

# **HENDERSON HIGH INCOME TRUST PLC**

**Report for the half-year ended  
30 June 2019**  
*(unaudited)*

# HENDERSON HIGH INCOME TRUST PLC

## Unaudited results for the half-year ended 30 June 2019

### INVESTMENT OBJECTIVE

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

### PERFORMANCE HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

- Net asset value ('NAV')<sup>1</sup> total return (debt at fair value) of 15.7% compared to a total return from the benchmark<sup>2</sup> of 11.6%.
- Mid-market share price total return (including dividends reinvested) of 13.7%.

	As at 30 June 2019	As at 31 December 2018
NAV per share <sup>3</sup>	<b>179.7p</b>	159.5p
Mid-market price per share	<b>176.5p</b>	159.5p
Net assets	<b>£237.6m</b>	£210.8m
Dividends paid/payable	<b>4.85p</b>	9.60p
Dividend yield	<b>5.5%</b>	6.0%
Gearing	<b>23.1%</b>	27.1%

### TOTAL RETURN PERFORMANCE OVER THE TEN YEARS TO 30 JUNE 2019

	6 months	1 year	3 years	5 years	10 years
	%	%	%	%	%
NAV <sup>1</sup> total return (debt at fair value)	<b>15.7</b>	1.3	23.8	37.3	235.0
Share price total return	<b>13.7</b>	3.7	23.3	30.0	232.3
Benchmark <sup>2</sup>	<b>11.6</b>	1.7	26.1	35.1	146.5
FTSE All-Share Index	<b>13.0</b>	0.6	29.5	35.8	167.1
ICE BofAML Sterling Non-Gilts Index	<b>6.3</b>	6.0	12.6	30.5	98.6

<sup>1</sup> Net asset value total return (including dividends reinvested and excluding transaction costs) with debt at fair value

<sup>2</sup> A composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually

<sup>3</sup> Net asset value per share with debt at fair value as published by the AIC. As mentioned in the Annual Report the methodology for calculating the discount rate for the fair value net asset value per share changed with effect from 30 June 2019. This has resulted in an increase of 0.12p to the fair value net asset value per share as at 30 June 2019

Sources: Morningstar Direct, Janus Henderson and Datastream

## **INTERIM MANAGEMENT REPORT**

### **CHAIRMAN'S STATEMENT**

#### **Performance**

UK equities rallied strongly in the first half of 2019, reversing the sharp decline experienced in the second half of last year, and the FTSE All-Share Index has almost returned to the same level it was 12 months ago. I am pleased to report that the Company's total return on net assets (with debt at fair value) was 15.7% during the first six months of 2019, some 4.0% higher than the Company's benchmark which increased by 11.6% for the same period. This outperformance was driven by good stock selection in both the equity and fixed interest investments of the portfolio and by gearing. The Company's shares moved from trading in-line with the net asset value (with debt at fair value) at year-end to a slight discount of 1.8%, giving shareholders a total return of 13.7% for the first 6 months of the year. As at 30 June 2019 the dividend yield on the Company's share price was 5.5%, exceeding the 4.1% yield of the FTSE All-Share Index.

As I explained in my last statement at year-end, the Company took the decision to position the portfolio more defensively following the Board's strategy meeting in November. This involved increasing the portfolio's allocation to bonds, in particular some US investment grade corporate bonds, to provide potentially greater protection from capital losses during these uncertain times without reducing income significantly. The total fixed interest portion of the portfolio is now 15.5% with the US exposure partially hedged by borrowings in US dollars. The Company's bonds have performed well, delivering 11.0% total return, representing an excess of 4.4% in relation to the fixed interest component of the Company's benchmark.

#### **Gearing**

The Company's gearing has reduced from 27.1% to 23.1% over the period, firstly due to the increase in the value of the Company's assets and secondly due to a deliberate small decrease in borrowings. Nearly four-fifths of the Company's loans are now being used to finance the Company's fixed interest holdings which effectively yield 4.5% compared to the Company's average cost of borrowing of 2.6%. The level of gearing allocated to equities is therefore significantly lower than the headline gearing figure. The Company still has £6 million available of its multicurrency revolving loan facility should investment opportunities arise.

