given in the Reconciliation of Movements in Shareholders' Funds on page 29. The dividends in respect of 2008 are expected to be paid on the following dates:

First interim payable 31 July 2008
Second interim payable 31 October 2008
Third interim payable 30 January 2009
Fourth interim payable 30 April 2009

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Chairman's Statement

Hugh Twiss

The last year has been particularly challenging for income investors, as both bonds and higher yielding equities have fallen in value. In anticipation of more difficult conditions, the Trust's gearing was reduced to the lowest level for more than 10 years. Despite this, the Trust has not been immune from markets and the net asset value has fallen over the year, albeit appreciably less than the average for the Association of Investment Companies' UK High Income sector. Importantly however, the current outlook for income remains robust and the dividend was increased by 3.4% over the year.

Assets and performance

Despite having warned in my recent statements that it was unlikely to be plain sailing, I must admit to not having expected quite the severity of the storm that hit us and continues to do so. An initial problem of defaults amongst US sub-prime borrowers has spiralled rapidly outwards to touch seemingly unrelated investment markets, so that the second half of 2007 witnessed a sharp sell-off in UK equities, prompted by the evolving credit crunch and associated fears of slowing economic growth in the UK. As if this were not bad enough, it turned out that 2007 was a very bad year in particular to be a high yield investor like ourselves, or indeed any type of income investor.

In a similar way to the 'dot com' boom in the late 1990s, there has been a reducing number of very low yielding sectors driving the UK market forward. Sectors such as mining and oil have been the dominant factor in the FTSE All-Share Index's rise; these sectors contain companies with low dividend yields and are, therefore, not sectors that we would currently invest much in.

By comparison, companies in sectors such as banks and property, which traditionally provide high dividend yields, have nearly halved in value over the year, although we were able to mitigate some of the worst effects by being underweight in these sectors. This narrow breadth to the market is clearly illustrated by the fact that if the mining sector was taken out of the FTSE All-Share Index, then it actually fell in value over 2007 and the FTSE 350 High Yield Share Index, which contains many of the stocks in which we invest, was 3.0% lower.

Unusually, our fixed interest portfolio provided few benefits as it was partly affected by the adverse issues within the debt market as spreads widened across all bond categories, an outcome we expect to reverse in the coming year for the better quality issues which we typically hold.

The consequence of all this was that over the year our portfolio underperformed the market as a whole. However, this is the first year since 1999 that the total return of the net asset value (NAV) per ordinary share (-4.6%) has lagged either the total return of the FTSE All-Share Index (5.3%) or the benchmark index (5.3%). The total return of the share price per ordinary share fell further, being down 12.7%, as a result of the discount to the NAV having widened to 11.4% at the year end. The Company repurchased some shares for treasury during this period and since the year end the discount has narrowed significantly.

We can take some comfort from not being alone in facing demanding market conditions for income investing. The Association of Investment Companies' UK High Income sector, of which we are part, recorded an average NAV total return of -7.6% over the year, compared to our 4.6% decline.

In anticipation of difficult market conditions, our gearing was reduced during the year to levels last seen in the mid 1990s, with the result that our bond portfolio now exceeds the value of our borrowings, implying negative equity gearing. Our borrowing facilities remain in place, and with the dividend yields currently available there is a considerable opportunity for income generation going forward.

Chairman's Statement

continued

Our Portfolio Manager expands on all this in his report and a more detailed performance attribution analysis can be found on page 49. Whilst this shows that we clearly could have done better, I think that in these difficult circumstances, our Portfolio Manager, supported by the Board, deserves some credit for steering us through these choppy waters, in particular by reducing gearing and retaining resources in hand so we are able to take advantage of the opportunities as they appear and hopefully benefit when markets improve.

Dividends

Dividend growth has continued across all sectors in the UK and, with a greater proportion of our income now coming from bonds, the Board considered the position secure enough to increase our distribution further. So, for the second year running since we reverted to a single share structure, we were able to increase our quarterly dividend payments by 3% to 2.075p, as we announced in November 2007.

Whilst clearly the value of our capital is important to us as shareholders, it is the level of the dividend that usually has the most immediate effect on our pockets. It is therefore encouraging that, despite all the recent ravages of the markets, we have been able to increase it again and we remain committed to growing it further in the future, as conditions permit.

Board and other matters

This year at the end of our AGM in May, Christopher Dunkerley will retire as a director of the Company after 19 years' service. We will miss his wise counsel and his thoughtful contributions to our discussions. The process to find his replacement is already underway, and when completed will conclude a succession plan put in place by my predecessor to ensure a smooth and gradual rebuilding of the Board for the next phase of the Company's life. I hope that as many of you as possible will come to the AGM on 13 May, when you will have the opportunity to say goodbye to Christopher in person and to meet Janet Walker, who has joined the Board since the last AGM, as well as the other directors and our Portfolio Manager who will as usual give you an update. I look forward to welcoming you.

I reported in my half year statement on the judgment by the European Court of Justice in relation to VAT on our management fees. Subsequently HM Revenue & Customs accepted the verdict, so making it possible not only for us to reclaim VAT paid on our fees in previous years, but to cease paying VAT on future fees with a consequent benefit to our income statement. The process of reclaiming VAT is likely to be slow and it is not clear when it will be repaid. However, we have recognised in these accounts a figure of £1,030,000, which is the amount that we currently consider to be the best estimate of the likely reclaim and details are contained in note 18 to the accounts on page 44.

Outlook

The volatility of this past year will hopefully provide opportunities for the future. Yields on corporate bonds and equities in certain sectors are at their highest levels for 20 years, but confidence amongst investors is still low. Although we have seen little respite so far in 2008, it is salutary to consider that a significant part of our investable universe has been in a bear market (having witnessed price falls of over 20%), which started nearly a year ago, even if the rest of the market has not been so until recently. Although 'first in' does not guarantee 'first out', it does mean that much of the deterioration has already, hopefully, largely been priced into these stocks.

This view is underlined by the increasing number of good quality stocks that are yielding significantly more than the market, as well as being on lower price/earnings ratios, so providing us with judicious opportunities to buy them and immediately improve our income account, even if the improvement to our capital account may take a little longer to materialise. Therefore, although we may have to weather some more storms in the coming months, we are in good shape to do so and to take advantage of the opportunities as they appear, so that I am hopeful we will come to look back on this period as having provided us with some rewarding opportunities.

Hugh Twiss, Chairman
26 March 2008

Investment Review

Alex Crooke

Review of the Year to 31 December 2007

Looking back, the last year has been the most difficult for income investors since 1999, when equity market returns were last dominated by the performance of a handful of low yielding sectors. This time around it has been the mining sector, as opposed to telecoms and technology, which has so dominated performance with the sector returning 50% over 2007. As the mining sector yields only 0.9%, it is not a natural investment for our income fund and without its contribution the FTSE All-Share Index total return would have been -1.0% over the year, instead of +5.3%. Elsewhere, more sectors fell in value than rose, as investors took flight from a combination of high valuations, credit issues and the prospects of slower economic growth in the UK.

On a global front, the credit crunch which took hold in the latter part of 2007 was a prime focus for investors. Although originating in the US from a rapid default in recent mortgage lending to sub-prime investors, the subsequent effects were very much felt in the UK. Investment and commercial banks began to question the value of their loans and instruments linked to these loans, resulting in a pervading flight to conserve capital and almost total paralysis of the interbank lending market. One of the most dramatic victims of this was the collapse of Northern Rock Bank, which was unable to draw on new funds and had little choice but to call upon the Bank of England to provide finance. As highlighted by the recent collapse of Bear Stearns in the US, credit markets globally have still not returned to normal conditions.

The UK economy actually had a fairly robust year, GDP growth was 3.1% and job creation was robust. The Bank of England initially predicted that inflation would moderate throughout the year as energy costs fell but this proved to be too optimistic. Demand for raw materials, energy and food has continued unabated in the Far East and prices of all these commodities have risen sharply. Only a moderate impact has been felt by companies as sterling's strength has offset those US dollar input costs. More pressure may come to bear on corporate profits in the coming year if further price rises occur.

Within equity markets larger companies were in favour, as there was a perception that they were undervalued and less susceptible to an economic slowdown. Sustained selling of small and medium sized companies created a slump in their share prices, with the FTSE Small Cap Index falling by 12.4% over the year and the FTSE Mid Cap Index falling by 3.0%. By comparison, there was better performance by larger companies, with the FTSE 100 Index rising 3.8%. Our portfolio has tended to favour the smaller and mid cap markets, as dividend growth and absolute levels of yield have

The 10 largest Equity Investments at 31 December 2007 were:

Position	Company	Sector	**Market value 2007 £'000**	Market value 2006 £'000	**Percentage of portfolio 2007**	Percentage of portfolio 2006
1	HSBC	Financials	**7,502**	5,037	**4.3%**	3.2%
2	BP	Oil & Gas	**6,519**	4,313	**3.8%**	2.8%
3	Vodafone	Telecommunications	**5,789**	825	**3.3%**	0.5%
4	Aviva	Financials	**5,125**	2,703	**3.0%**	1.7%
5	BT	Telecommunications	**4,583**	5,066	**2.6%**	3.3%
6	National Grid Transco	Utilities	**4,557**	2,878	**2.6%**	1.8%
7	British American Tobacco	Consumer Goods	**4,127**	3,001	**2.4%**	1.9%
8	Scottish & Southern Energy	Utilities	**3,882**	3,683	**2.2%**	2.4%
9	Amec	Support Services	**3,818**	1,919	**2.2%**	1.2%
10	Royal Dutch Shell 'B'	Oil & Gas	**3,057**	2,618	**1.8%**	1.7%

Investment Review

continued

been better than amongst the largest companies. Although we have reduced small stock exposure, we were subject to this fall in smaller company share prices.

