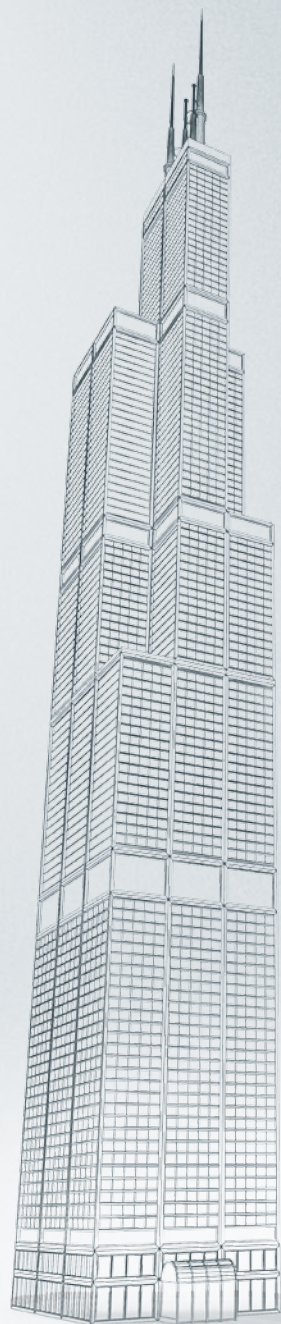


# HENDERSON INTERNATIONAL INCOME TRUST PLC

Annual Report 2015



MANAGED BY

**Henderson**  
GLOBAL INVESTORS



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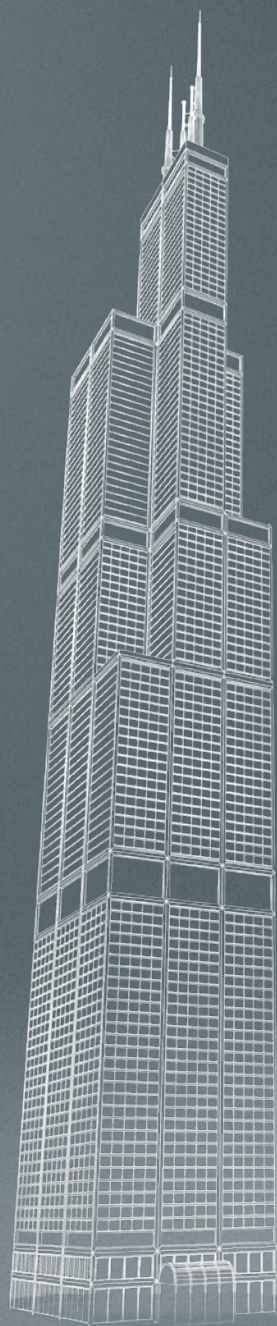


# Strategic Report

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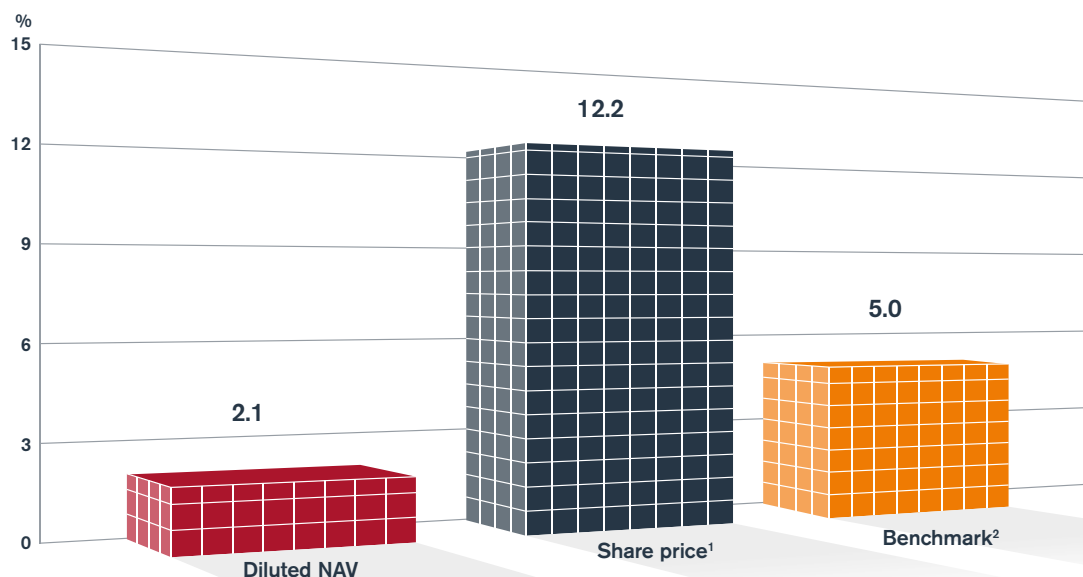
**“We judge that well positioned, cash generating companies with good dividend yields will remain attractive to investors.”**