#### **Dividends**

The first interim dividend of 2.425p per share was paid on 26 April 2019 and the second interim dividend for the same amount will be paid on 26 July 2019. While there are still considerable challenges ahead in the UK economy, we continue to believe that the companies in the portfolio are well placed to grow their underlying earnings. Therefore I am pleased to announce an increase in the third dividend to 2.475p for this financial year. This third dividend will be paid on 25 October 2019.

#### **Board of Directors**

Following many years of service to the Company, Janet Walker, the Audit Chairman, retired from the Board at the Annual General Meeting in May. The Board wishes to thank Janet for her wise counsel and her valuable contribution to the Company.

As I advised at year-end, we are delighted that Jonathan Silver joined the Board at the beginning of the year. Jonathan succeeds Janet as Audit Chairman. More detail on Jonathan's audit and financial experience can be found in the last Annual Report.

#### **Outlook**

Twelve months ago commentators were predicting relatively strong global growth and inflationary pressures that would lead to a gradual increase in interest rates by the US Federal Reserve and possibly the Bank of England. Views have now reversed with an expectation that growth may be slowing and that interest rates are likely to be cut. This has generally been positive news for both equities and bonds.

Thank goodness that I did not make any predictions on either the timing or the outcome of Brexit in my last statement. Since year-end the date of the UK's withdrawal from Europe has been postponed twice and is now set for the inauspicious date of Halloween! Against this backdrop UK equities remain out of favour, particularly with international investors. The UK equity market is likely to remain volatile until greater certainty emerges in both Brexit negotiations and trade relations between the US and China. However, for long term investors seeking a relatively high income stream, these circumstances also provide good opportunities to invest in financially sound companies with sustainable cash

generative businesses that may be overlooked by others. The Company will continue to build a well-diversified portfolio of such investments to create for its shareholders regular and reliable income with the potential for capital growth in the long term.

**Margaret Littlejohns**  
**Chairman**  
**25 July 2019**

## **FUND MANAGER'S REPORT**

### **Markets**

Equity markets experienced a strong recovery in the first half of 2019, with the FTSE All-Share Index returning 13.0%, erasing the majority of losses from the previous year. Global equity markets were driven by the support of governments and central banks to subdued economic growth, with China announcing a new monetary stimulus plan and the US Federal Reserve putting future interest rate increases on hold. There was also initial optimism over a resolution to the US-China trade war, however, talks broke down in May. With inflation expectations reducing and investors starting to factor in interest rate cuts globally, bond yields fell over the period (prices rose) with UK Gilts returning 4.7%.

UK economic growth remained lacklustre while areas of the economy, such as industrial production and manufacturing contracted. The jobs market, however, continued its resilience with unemployment close to historical low levels. Political stalemate in the UK remained as no resolution to Brexit was found and the date of exit was delayed until the end of October. The FTSE 100 (+13.1%) outperformed small cap (FTSE Small Cap +9.4%) companies, led by mega cap sectors, such as mining, oil & gas and consumer goods. Cyclical sectors also outperformed with industrials and financial services performing well, while telecommunications, utilities and tobacco lagged on the back of increased political and regulatory risk.

### **Portfolio Activity**

During the period the Company continued to increase the defensiveness of the portfolio, recognising the late cycle nature of economies and markets. The allocation to the bond portfolio was increased with a focus on US investment grade corporate bonds where yields remained attractive. Bonds now represent 15.5% of the investment portfolio. Within the equity portfolio, new holdings were initiated in French pharmaceutical company Sanofi, further utilising the Company's ability to invest selectively overseas, and National Express. Sanofi's new management team are focused on increasing research and development productivity and improving operational efficiencies to drive margins higher, while the valuation remains attractive with the shares trading at a significant discount to the global peer group. National Express is a geographically diverse bus and coach operator with its main divisions in the UK, Spain and US. Having exited UK rail a number of years ago the business should be more resilient going forward, while the company's strong cash flow supports an attractive dividend and opportunities for further bolt-on acquisitions to supplement growth. Elsewhere, the position in Unilever was significantly added to. Unilever is one of the world's leading fast moving consumer group (FMCG) companies with strong brands across three main categories of food, home care and personal care. The majority of sales are now in emerging markets where the company has a dominant position and should support sustainable growth into the long term.