In previous market downturns the portfolio performance has tended to be better than the market because of the holdings of defensive sectors like telecoms or utilities and our exposure to bonds. In the early part of the year we increased both telecoms and utilities to nearly 17% of the portfolio value and these both proved to be attractive areas of the market. However, unlike previous market setbacks, the bond portfolio did not prove to be as resilient as we hoped. Although defaults have mainly occurred in mortgage backed bonds, the forced liquidations of hedge funds have meant indiscriminate selling of even the highest quality investment grade bonds. The current prices of bonds are less reflective of the likelihood of defaults and more indicative of a clearing price for the liquidation of bond portfolios.

The gearing within the fund was reduced sharply in April, following the new investment from the Martin Currie Income and Growth Investment Trust, which accepted our rollover proposals. The majority of assets we accepted were in the form of a short dated Treasury gilt which we liquidated in the fourth quarter. At the year end the bond portfolio of £35.8m exceeded our short term borrowings of £33.7m, which were lower than last year (£35.6m), and covered by substantially more assets (£174m vs £156m).

Portfolio activity

Within the bond portfolio we have been a little more active than in previous years, with an initial aim of reducing the average maturity of the bonds. We hold preference shares which are effectively undated and, combined with other long dated corporate bonds, we were exposed to changes to long term interest rates, particularly if inflation continued to rise. Recent purchases of bonds with maturities between 2010 and 2016 have helped to reduce the average maturity. We have also been favouring financial company bonds, as they have fallen a considerable way and offer attractions from both a capital and income perspective. Obviously, being bonds, they have more security than purchasing the respective equity.

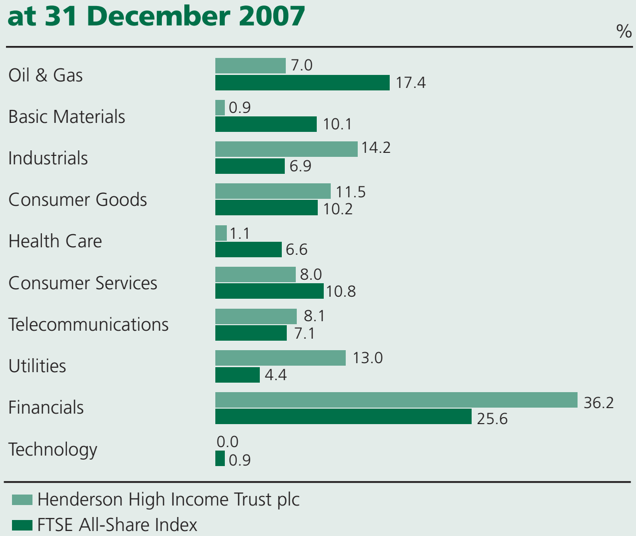
A further aim within the portfolio has been to seek a more diverse set of fixed interest securities. We have not sought lower grade assets but higher, with an investment in the **Henderson Secured Loans Fund**. In a situation where a company gets into difficulty, loans have first charge over the company's assets, then bonds, and finally the equity holders get any remainder. Therefore loans can provide very defensive investments; however, the major problems are access and liquidity. Our investment in this fund provides a running yield over 7%, professional and long established management of loans and a tradeable fund rather than direct holdings. Over time we expect this holding to reduce the risk and volatility of the overall bond portfolio.

We reduced our exposure to financials during the year and attempted to reposition into more defensive positions. New investments in insurers such as **Aviva**, **Catlin** and insurance broker, **Jardine Lloyd Thompson**, should have been fairly stable. However, fears about insurers' portfolios containing low quality mortgage assets have depressed prices, although recent results have begun to turn the tide and show that they have little exposure. The holdings of banks were reduced to 8% and, in particular, over half of all our banking exposure is in **HSBC**. This bank has one of the strongest capital positions in the industry and, while not untouched within its US operations, those in the Far East are making very good progress.

Property has been another sector we have reduced materially, with sales of **Land Securities** and **Great Portland Estates** in the UK and **Unibail** in France. Yields on investment properties fell below interest rates on loans to support purchases, which we felt was a signal to sell. Subsequently, commercial property prices have fallen between 10% and 20% and many property company share prices have halved. Dividend yields remain unattractive in the sector and until more cash is returned via dividends, the shares will continue to remain unattractive to us.

Although we have reduced small cap exposure, we continue to find interesting new companies that we hope can grow in the future. Two such new investments in the year were **Smiths News** and **Hilton Foods**. On the break-up of W H Smiths, the newspaper and magazine distribution division was spun out as **Smiths News**. The company has modern distribution centres and continues to win new business while cash generation is

Sector Analysis of the Equity Portfolio at 31 December 2007



Source: Henderson Global Investors

Investment Review
continued

strong. **Hilton Foods** is the leading provider of beef to Tesco and a number of large European supermarkets. **Hilton Foods** sources the meat before cutting and packing the joints. The company has continuously invested in modernising machinery and is highly regarded in its industry. With plenty of growth potential in both the UK and Europe and expansion into other types of meat, the prospects look bright.

Overall during the year we were fairly cautious with our investments, as we increased holdings in the telecoms (**Vodafone**), oil & gas (**BP**) and utility sectors within the fund. Within utilities we favoured energy generation and electricity for new investments as we already had considerable exposure to water companies. New investments included the coal fired electricity generator, **Drax**, and an increased holding of **National Grid Transco**, the company responsible for the electricity network in the UK. We have resisted the temptation to increase exposure into the heavily sold off sectors like retailers, banks and house builders, despite the attractive dividend yields, as we expect continued pressure on their profits into 2008.

Outlook

The performance in 2007 suffered from rising corporate bond yields, high financial exposure and limited commodity investments. This is the first year since 1999 that the NAV performance has been below that of the FTSE All-Share Index and the underperformance in 2007 is equivalent to the out-performance we achieved in 2006. We believe that some of these factors will reverse over the coming year, allowing the portfolio to regain some of the lost ground against indices.

Investment wise, focus will inevitably be on whether the UK economy will slow to such an extent that it tips into a recession. This prospect is not helped by the fragility and obvious affordability problems in the housing market, now compounded by less competition amongst mortgage providers. There is a need for lower interest rates and the Bank of England should concentrate on reviving growth rather than targeting inflation which is likely to slow if the economy turns down.

Investment markets typically overreact to news, both positive and negative. Share valuations and bond yields are now trading close to the levels reached during past recessions. In fact financial company bond yields relative to government gilts are wider than at any time in a generation. Whilst growth is slowing, it does appear that share prices and yields have overreacted and at some point this year investors will realise that there is considerable value on offer. However, the next six months are likely to remain volatile and we are being careful not to invest too early.

Alex Crooke
Ben Lofthouse
26 March 2008

Top Ten Holdings by Contribution to Income during the Year ended 31 December 2007

Holding	£'000
UK Treasury 5% 07/03/08	355
HSBC	334
BT	259
Vodafone	213
BP	207
Prodesse Investment	203
Royal Bank of Scotland	177
National Grid Transco	161
Aviva	152
United Utilities	152
Total	**2,213**

These represent 28% of the total income from investments during the year.

Investments: Fixed Interest

Valuations at 31 December 2007

STERLING FIXED INTEREST	£'000
Preference Shares	
Abbey National 10 3/8%	990
Aviva 8.75%	1,482
Co-Operative Bank 9 1/4%	1,323
General Accident 8 7/8%	924
HBoS 9.75%	1,615
Middlefield Canadian Inc Part Pref 7%	810
National Westminster Bank 9%	939
Standard Chartered 8.25%	596
Sun Alliance 7 3/8%	1,076
Total Preference Shares	**9,755**

STERLING FIXED INTEREST continued	£'000
Others	
AIB UK 2049	866
Argon Capital 8.162% Perpetual 2012	1,542
Barclays Bank 6% Perpetual 2049	2,009
BNP Paribas 5.945% Perpetual 2049	229
BNP Paribas 7.436% Perpetual 2049	749
BOI Capital Funding 6.4295% Perpetual 2049	1,298
Bradford & Bingley Building Society 7.625% 2010	1,516
Carnival 7.125% 2012	757
Constellation Brands 8.5% 2009	500
Credit Suisse Group 8.514% 2015	1,625
Daily Mail & General Trust 7.5% 2013	798
European Investment Bank 6% 2028	1,444
Gallaher 6.625% 2009	1,011
HSBC Capital Funding 8.208% 2015	2,161
Hutchison Ports 6.75% 2015	598
Investec Finance 7.75% 2016	1,005
Lloyds TSB Bank 7.834% 2015	2,125
Morgan Stanley 5.375% 2013	618
Munich Re Finance 7.625% 2028	1,097
National Westminster Bank 7.625% 2049	480
Nationwide Building Society 7.125% 2016	1,024
Old Mutual Cap Funding 8% (US$)	502
Standard Chartered 8.103% Perpetual 2016	2,124
Total Others	**26,078**
TOTAL FIXED INTEREST	**35,833**

Investments: Equities (including convertibles and investment funds)

Valuations at 31 December 2007

OIL & GAS	£'000
Oil & Gas Producers	
BP	6,519
LASMO OPS	118
Royal Dutch Shell 'B'	3,056
Total Oil & Gas	**9,693**

BASIC MATERIALS	£'000
Mining	
BHP Billiton	1,160
Total Basic Materials	**1,160**

INDUSTRIALS	£'000
Construction & Materials	
Balfour Beatty†	945
Galliford Try	2,348
Marshalls	527
Aerospace & Defence	
BAE Systems	1,743

†includes convertibles

INDUSTRIALS continued	£'000
General Industrials	
Rexam	1,666
Electronic & Electrical Equipment	
TT Electronics	558
Industrial Engineering	
Metalrax	168
Senior	671
Industrial Transportation	
Fisher J & Sons	1,359
Forth Ports	679
Goldenport	826
TDG	387
Support Services	
Amec	3,818
Davis Service	779
McAlpine	1,626
Premier Farnell†	338
Smiths News	1,196
Total Industrials	**19,634**

Investments: Equities (including convertibles and investment funds)

continued

CONSUMER GOODS	£'000
Automobiles & Parts	
GKN	1,128
Beverages	
Diageo	1,296
Scottish & Newcastle	2,632
Food Producers	
Dairy Crest	1,611
Hilton Food Group	694
Tate & Lyle	445
Household Goods	
Barratt Developments	569
Taylor Wimpey	478
Tobacco	
British American Tobacco	4,126
Imperial Tobacco	2,848
Total Consumer Goods	**15,827**

HEALTH CARE	£'000
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	1,471
Total Health Care	**1,471**

CONSUMER SERVICES	£'000
Food & Drug Retailers	
Tesco	1,527
General Retailers	
Findel	2,013
Home Retail	927
Sports Direct International	350
Media	
ITV	542
Trinity Mirror	418
Travel & Leisure	
Go-Ahead	1,929
Greene King	960
The Hotel Corporation	1,458
Marston's	848
Total Consumer Services	**10,972**

TELECOMMUNICATIONS	£'000
Fixed Line Telecommunications	
BT	4,583
Cable & Wireless	744
Mobile Telecommunications	
Vodafone	5,789
Total Telecommunications	**11,116**

UTILITIES	£'000
Electricity	
Drax	2,043
Scottish & Southern Energy	3,882
Gas Water & Multiutilities	
Centrica	717
National Grid Transco	4,557
Northumbrian Water	2,730
Severn Trent	1,536
United Utilities	2,520
Total Utilities	**17,985**

FINANCIALS	£'000
Banks	
Barclays	1,941
HSBC	7,502
Lloyds TSB	1,935
Royal Bank of Scotland	2,438
Nonlife Insurance	
Benfield	554
Catlin	2,394
Jardine Lloyd Thompson	1,330
Life Insurance	
Aviva	5,125
Chesnara	744
Old Mutual	2,203
Prudential	2,034
Resolution	2,690
Real Estate	
Great Portland	799
Land Securities	1,269
Mapeley	758
Teesland Advantage	658
General Financial	
Eurocastle	494
F&C Asset Management	962
ICAP	1,489
Intermediate Capital	2,088
Investec	1,463
London Scottish	441
Prodesse Investment	2,671
Provident Financial	604
Investment Funds	
Henderson Diversified Income	2,425
Henderson Secured Loans Fund	2,960
Total Financials	**49,971**

TOTAL EQUITIES	**137,829**

Classification of Investments

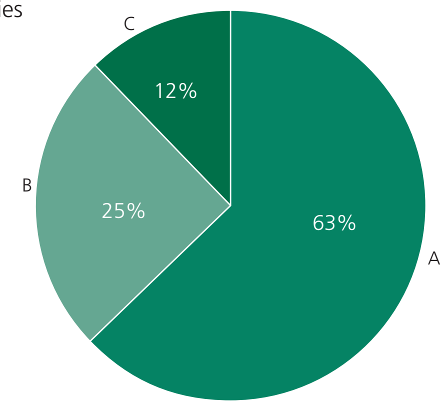
at 31 December 2007

	Total 31 Dec 2007 %	Total 31 Dec 2006 %
FIXED INTEREST		
Preference Shares	**5.6**	7.4
Others	**15.0**	11.7
Total Fixed Interest	**20.6**	19.1
EQUITIES		
Oil & Gas		
Oil & Gas Producers	**5.6**	4.5
Total Oil & Gas	**5.6**	4.5
Basic Materials		
Mining	**0.7**	–
Total Basic Materials	**0.7**	–
Industrials		
Construction & Materials	**2.2**	2.4
Aerospace & Defence	**1.0**	1.0
General Industrials	**1.0**	1.3
Electronic & Electrical Equipment	**0.3**	0.6
Industrial Engineering	**0.5**	0.6
Industrial Transportation	**1.9**	2.0
Support Services	**4.4**	4.2
Total Industrials	**11.3**	12.1
Consumer Goods		
Automobiles & Parts	**0.6**	0.7
Beverages	**2.3**	2.1
Food Producers	**1.6**	1.5
Household Goods	**0.6**	1.6
Tobacco	**4.0**	3.9
Total Consumer Goods	**9.1**	9.8
Health Care		
Pharmaceuticals & Biotechnology	**0.8**	1.0
Total Health Care	**0.8**	1.0
Consumer Services		
Food & Drug Retailers	**0.9**	0.8
General Retailers	**1.9**	2.0
Media	**0.5**	0.8
Travel & Leisure	**3.0**	3.7
Total Consumer Services	**6.3**	7.3
Telecommunications		
Fixed Line Telecommunications	**3.1**	3.3
Mobile Telecommunications	**3.3**	0.5
Total Telecommunications	**6.4**	3.8
Utilities		
Electricity	**3.4**	3.1
Gas Water & Multiutilities	**6.9**	6.0
Total Utilities	**10.3**	9.1
Financials		
Banks	**8.0**	9.5
Nonlife Insurance	**2.5**	2.2
Life Insurance	**7.4**	7.2
Real Estate	**2.0**	5.8
General Financial	**5.9**	8.6
Investment Funds	**3.1**	–
Total Financials	**28.9**	33.3
TOTAL INVESTMENTS	**100.0**	100.0

Distribution of the Equity Portfolio of Henderson High Income Trust plc

at 31 December 2007

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


Andrew Bell


Vivian Bazalgette


Christopher Dunkerley


Janet Walker

Hugh J Twiss (age 58) joined the Board on 1 October 2003, and was elected Chairman in May 2006. He has 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.

Andrew L C Bell (age 52) joined the Board on 1 November 2004. He has worked in the City since 1987, initially specialising in European equities as a strategist at Barclays de Zoete Wedd (BZW), following which he was Co-Head of the Investment Trusts team at BZW and Credit Suisse First Boston. From there, in 2000 he joined Carr Sheppards Crosthwaite (now Rensburg Sheppards Investment Management Limited) where he is a director and Head of Research and Strategy. Prior to the City, he worked for Shell in Oman, leaving to take a Sloan Fellowship at the London Business School. He is a non-executive director of Framlington Innovative Growth Trust plc and of the Association of Investment Companies, as well as serving as a governor of Bedford School.

Vivian P Bazalgette (age 56) joined the Board on 1 November 2004 and was appointed Chairman of the Audit Committee in May 2006. His career as an investment specialist began 25 years earlier and included periods with James Capel, the stockbrokers, and Mercury Asset Management before spending nearly 10 years at Gartmore where he became Managing Director of Pension Funds. In 1996 he joined M&G as Chief Investment Officer, retaining the same position until 2002 after M&G's acquisition by Prudential. He was also a director of M&G High Income Investment Trust plc. He is currently a non-executive director of Brunner Investment Trust plc and Perpetual Income and Growth Trust plc, an adviser to BAE Systems Pension Fund, and, among a number of charity involvements, is a governor of Dulwich College and a trustee of King's College Hospital Charity.

Christopher Dunkerley (age 56) joined the Board in 1989. He joined the City from university in 1973, accumulating more than 30 years' experience in investment and private banking. His first appointment was with Wm. Brandts as a graduate trainee. He then worked as a credit analyst with Orion Bank, as an Assistant General Manager with Saudi International Bank, as an Associate Director with James Capel & Co., as Chief Executive Officer of Dartington & Co. and as a Senior Private Banker with Coutts & Co. As a Certified Financial Planner, he established his own private client advisory business in 2000 and is now a director of Dunkerley Financial Planning Limited and a governor of Clifton College.

Janet Walker (age 54) joined the Board on 1 June 2007. She is the Commercial & Finance Director of Ascot Racecourse and a non-executive director of the Design Council. From 1980 until 2003 Miss Walker was employed in broadcasting, including roles as Director of Finance and Business Affairs at Channel Four Television from 1998 to 2003, Director of Finance at Granada Media Group from 1996 to 1998, Financial Controller, Regional Broadcasting for the BBC from 1994 to 1996 and Deputy Director of Finance and Corporation Secretary at Channel Four Television from 1988 to 1994.

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

Management


Alex Crooke


Ben Lofthouse


Deborah Trickett

Alex Crooke (age 38) has been Portfolio Manager of the Trust since 1997. He is also manager of The Bankers Investment Trust PLC.
Ben Lofthouse (age 32) became Deputy Portfolio Manager in August 2006.
Deborah Trickett ACIS is the appointed representative of the Corporate Company Secretary, Henderson Secretarial Services Limited.

Report of the Directors

The directors present the audited accounts of the Company and their report for the year ended 31 December 2007.

Status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"). It is required to seek HM Revenue & Customs approval of its status as an investment trust under Section 842 every year, and this approval will continue to be sought. HM Revenue & Customs' provisional approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2006, although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

With effect from 6 April 2008:

- the annual Individual Savings Account (ISA) investment allowance will be increased to £7,200; and
- all existing PEP accounts will automatically become Stocks and Shares ISAs and will be subject to ISA rules and regulations.

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

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 31 December 2007 and covers the following sections only:

- Investment objective and policy
- Share capital
- Dividend and performance for the year
- Performance measurement and key performance indicators
- Management arrangements
- Internal controls and management of risks
- Gearing and overdraft facility
- Duration of the Company
- Future developments

A review of the investment activities for the year ended 31 December 2007 and the outlook for the coming financial year are given in the Investment Review on pages 5 to 7.

Investment objective and policy

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

- Investment approach

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

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

- Investment policy

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

Report of the Directors

continued

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

- Risk management and portfolio analysis
  The Company looks to reduce investment risk and achieve an appropriate spread of investment risk principally through holding a broadly diversified portfolio containing both equities and fixed interest securities, as described above. The largest single exposure to any individual company at 31 December 2007 was in HSBC which accounted for 4.9% (including holdings in its equity and bonds) of the total portfolio. The top 10 holdings amounted to 35.5% of the total portfolio.

  Investment risk may also be further reduced through the use of financial futures and options. The use of any derivative instruments such as financial futures, options and gilt futures will only be for the purposes of efficient portfolio management and would principally encompass reducing market, interest rate or credit risk within the portfolio.