### **Performance**

The Company's NAV (with debt at fair value) was strong during the period, rising 15.7% and outperforming the benchmark's return of 11.6%. The Company's holdings in financials, Intermediate Capital, Jupiter Fund Management and Phoenix all benefitted performance. Intermediate Capital announced robust results, with strong asset growth and a 50% increase in the dividend while Jupiter's share price was supported by strong equity markets, a change of CEO and the company's intention of paying a further special dividend. Phoenix's shares rose as investors gained comfort in the long term sustainability of the dividend post the newly acquired Standard Life Assurance book of business. Elsewhere the Company's positions in Manx Telecom and bus operator Go-Ahead were also positive for performance. Manx Telecom was subject to a bid approach by Basalt Investment Partners while Go-Ahead reassured on its trading with growth returning to its regional bus division.

**David Smith**  
**Fund Manager**  
**25 July 2019**

## INVESTMENT PORTFOLIO

### CLASSIFICATION OF INVESTMENTS BY SECTOR

	Total 30 June 2019 %	Total 31 December 2018 %
<b>FIXED INTEREST</b>		
Preference shares	1.4	1.4
Other fixed interest	14.1	12.6
<b>Total Fixed Interest</b>	<b>15.5</b>	<b>14.0</b>
<b>EQUITIES</b>		
<b>Oil &amp; Gas</b>		
Oil & gas producers	7.0	7.0
<b>Total Oil &amp; Gas</b>	<b>7.0</b>	<b>7.0</b>
<b>Basic Materials</b>		
Chemicals	2.7	2.7
Mining	2.6	2.0
<b>Total Basic Materials</b>	<b>5.3</b>	<b>4.7</b>
<b>Industrials</b>		
Aerospace & defence	0.7	1.3
Construction & materials	1.2	1.1
General industrials	2.0	2.1
Industrial transportation	0.9	-
Support services	2.1	2.2
<b>Total Industrials</b>	<b>6.9</b>	<b>6.7</b>
<b>Consumer Goods</b>		
Automobiles & parts	0.6	0.6
Beverages	6.7	6.4
Food producers	2.4	3.7
Household goods & home construction	2.0	1.1
Personal goods	2.5	1.4
Tobacco	4.1	4.8
<b>Total Consumer Goods</b>	<b>18.3</b>	<b>18.0</b>
<b>Health Care</b>		
Pharmaceuticals & biotechnology	7.8	7.5
<b>Total Health Care</b>	<b>7.8</b>	<b>7.5</b>
<b>Consumer Services</b>		
Food & drug retailers	1.7	1.6
General retailers	0.9	0.7
Media	3.9	4.5
Travel & leisure	5.5	4.2
<b>Total Consumer Services</b>	<b>12.0</b>	<b>11.0</b>
<b>Telecommunications</b>		
Fixed line telecommunications	1.5	2.9
Mobile telecommunications	1.5	2.0
<b>Total Telecommunications</b>	<b>3.0</b>	<b>4.9</b>

	<b>Total</b> <b>30 June 2019</b> %	31 December 2018 Total %
<b>Utilities</b>		
Electricity	<b>0.8</b>	0.8
Gas, water & multi-utilities	<b>4.1</b>	4.0
	-----	-----
<b>Total Utilities</b>	<b>4.9</b>	4.8
	-----	-----
<b>Financials</b>		
Banks	<b>4.1</b>	5.3
Equity investment instruments	<b>2.1</b>	2.6
Financial services	<b>4.5</b>	3.9
Life insurance	<b>3.7</b>	3.6
Non-life insurance	<b>0.9</b>	1.7
Real Estate Investment Trusts	<b>2.7</b>	3.0
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<b>Total Financials</b>	<b>18.0</b>	20.1
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<b>Technology</b>		
Software & computer services	<b>1.3</b>	1.3
	-----	-----
<b>Total Technology</b>	<b>1.3</b>	1.3
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<b>TOTAL INVESTMENTS</b>	<b>100.0</b>	100.0
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## TWENTY LARGEST INVESTMENTS