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

Share capital

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

At the beginning of the year, there were 69,687,798 shares in issue. During the year, the Company participated in the reconstruction of Martin Currie Income & Growth Trust plc ("MCIGT"). Under the terms of the proposals for the reconstruction and voluntary winding-up of MCIGT, shareholders in MCIGT were offered the option, *inter alia*, to roll over all or some of their shares into Henderson High Income Trust plc. As a result, on 30 April 2007 the Company issued 16,147,946 new Ordinary Shares to holders of MCIGT shares at a price of 183.1p each.

On 4 December 2007 the directors bought back 400,000 shares of 5p each at a price of 148p per share (representing 0.47% of the issued share capital). These shares were bought back to enhance the NAV and are being held in treasury and are therefore not included in the number of shares having voting rights. At 31 December 2007 the number of ordinary shares in issue (with voting rights) was 85,435,744.

Since 31 December 2007 and up to the date of this document, there has been no further change to the share capital of the Company.

Dividend and performance for the year

Total net assets at 31 December 2007 were £142,605,000 compared with £126,637,000 at 31 December 2006; however, taking into account the increase in the number of shares in issue, the net asset value per ordinary share moved from 181.72p to 166.91p.

At 31 December 2007 there were 110 (2006: 102) separate investments, as detailed on pages 8 and 9.

Net revenue after taxation for the year was £6,647,000, an increase of 18.3% from the previous year.

	At 31 December 2007	At 31 December 2006	% Change
Net assets	**£142.6m**	£126.6m	+12.6
Revenue return per share	**8.26p**	8.09p	+2.1
Dividend	**8.18p**	7.91p	+3.4

The Board aims to make progressive and steady increases over time in the annual dividend payments. Shareholders must, however, recognise that such increases can never be guaranteed, and that circumstances may arise when it may be necessary to reduce a dividend payment. Equally, there may be instances when the level of payment must be increased in order to comply with ICTA 1988 Section 842 in respect of the retention of distributable income. Where such instances would result in a payment going beyond the Board's aim, one-off "special dividend" payments would be declared and paid.

Report of the Directors

continued

The directors have declared a fourth interim dividend of 2.075p per ordinary share. This dividend, together with the three other interim dividends, make a total for the financial year of 8.18p (2006: 7.905p) net per share. The fourth interim dividend will be paid on 30 April 2008 to members on the register at the close of business on 4 April 2008. The ex-dividend date for the payment will be 2 April 2008.

Performance measurement and key performance indicators

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

- Dividends
  The Board reviews the Company's revenue account at every Board meeting, along with the appropriateness of its dividend payments. The Board also compares the yield on the Company compared to the AIC "UK High Income" sector. One of the Company's primary objectives is to provide investors with dividend income above that which they can receive from the FTSE All-Share Index. The Board places a high level of importance on maintaining the Company's dividend payments and maintaining a suitable asset allocation that can, over time, grow the level of dividend distributions to shareholders.

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

- Premium/Discount to net asset value ("NAV")
  At each Board meeting, the Board monitors the level of the Company's premium or discount to NAV and reviews the average premium for the Company's AIC 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 and excludes current financial year revenue items. This means that it is on a different basis to the NAV per ordinary share calculated within the year end financial statements, which does include current financial 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 the performance of its AIC peer group at each Board meeting.

- Total expense ratio ("TER")
  The TER is a measure of the total expenses (excluding finance costs) incurred by the Company, including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the TER and monitors all Company expenses.

	Year to 31 December 2007 %	Year to 31 December 2006 %
Net asset value total return	**-4.6**	+23.2
FTSE All-Share Index total return	**+5.3**	+16.8
FTA Government All Stocks Index total return	**+5.3**	+0.7
AIC Sector net asset value total return	**-7.6**	+19.0
Share price total return	**-12.7**	+20.6
AIC Sector share price total return	**-15.7**	+17.4
Discount at year end	**11.4**	0.3
TER (inc. performance fee)	**1.0**	1.9
TER (excl. performance fee)	**0.9**	0.9

Management arrangements

Investment management, UK custodial, accounting, company secretarial and administrative services are provided to the Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Fund Services UK Limited.

Report of the Directors
continued

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 2007 was 0.5%.

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

Performance is measured on a three-year rolling basis. Thus, the fee calculated as at 31 December 2007 takes the average performance over the calendar years 2005 to 2007; that at 31 December 2008, performance over 2006 to 2008 and so on. In any given year in which a performance fee is payable, the fee rate is increased by 0.15% for every 1% average outperformance on a sliding scale. The upper limit on the total fee, including the base fee and any performance fee, for any given accounting year is 1.5%. While performance is measured over three years, only the current year's fee would be increased in the event of outperformance.

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

The average annual total return of the Company's total assets over the three years to 31 December 2007 was 12.9% (2006: 19.3%). This compared with the benchmark return of 12.2% (2006: 14.1%).

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

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

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

Internal controls and management of risks

There are in place extensive internal controls to evaluate and manage any major financial, operational and compliance risks facing the Company. Details of the internal controls system and how the Board undertakes the analysis of the Company's business risks are contained in the Corporate Governance Report on page 25.

The risk of the portfolio is monitored regularly by the Board and it should be noted that deviation from the benchmark is not necessarily an increased risk. The Portfolio Manager ensures that portfolio risk is mitigated by stock diversification in line with the stated investment objective and policy.

Due to its investment strategy, the Company's business activities are exposed to market risks, including currency risk, interest rate risk, other price risk, as well as liquidity risk and credit and counterparty risk. The Company's policies for managing these risks are set out in note 13 on pages 38 to 42.

Gearing and overdraft facility

The Board has in place a loan facility which allows it to borrow as and when appropriate. At 31 December 2007 the Company had a committed loan facility of £66.4m. Details of the facility are contained in note 12 on page 38. Actual gearing at 31 December 2007 was 23%.

Report of the Directors

continued

Duration of the Company

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

Future developments

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

Directors

The names and biographies of the directors holding office at the date of this report are given on page 11. All the directors are deemed to be independent of the management company, notwithstanding length of service. Sir John Stanley retired at the conclusion of the AGM on 15 May 2007.

The Board may appoint directors to the Board without shareholder approval. Any director so appointed must stand for election by the shareholders at the next AGM in accordance with the Articles of Association. The total number of directors shall be not less than two nor more than ten.

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

Directors' retirement by rotation and re-election is subject to the Articles of Association, the Combined Code and by reference to the AIC Code of Corporate Governance. One-third (but not more than one-third) of the directors are required to retire at each AGM. The directors to retire shall first be those directors who did not seek re-election at the two preceding AGMs. Mr Andrew Bell and Mr Vivian Bazalgette, who were last re-elected in 2005, will retire by rotation and, being eligible, offer themselves for re-election. The Board considers that these two directors continue to contribute valuable experience to the leadership of the Company. Miss Janet Walker was appointed as a director by the Board on 1 June 2007. In accordance with the Company's Articles of Association, Miss Walker will retire and offer herself for election at the forthcoming AGM.

Mr Christopher Dunkerley, who has served on the Board since 1989, has stated his intention to retire from the Board at the conclusion of the 2008 AGM.

Directors' Interests in Shares

	Ordinary shares of 5p	
	31 December 2007	31 December 2006*
With beneficial interest:		
V P Bazalgette	**10,000**	10,000
A L C Bell	**20,000**	20,000
C Dunkerley	**75,000**	100,000
H J Twiss	**20,059**	19,165
J S Walker	**2,870**	–

*or date of appointment if later.

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table above. Since the end of the financial year up to the date of this report, Mr Twiss has acquired a further 280 ordinary shares in the Company, Mr Bell has purchased a further 10,000 shares, Miss Walker has purchased a further 3,130 shares and Mr Dunkerley has sold 55,000 shares. There have been no other changes in the interests of the directors since the year end.

Directors' Remuneration

A report on directors' remuneration is on pages 20 and 21.

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

Report of the Directors
continued

Directors' Indemnity

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

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

Substantial Shareholders

Shareholder	% of voting rights
Legal & General Group Plc	3.2

Declarations of interests in the voting rights of the Company, at 29 February 2008, are set out above.

In addition, the Board is aware that, at 29 February 2008, 11.1% of the voting rights was held on behalf of participants in Itshenderson and 5.6% in other Henderson Savings Schemes. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. In accordance with the revised terms and conditions of Itshenderson, Henderson has stated that it will instruct its nominee company to exercise the voting rights of any shares held through Itshenderson that have not been exercised by the individual participants. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Annual General Meeting ("AGM")

The AGM will be held on 13 May 2008 at 11.30am.
The Notice of Meeting is set out on pages 46 and 47.

Authority to allot shares and disapply pre-emption rights

On 15 May 2007 the directors were granted authority to allot 6,968,760 authorised but unissued ordinary shares. No shares have been allotted under this authority, which will expire at the forthcoming AGM in May 2008. At the AGM in May 2007 authority was also given to the directors to allot securities of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. This too will expire at the AGM in May 2008.

The Board wishes to continue to have authority to allot new ordinary shares on a non pre-emptive basis. Appropriate resolutions to renew both authorities will be proposed at the 2008 AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £427,178 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £427,178 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM).

Pre-emption rights under the Companies Act apply to the resale of treasury shares for cash, just as they do for the allotment of new shares. Resolution 9 relates to either new issues or to the resale of treasury shares.

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

Report of the Directors
continued

If renewed, both of these authorities will expire at the conclusion of the AGM in 2009.

Authority to make market purchases of the Company's own shares
At the AGM in May 2007 directors were granted authority to make market purchases of up to 12,866,778 ordinary shares (with a nominal value of £643,330) for cancellation or to be held in treasury. Since the 2007 AGM the directors have bought 400,000 shares. These are held in treasury. The Company has remaining authority to purchase 12,466,778 shares. This authority will expire at the forthcoming AGM.

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

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

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

Auditors
RSM Robson Rhodes LLP were appointed as independent auditors to the Company at the AGM in May 2007. On 2 July 2007, following the merger of its audit practice with that of Grant Thornton UK LLP, RSM Robson Rhodes LLP resigned as auditors to the Company and the Board appointed Grant Thornton UK LLP to fill this vacancy. Special notice has been received in respect of the appointment of Grant Thornton UK LLP as auditors to the Company. Accordingly, resolutions to appoint Grant Thornton UK LLP as auditors to the Company, and to authorise the directors to determine their remuneration, will be proposed at the AGM.

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

Directors' Statement as to Disclosure of Information to Auditors
The directors who were members of the Board at the time of approving this Report are listed on page 11. Each of those directors confirms that:

- to the best of his/her knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- he/she has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

Report of the Directors

continued

Payment of Suppliers

It remains the payment policy to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 31 December 2007.

Going Concern

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

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
26 March 2008

Directors' Remuneration Report

Introduction

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

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

Statement of the Company's policy on directors' remuneration

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

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

The current annual rates of fees paid to the members of the Board are Chairman: £27,000, Chairman of the Audit Committee: £21,600 and directors: £18,000. The policy is to review these rates annually, although such review will not necessarily result in any change to the rates. The fees were increased during the year to reflect increased responsibility, the level of fees paid in the industry, the time commitment required by each director and other relevant factors. The actual amounts paid to the directors during the financial year under review are as shown below.

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

Consideration by the directors of matters relating to directors' remuneration

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

Amount of each director's emoluments (audited)

The fees payable in respect of each of the directors who served during the year, and during 2006, were as follows:

	2007 £	2006 £
V P Bazalgette	**19,550**	15,646
A L C Bell	**16,500**	13,500
P C J Dalby*	**–**	4,052
C Dunkerley	**16,500**	13,500
W D Eason*	**–**	6,078
Sir John Stanley**	**5,625**	13,500
H J Twiss	**24,750**	18,228
J S Walker***	**10,250**	–
TOTAL	**93,175**	84,504

Notes:

* Messrs Eason and Dalby retired from the Board on 2 May 2006.

** Sir John Stanley retired from the Board on 15 May 2007.

*** Miss Walker was appointed to the Board on 1 June 2007.

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

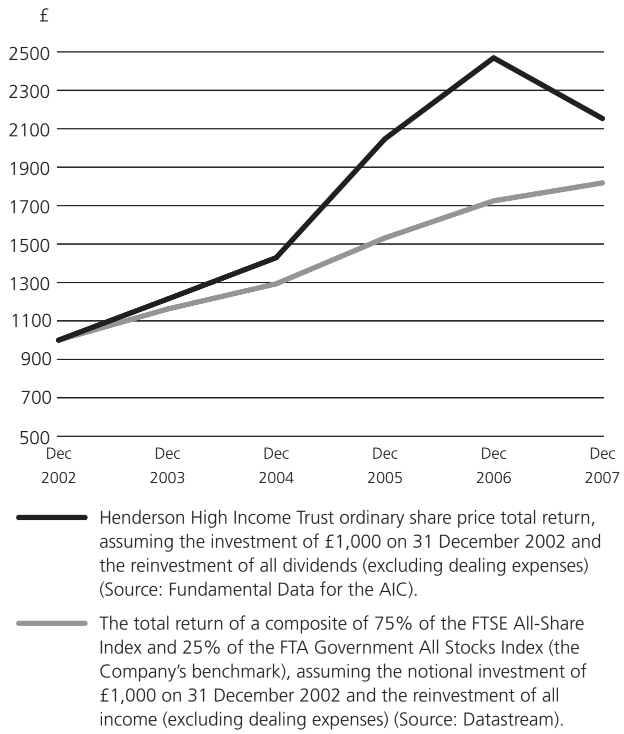
The following travel expenses were claimed and paid:

	2007 £	2006 £
C Dunkerley	**1,287**	1,187
H J Twiss	**26**	32

Directors' Remuneration Report

continued

Performance Graph



The graph opposite provides details of the Company's performance for the past five years.

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

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
26 March 2008

Statement of Directors' Responsibilities in respect of the Accounts

Company law requires the directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Corporate Governance

Introduction

The directors are accountable to shareholders for the governance of the Company's affairs.

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code"), issued by the Financial Reporting Council in July 2003 and revised in June 2006, have been applied to the affairs of the Company. In applying the principles of the Code, the directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code"), which established the framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies.

Application of the Code's Principles and Statement of Compliance

The Board attaches importance to the matters set out in both the Code and the AIC Code and observes the relevant Main and Supporting Principles. It should be noted that, 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. Thus, not all the provisions of the Code are directly applicable to the Company.

The directors believe that during the period under review they have complied with section 1 of the Code, insofar as they apply to the Company's business, and with the provisions of the AIC 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 where issues arise and to whom concerns can be conveyed.

The role of the chief executive

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

Executive directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the Code in respect of executive directors' remuneration and does not have a Remuneration Committee.

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. However, the directors will continue to review annually whether a function equivalent to an internal audit is needed.

Board Composition and Independence

The Board currently consists of five directors, all of whom are non-executive. Mr Twiss has been Chairman of the Board since May 2006. The directors' biographies on page 11 demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors on the Board of the Company.

No director has a contract of employment with the Company. Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will be available at the AGM. All the directors are deemed to be independent of the management company.

Tenure Policy

The Board's tenure and succession policy seeks to ensure that the Board is well-balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment to the Company, including in terms of time. The Board seeks to encompass relevant past and current experience of various disciplines. The Board is also conscious of the need to maintain continuity on the Board, and believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. The Board believes that length of service does not diminish the contribution from a director and that a long-serving director's experience and extensive knowledge of the Company can be a positive benefit to the Board. Moreover, long-serving directors are less likely to take a short-term view.

Corporate Governance
continued

This view is supported by the AIC Code. During the year Sir John Stanley retired from the Board in May 2007 and Miss Walker was appointed in June 2007.

The Articles of Association provide that not more than one-third of the directors must retire by rotation at each AGM but directors may then offer themselves for re-election. Mr Bell and Mr Bazalgette, who were both elected to the Board in 2004, have served three years and will therefore retire by rotation and seek re-election at the AGM in May.

In addition, the Articles of Association and the letters of appointment provide that a director shall retire and be subject to election at the first AGM after appointment and at least every three years thereafter. Miss Walker, who was appointed by the directors on 1 June 2007, will therefore seek election to the Board at the AGM in May.

Under Code provision A.7.2, directors who have served nine years or more should seek annual re-election from shareholders. Mr Dunkerley, who has served on the Board since 1989, is required to retire; however, he has stated that he does not intend to seek re-election and will therefore retire from the Board at the conclusion of the AGM in May.

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, interviews are held between the Chairman and 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 Board confirms that, in light of the formal performance evaluation, the performance of each of the directors being recommended for re-election at the forthcoming AGM continues to be effective and to demonstrate commitment to his/her role.

Directors' Remuneration

As noted in the Directors' Remuneration Report on pages 20 and 21, the Board as a whole determines and approves directors' fees. The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £150,000 per annum.

Directors' Training

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

Role and Responsibilities of the Board

The Board meets at least six times per annum 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 later in this statement. 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 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 and Board membership and appointments.

At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objective and policy 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, which is contractually delegated to the Manager. The Board also approves any unquoted investments and/or any investments in in-house funds managed or advised by the Manager.

Corporate Governance
continued

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 trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board. The Board has also adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In addition, during the year the Company has maintained insurance cover in respect of legal action against the directors.

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

	Board	Audit	Management Engagement	Nominations
No of meetings in the year	**6**	**3**	**1**	**1**
V P Bazalgette	6	3	1	1
A L C Bell	6	3	1	1
C Dunkerley	6	3	1	1
Sir John Stanley *	3	1	1	1
H J Twiss	6	3	1	1
J S Walker **	3	2	1	–

* Sir John Stanley retired from the Board on 15 May 2007.

** Miss Walker was appointed to the Board on 1 June 2007.

Board Committees

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

Audit Committee

The Audit Committee comprises all members of the Board and the Chairman is Mr Bazalgette. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee meets at least three times each year to review the internal financial and non-financial controls, to consider and recommend to the Board for approval the contents of the draft Half Year and Annual Reports to shareholders and to review the accounting policies and significant financial reporting judgments. In addition, the Committee reviews the auditors' 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 Audit Chairman's request.

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

During the year under review the Company's external auditors provided some non-audit services (these are detailed in note 6 on page 35). The Audit Committee is satisfied that there were no independence issues and the auditors were selected on the basis of being the best placed firm to provide these services. The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the accounts.

Nominations Committee

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

Corporate Governance
continued

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

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

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

Statement of Continuing Appointment of the Investment Manager
At its meeting in November 2007 the Management Engagement Committee confirmed that, in the opinion of the directors, the continuing appointment of the Manager on the terms set out in the management agreement is in the interests of the Company's shareholders as a whole and that Henderson should be retained as the Manager for the financial year ending 31 December 2008. The main reasons for this opinion are the long term performance of the Manager in managing the Company, its extensive investment management resources and its experience in managing and administering investment trust companies.

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

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

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

The Manager and the custodian maintain their own systems of internal controls. The effectiveness of their internal controls systems are continually assessed by the Manager's compliance and risk department and reported to the Board on a regular basis. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to achieve objectives.

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

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

Corporate Governance

continued

Voting Policy

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

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Report and Accounts which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation, and by the publication at the London Stock Exchange, of the net asset value of the Company's ordinary shares and a monthly fact sheet.