Company	Sector	Fair value	% of portfolio	Fair value	% of portfolio
		as at 30 June 2019 £'000		as at 31 December 2018 £'000	
Diageo	Consumer Goods	12,192	4.2	10,687	4.0
Royal Dutch Shell	Oil & Gas	11,389	3.9	10,545	3.9
GlaxoSmithKline	Health Care	10,629	3.6	9,149	3.4
BP	Oil & Gas	9,224	3.2	8,339	3.1
Rio Tinto	Basic Materials	7,539	2.6	5,363	2.0
Tesco*	Consumer Services	7,031	2.4	6,213	2.3
RELX	Consumer Services	6,921	2.4	6,086	2.3
British American Tobacco	Consumer Goods	6,818	2.3	6,201	2.3
HSBC	Financials	6,813	2.3	6,709	2.5
Lloyds Banking*	Financials	6,235	2.1	6,102	2.3
Unilever	Consumer Goods	6,130	2.1	1,725	0.7
National Grid	Utilities	5,913	2.0	4,937	1.9
AstraZeneca	Health Care	5,892	2.0	8,110	3.0
Johnson Matthey	Basic Materials	5,479	1.9	4,607	1.7
Imperial Brands	Consumer Goods	5,255	1.8	6,557	2.5
Phoenix	Financials	4,773	1.6	4,363	1.6
Hilton Food	Consumer Goods	4,600	1.6	5,153	1.9
Informa	Consumer Services	4,504	1.5	3,592	1.3
Vodafone	Telecommunications	4,475	1.5	5,291	2.0
BT	Telecommunications	4,232	1.4	5,128	1.9
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<b>Total Investments</b>		<b>136,044</b>	<b>46.4</b>	<b>124,857</b>	<b>46.6</b>
		=====	=====	=====	=====

\*includes fixed interest

## EQUITY PORTFOLIO SECTOR EXPOSURE AT 30 JUNE 2019

	Equity Portfolio Weight %	FTSE All-Share Index %
Consumer Goods	21.7	13.9
Financials	21.4	26.1
Consumer Services	14.1	11.5
Health Care	9.3	8.5
Oil & Gas	8.4	14.2
Industrials	8.1	11.5
Basic Materials	6.2	8.1
Utilities	5.8	2.6
Telecommunications	3.5	2.4
Technology	1.5	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## TOP TEN HOLDINGS BY CONTRIBUTION TO INCOME DURING THE SIX MONTHS ENDED 30 JUNE 2019

Position	Holding	Sector	£'000
1	Royal Dutch Shell	Oil & Gas	322
2	Imperial Brands	Consumer Goods	275
3	BP	Oil & Gas	266
4	GlaxoSmithKline	Health Care	258
5	British American Tobacco	Consumer Goods	252
6	HSBC	Financials	247
7	Lloyds Banking*	Financials	239
8	Blackstone/GSO Loan Funding (Jersey)	Financials	224
9	National Grid	Utilities	221
10	Rio Tinto	Basic Materials	217
	<b>Total</b>		<b>2,521</b>

\* includes fixed interest income.