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

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

Report of the Independent Auditors

to the members of Henderson High Income Trust plc

We have audited the accounts of Henderson High Income Trust plc for the year ended 31 December 2007 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and notes 1 to 22. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

Report of the Independent Auditors

continued

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, the Investment Review, the Report of the Directors and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
4 April 2008

Income Statement

for the year ended 31 December 2007

Notes		Year ended 31 December 2007 Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 December 2006 Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	**–**	**(12,251)**	**(12,251)**	–	21,069	21,069
3	Income from investments held at fair value through profit or loss	**7,901**	**–**	**7,901**	6,838	–	6,838
4	Other interest receivable and similar income	**50**	**–**	**50**	66	–	66
	Gross revenue and capital (losses)/gains	**7,951**	**(12,251)**	**(4,300)**	6,904	21,069	27,973
5	Management and performance fees	**(366)**	**(715)**	**(1,081)**	(308)	(1,691)	(1,999)
18	Write-back of prior years' VAT	**230**	**800**	**1,030**	–	–	–
6	Other administrative expenses	**(270)**	**–**	**(270)**	(276)	–	(276)
	Net return/(loss) on ordinary activities before finance costs and taxation	**7,545**	**(12,166)**	**(4,621)**	6,320	19,378	25,698
7	Finance costs	**(484)**	**(1,453)**	**(1,937)**	(500)	(1,500)	(2,000)
	Net return/(loss) on ordinary activities before taxation	**7,061**	**(13,619)**	**(6,558)**	5,820	17,878	23,698
8	Taxation on net return on ordinary activities	**(414)**	**408**	**(6)**	(199)	185	(14)
	Net return/(loss) on ordinary activities after taxation	**6,647**	**(13,211)**	**(6,564)**	5,621	18,063	23,684
9	**Return/(loss) per ordinary share**	**8.26p**	**(16.42)p**	**(8.16)p**	8.09p	25.99p	34.08p

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

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2007

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

Year ended 31 December 2006	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2005	3,433	26,620	26,302	46,710	3,540	106,605
Net return on ordinary activities after taxation	–	–	–	18,063	5,621	23,684
Issue of new shares	51	1,668	–	–	–	1,719
Third interim dividend (1.9375p per share) for the year ended 31 December 2005 paid 31 January 2006	–	–	–	–	(1,329)	(1,329)
Fourth interim dividend (1.9375p per share) for the year ended 31 December 2005 paid 28 April 2006	–	–	–	–	(1,342)	(1,342)
First interim dividend (1.9375p per share) for the year ended 31 December 2006 paid 28 July 2006	–	–	–	–	(1,350)	(1,350)
Second interim dividend (1.9375p per share) for the year ended 31 December 2006 paid 31 October 2006	–	–	–	–	(1,350)	(1,350)
At 31 December 2006	3,484	28,288	26,302	64,773	3,790	126,637

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

Balance Sheet

at 31 December 2007

Notes		2007 £'000	2006 £'000
10	**Fixed asset investments held at fair value through profit or loss**	**173,662**	155,910
	Current assets		
11	Debtors	**2,604**	2,161
	Cash at bank	**58**	4,205
		2,662	6,366
12	**Creditors:** amounts falling due within one year	**(33,719)**	(35,639)
	Net current liabilities	**(31,057)**	(29,273)
	Total assets less current liabilities	**142,605**	126,637
	Capital and reserves		
14	Share capital	**4,291**	3,484
15	Share premium account	**56,877**	28,288
15	Capital redemption reserve	**26,302**	26,302
15	Other capital reserves	**50,966**	64,773
15	Revenue reserve	**4,169**	3,790
	Equity shareholders' funds	**142,605**	126,637
16	**Net asset value per ordinary share**	**166.91p**	181.72p

The accounts were approved by the directors on 26 March 2008, and signed on their behalf by:

Hugh Twiss

Director

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

Cash Flow Statement

for the year ended 31 December 2007

Notes		2007 £'000	2007 £'000	2006 £'000	2006 £'000
19	**Net cash inflow from operating activities**		**5,195**		5,092
	Servicing of finance				
	Bank overdraft and loan interest paid		**(1,940)**		(2,008)
	Financial investment				
	Purchases of investments	**(37,541)**		(27,435)	
	Sales of investments	**36,871**		33,354	
	Net cash (outflow)/inflow from financial investment		**(670)**		5,919
	Equity dividends paid		**(6,268)**		(5,371)
	Net cash (outflow)/inflow before financing		**(3,683)**		3,632
	Financing				
	Issue of shares for cash	**1,233**		1,719	
	Share issue expenses	**(172)**		(17)	
	Repurchase of shares	**(596)**		–	
	Repayment of loans	**(999)**		(2,977)	
	Net cash outflow from financing		**(534)**		(1,275)
20	**(Decrease)/increase in cash in the year**		**(4,217)**		2,357
	Reconciliation of net cash flow to movement in net debt				
	(Decrease)/increase in cash as above		**(4,217)**		2,357
	Cash outflow from repayment of loans		**999**		2,977
	Exchange movements		**35**		14
	Movement in net debt		**(3,183)**		5,348
	Net debt at 1 January		**(29,876)**		(35,224)
20	**Net debt at 31 December**		**(33,059)**		(29,876)

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

Notes to the Accounts

1 Accounting policies

a Basis of accounting

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

b Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of directors and other key management personnel. Accordingly, upon initial recognition the investments 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 bid prices at the close of the period as issued by the London Stock Exchange.
– Investments listed overseas are valued at bid prices (where a bid price is available) or otherwise at fair value based on published price quotations.

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

c Capital gains and losses

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

d Income

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

e Expenses

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

f Taxation

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

Notes to the Accounts
continued

1 Accounting policies (continued)

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

g Foreign currency

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

h Trade receivables and trade payables

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

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

i Bank borrowings

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

2 (Losses)/gains from investments held at fair value through profit or loss

	2007 £'000	2006 £'000
Realised gains based on historical cost	**2,582**	10,494
Less: amounts recognised as unrealised in previous years	**(5,566)**	(4,263)
Realised (losses)/gains based on carrying value at previous balance sheet date	**(2,984)**	6,231
Net movement in unrealised appreciation	**(9,302)**	14,824
Net foreign exchange movement	**35**	14
	(12,251)	21,069

3 Income from investments held at fair value through profit or loss

	2007 £'000	2006 £'000
Franked:		
Listed – dividends	**5,709**	5,191
Unfranked:		
Listed – interest income	**1,558**	1,280
– dividend income	**634**	367
	2,192	1,647
	7,901	6,838

Notes to the Accounts

continued

4	Other interest receivable and similar income	2007 £'000	2006 £'000
	Bank interest	**48**	35
	Underwriting commission	**2**	31
		50	66

5	Management and performance fees	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000	2006 Revenue return £'000	2006 Capital return £'000	2006 Total £'000
	Management fee	**166**	**499**	**665**	133	399	532
	Accounting, secretarial and administration	**166**	**–**	**166**	133	–	133
	Performance fee	**–**	**165**	**165**	–	1,046	1,046
	Irrecoverable VAT thereon	**34**	**51**	**85**	42	246	288
		366	**715**	**1,081**	308	1,691	1,999

A summary of the terms of the management agreement is given on pages 14 and 15 in the Report of the Directors.

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

6	Other administrative expenses (including irrecoverable VAT)	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000	2006 Revenue return £'000	2006 Capital return £'000	2006 Total £'000
	Directors' fees (see Directors' Remuneration Report on page 20)	**93**	**–**	**93**	85	–	85
	Auditors' remuneration†	**21**	**–**	**21**	16	–	16
	Other expenses payable to the management company*	**29**	**–**	**29**	33	–	33
	Other expenses	**127**	**–**	**127**	142	–	142
		270	**–**	**270**	276	–	276

*Other expenses payable to the management company relate to the marketing and administration of the Henderson share savings schemes.

Notes to the Accounts

continued

6 Other administrative expenses (continued)

†Auditors' remuneration: the following services/fees (excluding VAT) apply to the Company.

Service	2007 £'000	2006 £'000
Audit of the Company's accounts, including work carried out on the Directors' Remuneration Report, Corporate Governance statement and Report of the Directors	**17**	13
Services relating to corporate finance transactions required by the Listing Rules◆	**15**	–
All other services:		
– review of half year report and reporting to the Board	**2**	2
– review of effectiveness of internal controls	**1**	–

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

7 Finance costs

	2007 £'000	2006 £'000
On bank loans and overdrafts repayable within one year	**1,937**	2,000
Less: allocated to capital	**(1,453)**	(1,500)
	484	500

8 a Taxation on ordinary activities

	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000	2006 Revenue return £'000	2006 Capital return £'000	2006 Total £'000
Irrecoverable overseas tax	**6**	**–**	**6**	14	–	14
Tax relief on expenses charged to capital	**408**	**(408)**	**–**	185	(185)	–
Tax charge in respect of the current year	**414**	**(408)**	**6**	199	(185)	14

Notes to the Accounts

continued

8 Taxation on ordinary activities (continued)

b The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2007 Revenue return £'000	**2007 Capital return £'000**	**2007 Total £'000**	2006 Revenue return £'000	2006 Capital return £'000	2006 Total £'000
Net return on ordinary activities before taxation	**7,061**	**(13,619)**	**(6,558)**	5,820	17,878	23,698
Theoretical tax at UK corporation tax rate of 30% (2006: 30%)	**2,118**	**(4,086)**	**(1,968)**	1,746	5,363	7,109
Effects of:						
– UK dividends which are not taxable	**(1,713)**	**–**	**(1,713)**	(1,557)	–	(1,557)
– (Decrease)/increase in excess management expenses	**(3)**	**–**	**(3)**	758	–	758
– Expenses not deductible for tax purposes	**9**	**–**	**9**	11	–	11
– Irrecoverable overseas tax suffered	**6**	**–**	**6**	14	–	14
– Losses/(gains) on investments held at fair value	**–**	**3,675**	**3,675**	–	(6,321)	(6,321)
– Adjustment for tax relief on expenses charged to capital	**(3)**	**3**	**–**	(773)	773	–
Tax charge in respect of the current year	**414**	**(408)**	**6**	199	(185)	14

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

c Factors that may affect future tax charges

The Company has expenses in excess of taxable income of £5,724,000 (2006: £5,679,000) and surplus eligible unrelieved foreign tax of £57,000 (2006: £51,000) that are available to offset future taxable revenue. A deferred tax asset of £1,717,000 (2006: £1,755,000) has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

9 (Loss)/return per ordinary share

The (loss)/return per ordinary share is based on the loss attributable to the ordinary shares of £6,564,000 (2006: return of £23,684,000) and on the 80,453,000 weighted average number of ordinary shares in issue during the year (2006: 69,489,647).