These constitute 31.9% of the total income from investments during the period.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment
- Market/Financial
- Operational and Cyber
- Tax, Legal and Regulatory
- Risks associated with Brexit

Information on these risks and how they are managed is given in the Company's Annual Report for the year-ended 31 December 2018. In the view of the Board these principal risks and uncertainties were unchanged over the last six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Each of the Directors confirms that, to the best of his or her knowledge:

- a) the condensed set of financial statements has been prepared in accordance with FRS 104 "Interim Financial Reporting" issued by the Financial Reporting Council;
- b) this report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) this report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**  
**Margaret Littlejohns**  
**Chairman**  
**25 July 2019**

## CONDENSED INCOME STATEMENT

	(Unaudited) Half-year ended 30 June 2019			(Unaudited) Half-year ended 30 June 2018			(Audited) Year-ended 31 December 2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	26,837	26,837	-	(10,620)	(10,620)	-	(45,211)	(45,211)
Income from investments held at fair value through profit or loss	7,892	-	7,892	7,804	-	7,804	14,329	-	14,329
Other interest receivable and similar income	3	-	3	30	-	30	35	-	35
<b>Gross revenue and capital gains/(losses)</b>	<b>7,895</b>	<b>26,837</b>	<b>34,732</b>	<b>7,834</b>	<b>(10,620)</b>	<b>(2,786)</b>	<b>14,364</b>	<b>(45,211)</b>	<b>(30,847)</b>
Management and performance fees (note 2)	(288)	(431)	(719)	(295)	(443)	(738)	(590)	(885)	(1,475)
Other administrative expenses	(191)	-	(191)	(204)	-	(204)	(429)	-	(429)
<b>Net return before finance costs and taxation</b>	<b>7,416</b>	<b>26,406</b>	<b>33,822</b>	<b>7,335</b>	<b>(11,063)</b>	<b>(3,728)</b>	<b>13,345</b>	<b>(46,096)</b>	<b>(32,751)</b>
Finance costs	(200)	(598)	(798)	(160)	(481)	(641)	(338)	(1,015)	(1,353)
<b>Net return before taxation</b>	<b>7,216</b>	<b>25,808</b>	<b>33,024</b>	<b>7,175</b>	<b>(11,544)</b>	<b>(4,369)</b>	<b>13,007</b>	<b>(47,111)</b>	<b>(34,104)</b>
Taxation on net return	(50)	-	(50)	(85)	25	(60)	(71)	-	(71)
<b>Net return after taxation</b>	<b>7,166</b>	<b>25,808</b>	<b>32,974</b>	<b>7,090</b>	<b>(11,519)</b>	<b>(4,429)</b>	<b>12,936</b>	<b>(47,111)</b>	<b>(34,175)</b>
<b>Return per ordinary share (note 3)</b>	<b>5.57p</b>	<b>20.07p</b>	<b>25.64p</b>	<b>5.51p</b>	<b>(8.95)p</b>	<b>(3.44)p</b>	<b>10.06p</b>	<b>(36.63)p</b>	<b>(26.57)p</b>

The total columns of this statement represent the Income Statement of the Company, prepared in accordance with FRS 104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

The Company has no other comprehensive income items recognised other than those disclosed in the Income Statement.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Half-year ended 30 June 2019 (unaudited)</b>						
At 1 January 2019	6,430	126,783	26,302	41,707	9,566	210,788
Net return after taxation	-	-	-	25,808	7,166	32,974
Fourth interim dividend (2.425p per share) for the year-ended 31 December 2018, paid 25 January 2019	-	-	-	-	(3,118)	(3,118)
First interim dividend (2.425p per share) for the year-ending 31 December 2019, paid 26 April 2019	-	-	-	-	(3,118)	(3,118)
Return of unclaimed dividends	-	-	-	-	27	27
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<b>At 30 June 2019</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>67,515</b>	<b>10,523</b>	<b>237,553</b>
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	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Half-year ended 30 June 2018 (unaudited)</b>						
At 1 January 2018	6,430	126,783	26,302	88,818	8,910	257,243
Net return after taxation	-	-	-	(11,519)	7,090	(4,429)
Fourth interim dividend (2.375p per share) for the year-ended 31 December 2017, paid 26 January 2018	-	-	-	-	(3,054)	(3,054)
First interim dividend (2.375p per share) for the year-ended 31 December 2018, paid 27 April 2018	-	-	-	-	(3,054)	(3,054)
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<b>At 30 June 2018</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>77,299</b>	<b>9,892</b>	<b>246,706</b>
	=====	=====	=====	=====	=====	=====

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Year-ended 31 December 2018 (audited)</b>						
At 1 January 2018	6,430	126,783	26,302	88,818	8,910	257,243
Net return after taxation	-	-	-	(47,111)	12,936	(34,175)
Fourth interim dividend (2.375p per share) for the year-ended 31 December 2017, paid 26 January 2018	-	-	-	-	(3,054)	(3,054)
First interim dividend (2.375p per share) for the year-ended 31 December 2018, paid 27 April 2018	-	-	-	-	(3,054)	(3,054)
Second interim dividend (2.375p per share) for the year-ended 31 December 2018, paid 27 July 2018	-	-	-	-	(3,054)	(3,054)
Third interim dividend (2.425p per share) for the year-ended 31 December 2018, paid 26 October 2018	-	-	-	-	(3,118)	(3,118)
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<b>At 31 December 2018</b>	<b>6,430</b>	<b>126,783</b>	<b>26,302</b>	<b>41,707</b>	<b>9,566</b>	<b>210,788</b>
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The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 June 2019 £'000	(Unaudited) 30 June 2018 £'000	(Audited) 31 December 2018 £'000
Investments held at fair value through profit or loss (note 6)	292,385	299,555	267,966
<b>Current assets</b>			
Debtors	2,168	2,812	1,767
Cash at bank and in hand	2,540	3,317	2,581
	4,708	6,129	4,348
<b>Creditors: amounts falling due within one year</b>	(39,715)	(39,161)	(41,705)
<b>Net current liabilities</b>	(35,007)	(33,032)	(37,357)
<b>Creditors: amounts falling due after more than one year</b>	(19,825)	(19,817)	(19,821)
<b>Net assets</b>	237,553	246,706	210,788
<b>Capital and reserves</b>			
Called up share capital (note 5)	6,430	6,430	6,430
Share premium account	126,783	126,783	126,783
Capital redemption reserve	26,302	26,302	26,302
Other capital reserves	67,515	77,299	41,707
Revenue reserve	10,523	9,892	9,566
<b>Total shareholders' funds</b>	237,553	246,706	210,788
<b>Net asset value per ordinary share</b> (note 4) (basic and diluted)	184.73p	191.85p	163.91p

The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED CASH FLOW STATEMENT

	(Unaudited) Half-year ended 30 June 2019 £'000	(Unaudited) Half-year ended 30 June 2018 £'000	(Audited) Year-ended 31 December 2018 £'000
<b>Cash flows from operating activities</b>			
Net return before taxation	33,024	(4,369)	(34,104)
Add back: finance costs	798	641	1,353
Add: (gains)/losses on investments held at fair value through profit or loss	(26,837)	10,620	45,211
Withholding tax on dividends deducted at source	(50)	(60)	(71)
Taxation recovered	-	9	21
Increase in prepayments and accrued income	(402)	(588)	(108)
(Decrease)/increase in accruals and deferred income	(392)	(403)	37
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<b>Net cash inflow from operating activities</b>	<b>6,141</b>	<b>5,850</b>	<b>12,339</b>
	-----	-----	-----
<b>Cash flows from investing activities</b>			
Sales of investments held at fair value through profit or loss	37,695	21,902	56,765
Purchases of investments held at fair value through profit or loss	(35,089)	(21,051)	(58,316)
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<b>Net cash inflow/(outflow) from investing activities</b>	<b>2,606</b>	<b>851</b>	<b>(1,551)</b>
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<b>Cash flows from financing activities</b>			
Equity dividends paid (net of refund of unclaimed distributions)	(6,209)	(6,108)	(12,280)
(Repayment)/drawdown of loans	(1,821)	1,909	4,159
Interest paid	(794)	(637)	(1,346)
	-----	-----	-----
<b>Net cash outflow from financing activities</b>	<b>(8,824)</b>	<b>(4,836)</b>	<b>(9,467)</b>
	-----	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(77)</b>	<b>1,865</b>	<b>1,321</b>
Cash and cash equivalents at beginning of period	2,581	1,245	1,245
Exchange movements	36	207	15
	-----	-----	-----
<b>Cash and cash equivalents at end of period</b>	<b>2,540</b>	<b>3,317</b>	<b>2,581</b>
	=====	=====	-----
Comprising:			
Cash at bank	2,540	3,317	2,581
	=====	=====	=====

The accompanying notes are an integral part of the condensed financial statements.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS:

### 1. Accounting policies – basis of accounting

The Company is a registered investment company as defined by Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010.