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

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

Notes to the Accounts

continued

9	**(Loss)/return per ordinary share** (continued)	**2007 £'000**	2006 £'000
	Net revenue return	**6,647**	5,621
	Net capital (loss)/return	**(13,211)**	18,063
	Net total (loss)/return	**(6,564)**	23,684
	Weighted average number of ordinary shares in issue during the year	**80,453,000**	69,489,647
		Pence	Pence
	Revenue return per ordinary share	**8.26**	8.09
	Capital (loss)/return per ordinary share	**(16.42)**	25.99
	Total (loss)/return per ordinary share	**(8.16)**	34.08

10	**Fixed asset investments held at fair value through profit or loss**	**£'000**
	Valuation at 1 January 2007	**155,910**
	Unrealised appreciation at 1 January 2007	**(42,856)**
	Cost of investments at 1 January 2007	**113,054**
	Purchases at cost*	**65,879**
	Sales at cost	**(33,259)**
	Cost of investments at 31 December 2007	**145,674**
	Unrealised appreciation at 31 December 2007	**27,988**
	Valuation at 31 December 2007	**173,662**

Purchase transaction costs for the year to 31 December 2007 were £120,000 (2006: £133,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year to 31 December 2007 were £21,000 (2006: £44,000). The total combined costs were £141,000 (2006: £177,000).

*Includes securities to the value of £28,335,000 received as consideration in respect of shares issued to former shareholders of Martin Currie Income & Growth Trust plc.

11	**Debtors**	**2007 £'000**	2006 £'000
	Sales for future settlement	**–**	1,071
	Taxation recoverable	**27**	24
	Prepayments and accrued income	**1,538**	1,066
	VAT recoverable	**1,030**	–
	Other debtors	**9**	–
		2,604	2,161

Notes to the Accounts
continued

12 **Creditors:** amounts falling due within one year

	2007 £'000	2006 £'000
Purchases for future settlement	**3**	–
Bank loans and overdrafts	**33,117**	34,081
Accruals	**599**	1,558
	33,719	35,639

The Company has a multi-currency loan facility with ING Bank NV of £66,445,000 (2006: £43,445,000). At 31 December 2007 the Company had fixed rate short-term sterling loans under the loan facility amounting to £33.1 million, repayable in January 2008 (2006: £33.3 million, repayable in January 2007). The average interest rate payable on these loans was 6.74% (2006: 5.77%). The Company had no fixed rate short-term US dollar loans at 31 December 2007 (2006: £777,000 repayable in January 2007 at an interest rate of 5.85%).

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.

Note 13c sets out a summary of the Company's financial assets and financial liabilities by category.

a) 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 13b), interest rate risk (see note 13c) and other price risk (see note 13d). The Board reviews and agrees policies for managing these risks; these have remained substantially unchanged from those applying in the year ended 31 December 2006. 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.

b) 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.

c) Interest rate risk
Interest rate movements may affect:
- the fair value of investments of fixed interest securities
- the level of income receivable from interest-bearing securities and cash at bank and on deposit
- the interest payable on the Company's variable rate borrowings.

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

Notes to the Accounts

continued

13 Risk management policies and procedures (continued)

Interest rate exposure

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

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

	2007 Within one year £'000	**2007 More than one year £'000**	**2007 Total £'000**	2006 Within one year £'000	2006 More than one year £'000	2006 Total £'000
Exposure to floating interest rates:						
Cash at bank	**58**	**–**	**58**	4,205	–	4,205
Creditors – within one year						
Bank overdrafts	**(35)**	**–**	**(35)**	–	–	–
Borrowings under multi-currency loan facility	**(33,083)**	**–**	**(33,083)**	(34,081)	–	(34,081)
	(33,060)	**–**	**(33,060)**	(29,876)	–	(29,876)
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	**–**	**35,833**	**35,833**	–	30,552	30,552
Total exposure to interest rates	**(33,060)**	**35,833**	**2,773**	(29,876)	30,552	676

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 (2006: 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 6.74% as at 31 December 2007 (2006: 5.77%)
– The nominal interest rates on the investments held at fair value through profit or loss are shown in the portfolio statement on page 8. The weighted average interest rate on these investments is 7.16% (2006: 6.83%).

Interest rate risk sensitivity

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

– Loan sensitivity - Borrowings vary throughout the year as result of the Board's borrowing policy. Borrowings at the year end were £33,117,000 (note 12) and if that level of borrowings was maintained for a full year, then a 100 basis points change in LIBOR (up or down) would increase or decrease total net return on ordinary activities after taxation by approximately £232,000.
– Fixed income investment sensitivity - The Company's fixed income portfolio at the year end was valued at £35,833,000, and it had a modified duration (interest rate sensitivity) of approximately 6.3 years. A 100 basis points change in short term interest rates (up or down), which is mirrored by an equivalent change in long term interest rates, would be expected to decrease or increase this portfolio's value by approximately £2,300,000, all other factors being equal.

Notes to the Accounts

continued

13 Risk management policies and procedures (continued)

The above year end amounts are not representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made in fixed interest securities, borrowings are drawn down and repaid, and the mix of borrowings between floating and fixed interest rate changes. The maximum and minimum total interest rate exposures are shown below.

	2007 Within one year £'000	2007 More than one year £'000	2007 Total £'000	2006 Within one year £'000	2006 More than one year £'000	2006 Total £'000
Assets						
Maximum interest rate exposure	**–**	**48,714**	**48,714**	–	35,472	35,472
Minimum interest rate exposure	**–**	**25,675**	**25,675**	–	29,510	29,510
Liabilities						
Maximum interest rate exposure	**39,312**	**–**	**39,312**	41,285	–	41,285
Minimum interest rate exposure	**16,780**	**–**	**16,780**	34,081	–	34,081

	2007 Floating interest rates £'000	2007 Exposure to fixed interest rates £'000	2007 Total £'000	2006 Floating interest rates £'000	2006 Exposure to fixed interest rates £'000	2006 Total £'000
Assets						
Maximum interest rate exposure	**2,439**	**46,275**	**48,714**	4,205	31,267	35,472
Minimum interest rate exposure	**–**	**25,675**	**25,675**	333	29,177	29,510
Liabilities						
Maximum interest rate exposure	**39,312**	**–**	**39,312**	41,285	–	41,285
Minimum interest rate exposure	**16,780**	**–**	**16,780**	34,081	–	34,081

d) Other price risk

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

Management of the risk

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

When appropriate, the Company may manage its exposure to risk by buying/selling put or call options or futures on indices and on equity investments in its portfolio. At 31 December 2007 the fair value of futures was £8,000 (2006: £nil).

Notes to the Accounts
continued

13 Risk management policies and procedures (continued)

Concentration of exposure to other price risks
An analysis of the Company's investment portfolio is shown on pages 8 and 9. This shows that the majority of the investments' value is in UK companies. Accordingly, there is a concentration of exposure to the UK, 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 profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's investments. This level of change 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.

	2007 Increase in rate £'000	**2007 Decrease in rate £'000**	2006 Increase in rate £'000	2006 Decrease in rate £'000
Income statement – profit after tax				
Revenue return	**(17)**	**17**	(16)	16
Capital return	**17,340**	**(17,340)**	15,568	(15,568)
Total profit after tax for the year	**17,323**	**(17,323)**	15,552	(15,552)
Equity shareholders' funds	**17,323**	**(17,323)**	15,552	(15,552)

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

Management of the risk
Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable.

f) 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 not significant and is managed as follows:
– transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default
– investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Portfolio Manager, and limits are set on the amount that may be due from any one broker
– cash at bank is held only with reputable banks with high quality external credit ratings.
None of the Company's financial assets or liabilities is secured by collateral or other credit enhancements.

Notes to the Accounts
continued

13 Risk management policies and procedures (continued)

g) 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).

h) Capital management policies and procedures
The Company's capital management objectives are:

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

– to maximise the revenue and capital return to its equity shareholders

through an appropriate balance of equity capital and debt.

The Company’s capital is its equity share capital and reserves that are shown in the balance sheet at a total of £142,605,000 (2006: £126,637,000).

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

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

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

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

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

The Company is subject to several externally imposed capital requirements:

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

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

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

The Company has complied with these requirements.

14 Share capital

	Shares held in treasury	Shares entitled to dividend	Total shares in issue	Nominal value in issue £’000
Authorised	–	–	**940,000,000**	**47,000**
Issued				
At 31 December 2006	–	69,687,798	69,687,798	3,484
Issued on 30 April 2007	–	16,147,946	16,147,946	807
Repurchase of shares held in treasury	400,000	(400,000)	–	–
At 31 December 2007	**400,000**	**85,435,744**	**85,835,744**	**4,291**

Notes to the Accounts

continued

14 Share capital (continued)

On 30 April 2007 16,147,946 shares were issued in connection with the reconstruction of Martin Currie Income & Growth Trust plc for a total gross consideration of £29,568,000.

During the year 400,000 shares were repurchased at a total cost of £596,000 and are held in treasury. Shares held in treasury have no entitlements to voting rights or dividends.