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts", which was updated by the Association of Investment Companies in February 2018 with consequential amendments.

For the period under review the Company's accounting policies have not varied from those described in the Annual Report for the year-ended 31 December 2018. The condensed set of financial statements has been neither audited nor reviewed by the Company's auditor.

### 2. Management and performance fees

Management and performance fees are charged in accordance with the terms of the management agreement which are set out in the Company's Annual Report for the year-ended 31 December 2018. Performance fees are provided for based on the outperformance against the Company's net asset value versus the benchmark index. For the half-year ended 30 June 2019 there was no provision for a performance fee (half-year ended 30 June 2018: no provision; year-ended 31 December 2018: no provision). The actual performance fee, if any, payable to the Manager for the year to 31 December 2019 requires outperformance above a hurdle of 1% over the full financial year after covering any prior years' underperformance. The performance fee is subject to a 0.4% cap of the average gross assets in any one year.

### 3. Return per ordinary share

The return per ordinary share is based on the following figures:

	(Unaudited) Half-year ended 30 June 2019 £'000	(Unaudited) Half-year ended 30 June 2018 £'000	(Audited) Year-ended 31 December 2018 £'000
Net revenue return	7,165	7,090	12,936
Net capital return	25,808	(11,519)	(47,111)
<b>Total return</b>	<b>32,973</b>	<b>(4,429)</b>	<b>(34,175)</b>
Weighted average number of ordinary shares	128,596,278	128,596,278	128,596,278
Revenue return per ordinary share	5.57p	5.51p	10.06p
Capital return per ordinary share	20.07p	(8.95)p	(36.63)p
<b>Total return per ordinary share</b>	<b>25.64p</b>	<b>(3.44)p</b>	<b>(26.57)p</b>

The Company does not have any dilutive securities.

### 4. 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 £237,553,000 (30 June 2018: £246,706,000; 31 December 2018: £210,788,000) and on the 128,596,278 ordinary shares in issue at 30 June 2019 (30 June 2018: 128,596,278; 31 December 2018: 128,596,278).

### 5. Called up share capital

During the half-year ended 30 June 2019, no ordinary shares were issued (half-year ended 30 June 2018: none; year-ended 31 December 2018: none). At 30 June 2019 there were 128,596,278 ordinary shares of 5p nominal value in issue.

Between 1 July 2019 and 25 July 2019, no further shares have been issued. The Company has no shares held in Treasury.

## 6. Fair values of financial assets and financial liabilities

The fair values of the financial assets and liabilities are either carried in the statement of financial position at their fair value (investments and derivatives), or the statement of financial position amount is a reasonable approximation of fair value (due from brokers, dividends, and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility). At 30 June 2019 the fair value of the senior unsecured note has been estimated to be £23,560,000 (30 June 2018: £22,559,000; 31 December 2018: £22,604,000) and is categorised as Level 3 in the fair value hierarchy.

The fair value of the senior unsecured note was previously calculated using a discount rate based on the redemption yield of a relevant UK Gilt plus a suitable estimated credit spread. With effect from 30 June 2019 the methodology for determining the credit spread has changed and is based on the redemption yield of the ICE BofAML 10-15 Year A Sterling Non-Gilt Index and the redemption yield of the ICE BofAML 10-15 Year UK Gilt Index.

As mentioned in the Annual Report the methodology for calculating the discount rate for the fair value net asset value per share changed with effect from 30 June 2019. This has resulted in an increase of 0.12p to the fair value net asset value per share as at 30 June 2019.