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

15 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves Realised reserve £'000	Other capital reserves Unrealised reserve £'000	Revenue reserve £'000
Reserves at 1 January 2007	28,288	26,302	21,917	42,856	3,790
Transfer on disposal of investments	–	–	5,566	(5,566)	–
Net gains from investments	–	–	(2,984)	(9,302)	–
Foreign exchange gains	–	–	35	–	–
Issue of ordinary shares	28,589	–	–	–	–
Shares repurchased	–	–	(596)	–	–
Management fee and finance costs charged to capital	–	–	(1,368)	–	–
Corporation tax relief thereon	–	–	408	–	–
Net revenue after tax for the year	–	–	–	–	6,647
Dividends paid	–	–	–	–	(6,268)
At 31 December 2007	**56,877**	**26,302**	**22,978**	**27,988**	**4,169**

The Institute of Chartered Accountants in England and Wales has issued guidance (TECH 01/08) stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits less losses amounting to £27,988,000, currently included within "Other capital reserves – unrealised reserve", may be regarded as distributable. However, under the terms of the Company's Articles of Association, sums within "Other capital reserves" are available for distribution only by way of redemption or purchase of any of the Company's own shares. In addition, in order to maintain investment trust status, the Company may only distribute accumulated "realised" profits.

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 £142,605,000 (2006: £126,637,000) and on the 85,435,744 ordinary shares of 5p in issue (excluding treasury shares) at 31 December 2007 (2006: 69,687,798 ordinary shares of 5p).

17 Contingent liabilities

There were no partly paid shares or underwriting commitments at 31 December 2007 (2006: £nil).

Notes to the Accounts
continued

18 Value Added Tax

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should have been charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgment on the case in favour of the AIC.

Since then HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies. The Manager (Henderson Global Investors Limited) will now be able to reclaim from HMRC the amount of VAT charged to the Company in respect of investment management services from 1 October 2000 to 30 June 2007, to the extent that such VAT was paid by the Manager to HMRC. VAT has not been applied to investment management fees invoiced in respect of periods since June 2007.

Consequently, some of the VAT borne by the Company on investment management fees invoiced in the period from 1 October 2000 to 30 June 2007 has been written back, in accordance with a standstill agreement reached between the Manager and the Company.

In respect of the period from 1 October 2000 to 31 December 2003, the Manager has undertaken to reclaim the VAT paid to it by the Company, to the extent that this was paid by the Manager to HMRC, and repay the money it receives to the Company. In the opinion of the Board, the Company is virtually certain of receiving this amount to the extent that it has been borne by the Company. Accordingly, an amount of £227,000 has been recognised in respect of this period.

In respect of the period from 1 January 2004 to 30 June 2007, the Manager has undertaken to reclaim the VAT paid to it by the Company, to the extent that this was paid by the Manager to HMRC, and repay the money it receives to the Company. The Manager has undertaken also to repay to the Company the balance of the VAT paid to it by the Company in respect of this period. In the opinion of the Board, the Company is virtually certain of receiving these amounts to the extent that they have been borne by the Company. Accordingly, an amount of £803,000 has been recognised in respect of this period.

The Board is therefore satisfied that an amount of £1,030,000 is virtually certain to be recovered. The write-back has been allocated between revenue return and capital return according to the allocation of the amounts originally paid. In addition, the Company will receive from the Manager any interest paid by HMRC on the amounts eventually recovered.

The Company may be able to recover further amounts of the VAT charged on investment management fees in the years back to 1990. However, the Board considers that currently there are too many uncertainties for a reasonable estimate of such amounts to be made.

Notes to the Accounts

continued

19 Reconciliation of net (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities	**2007 £'000**	2006 £'000
Net (loss)/return before finance costs and taxation	**(4,621)**	25,698
Losses/(gains) on investments held at fair value through profit or loss	**12,251**	(21,069)
(Increase)/decrease in accrued income and debtors of a revenue nature	**(1,472)**	50
(Decrease)/increase in creditors	**(959)**	424
Withholding tax recovered	**9**	9
Tax on investment income	**(13)**	(20)
Net cash inflow from operating activities	**5,195**	5,092

20 Analysis of changes in net debt	**1 January 2007 £'000**	**Cash flow £'000**	**Exchange movement £'000**	**31 December 2007 £'000**
Cash at bank and overdrafts	4,205	(4,217)	35	**23**
Debt due within one year	(34,081)	999	–	**(33,082)**
	(29,876)	(3,218)	35	**(33,059)**

21 Transactions with the Manager

The Company has appointed wholly-owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and BNP Paribas Fund Services UK Limited to provide investment management, UK custodial, accounting, administrative and company secretarial services. Details of the fee arrangements for these services are given on pages 14 and 15 in the Report of the Directors. The total of the fees payable under this agreement by the Company to Henderson in respect of the year ended 31 December 2007 was £981,000 excluding VAT (2006: £1,711,000) of which £444,000 was outstanding at 31 December 2007 (2006: £1,204,000).

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

In addition to the above services, Henderson has provided the Company with share plan marketing and administration services during the year. The total fees payable for these services for the year ended 31 December 2007 (excluding VAT) amounted to £25,000 (2006: £29,000). At 31 December 2007, £12,000 was outstanding (2006: £12,000).

22 Proposed dividends

In respect of the year ended 31 December 2007, a fourth interim dividend of 2.075p is proposed. The aggregate cost of this dividend based on the number of eligible shares is estimated to be £1,773,000. This dividend, together with the third interim dividend paid on 31 January 2008, will be reflected in the 2008 accounts.

	£'000
Revenue available for distribution by way of dividend for the year	**6,647**
First interim dividend (2.015p)	**(1,730)**
Second interim dividend (2.015p)	**(1,730)**
Third interim dividend (2.075p) paid on 31 January 2008	**(1,773)**
Fourth interim dividend (2.075p) payable on 30 April 2008	**(1,773)**
Undistributed revenue for section 842 purposes	**(359)**

After payment of the four interim dividends detailed above, the Company will have distributed all of its net revenue for the year ended 31 December 2007.

Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting of Henderson High Income Trust plc will be held at 4 Broadgate, London EC2M 2DA on Tuesday 13 May 2008 at 11.30am for the transaction of the following business:

Ordinary Business

1 To receive the report of the directors and the audited accounts for the year ended 31 December 2007.

2 To approve the directors' remuneration report for the year ended 31 December 2007.

3 To re-elect Mr A L C Bell as a director of the Company.

4 To re-elect Mr V P Bazalgette as a director of the Company.

5 To elect Miss J S Walker as a director of the Company.

6 To appoint the auditors, Grant Thornton UK LLP, who were appointed during the year and special notice having been received.

7 To authorise the directors to determine the remuneration of the auditors.

Special Business

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

as an Ordinary Resolution

8 THAT the directors be and are hereby generally and unconditionally authorised in substitution for all existing authorities to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 ("the Act")) up to a maximum aggregate nominal amount of £427,178 (being 10% of the Company's issued ordinary share capital on 26 March 2008) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the said authority shall allow and enable the directors to make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

as Special Resolutions

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

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

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to a maximum aggregate nominal value of £427,178 (being 10% of the Company's issued ordinary share capital on 26 March 2008); and

(c) to the allotment of equity securities at a price not less than the Net Asset Value per share

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

10 That the Company be and is hereby generally and unconditionally authorised in accordance

Notice of Annual General Meeting

continued

with Section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") upon and subject to the following conditions:

(a) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's ordinary shares in issue at the date of the Annual General Meeting (equivalent to 12,806,818 ordinary shares at the date of this Notice);

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

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

(d) the authority hereby conferred will expire at the conclusion of the Annual General Meeting of the Company in 2009, or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time; and

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

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

(ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 1985.

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
26 March 2008

Registered Office:
4 Broadgate, London EC2M 2DA

Annual General Meeting Venue

Shown left is a map of the location of Henderson Global Investors where the AGM will be held at 11.30am on Tuesday 13 May 2008.

■ Henderson Global Investors,
4 Broadgate, London EC2M 2DA

Notice of Annual General Meeting

continued

Notes

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the Register of Members of the Company at close of business on 11 May 2008 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after close of business on 11 May 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

2 Pursuant to section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Company's Registrars (Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3FA) not less than forty-eight hours before the time fixed for the meeting. The completion of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

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

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

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as it corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

6 Total voting rights: as at 26 March 2008 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 85,435,744 ordinary shares (excluding shares held in treasury), each share carrying one vote. Therefore the total number of voting rights in the Company as at 26 March 2008 is 85,435,744.

Ten Year Record

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

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

†Restated in accordance with new accounting policies.
*The level of dividends was reduced following the capital reorganisation in September 2005.

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

Over the year to 31 December 2007, the Net Asset Value (total return) fell 4.6% compared to a rise in the benchmark index (75% FTSE All-Share Index and 25% FTA Government All Stocks Index) of 5.3%.

Details of the portfolio performance are given below. Other factors accounting for the remainder of the difference between the opening and closing net asset value per share include the proportions of management fee and finance costs charged to capital, the retained revenue and the positive impact of issuing ordinary shares and are shown below.

Portfolio performance	**Performance of Composite Index (total return)**		**5.3%**
	Performance of portfolio against benchmark		
	Due to asset allocation	0.0%	
	Due to stock selection	-7.3%	
	Due to gearing	-1.4%	
			-8.7%
			-3.4%
Other factors	Retained revenue	0.4%	
	Management fee and finance costs charged to capital	-1.9%	
	Impact of issuing ordinary shares	0.3%	
			-1.2%
	Performance of Net Asset Value (total return)		**-4.6%**

General Shareholder Information

Release of Results
The full year results were announced on 26 March 2008. 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 11.30am on 13 May 2008. The notice of this meeting setting out the business that will be proposed is on pages 46 and 47.

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

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

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

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

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

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

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

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

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

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

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

General Shareholder Information

continued

Capital Gains Tax

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

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

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

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

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

Warning to Shareholders

Over recent months many companies have become 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.

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

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

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

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

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

A Brief History

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

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

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

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

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

Directors and other Information

Directors
H J Twiss (Chairman)
V P Bazalgette
A L C Bell
C Dunkerley
J S Walker

Registered Office
4 Broadgate
London EC2M 2DA
Telephone: 020 7818 1818
Facsimile: 020 7818 1819

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

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

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

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

Registrar
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Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 707 1039

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The Association of Investment Companies

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Henderson Global Investors

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HGI9212/2007