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

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

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

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

The valuation techniques used by the Company are explained in the accounting policies note 1(c) in the Company's Annual Report for the year-ended 31 December 2018. The Company does not hold any Level 2 or Level 3 financial assets.

There have been no transfers between levels of the fair value hierarchy during the period.

### Fair value hierarchy disclosures

The table below sets out fair value measurements using the FRS 102 fair value hierarchy.

<b>Financial assets at fair value through profit or loss at 30 June 2019</b>	<b>Level 1 £'000</b>	<b>Total £'000</b>
<b>Equity investments</b>	<b>247,153</b>	<b>247,153</b>
<b>Convertibles</b>	<b>697</b>	<b>697</b>
<b>Fixed interest investments:</b>		
- Preference shares	1,504	1,504
- Other	43,031	43,031
<b>Total</b>	<b>292,385</b>	<b>292,385</b>

Financial assets at fair value through profit or loss at 30 June 2018	Level 1 £'000	Total £'000
Equity investments	269,617	269,617
Convertibles	724	724
Fixed interest investments:		
- Preference shares	4,262	4,262
- Other	24,952	24,952
<b>Total</b>	<b>299,555</b>	<b>299,555</b>

Financial assets at fair value through profit or loss at 31 December 2018	Level 1 £'000	Total £'000
Equity investments	229,653	229,653
Convertibles	710	710
Fixed interest investments:		
- Preference shares	3,841	3,841
- Other	33,762	33,762
<b>Total</b>	<b>267,966</b>	<b>267,966</b>

## 7. Dividends

In respect of the year-ended 31 December 2018, a fourth interim dividend of 2.425p per share (2017: 2.375p) was paid on 25 January 2019 to shareholders on the register at close of business on 14 December 2018. In respect of the year ending 31 December 2019, a first interim dividend of 2.425p per share (2018: 2.375p) was paid on 26 April 2019 to shareholders on the register at close of business on 5 April 2019. These dividends are reflected in the half-year financial statements.

A second interim dividend of 2.425p per share (2018: 2.375p) will be paid on 26 July 2019 to shareholders on the register at close of business on 21 June 2019. The shares went ex-dividend on 20 June 2019. A third interim dividend of 2.475p per share (2018: 2.425p) will be paid on 25 October 2019 to shareholders on the register on 20 September 2019. The shares will go ex-dividend on 19 September 2019. In accordance with FRS 102, the second and third interim dividends have not been accrued for in the half-year financial statements as they will be paid after the period end.

## 8. Related party transactions

The Company's transactions with related parties in the half-year were with the Directors and Janus Henderson ('Manager'). There have been no material transactions between the Company and its Directors during the period. The only amounts paid to the Directors were in respect of remuneration for which there were no outstanding amounts payable at the period end. In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with the Manager affecting the financial position of the Company during the period under review.

## 9. Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Company's shareholders are asked every five years to vote for the continuation of the Company. An ordinary resolution to this effect was passed by the shareholders at the Annual General Meeting held on 5 May 2015. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

## 10. Comparative information

The financial information contained in this half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The figures and financial information for the year-ended 31 December 2018 are extracted from the latest published accounts, and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditors, which was unqualified and did not include a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 11. General Information

### Company Status

The Company is a UK domiciled investment trust company with registered number: 02422514  
London Stock Exchange Daily Official List (SEDOL): 0958057  
ISIN Number: GB0009580571  
London Stock Exchange (TIDM) Code: HHI  
Global Intermediary Identification Number (GIIN): JBA08I.99999.SL.826

### Registered Office

201 Bishopsgate, London EC2M 3AE.

### Directors

The Directors of the Company are Margaret Littlejohns (Chairman), Jonathan Silver (Chairman of the Audit Committee), Zoe King, Anthony Newhouse and Jeremy Rigg.

### Corporate Secretary

Henderson Secretarial Services Limited, represented by Hannah Gibson ACIS.

### Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.hendersonhighincome.com](http://www.hendersonhighincome.com).

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*Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.*