Christopher Jonas CBE, Chairman

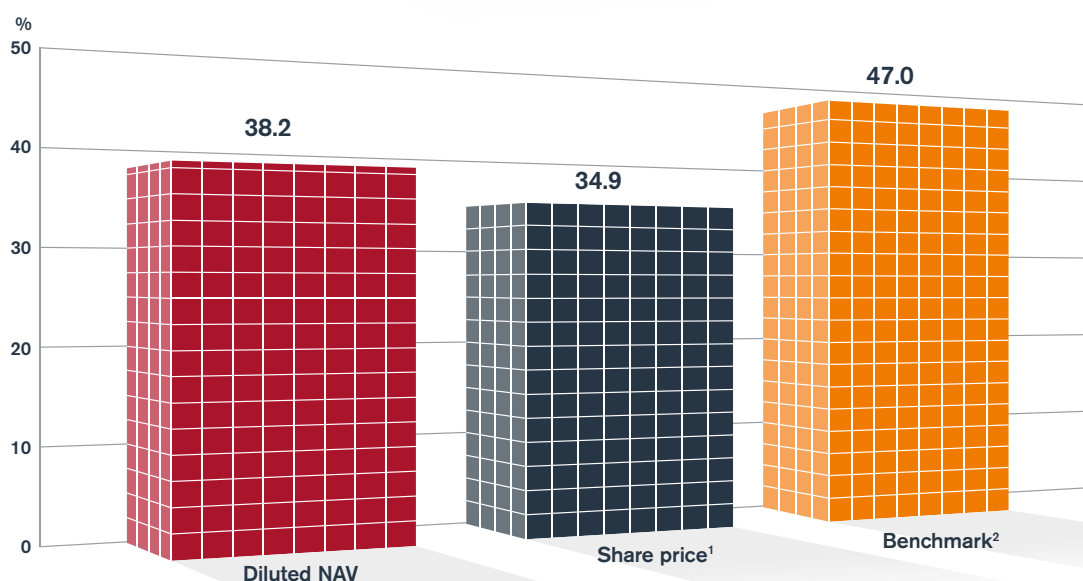


# Strategic Report: Performance Highlights

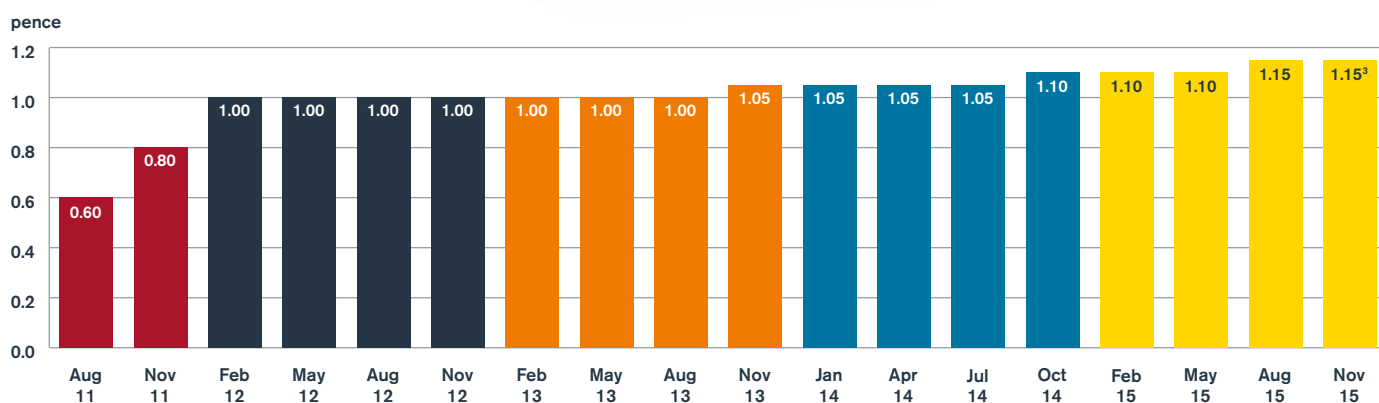
## Total return performance for year to 31 August 2015



## Total return performance since launch



## Dividend growth since launch



# Strategic Report: Performance Highlights (continued)

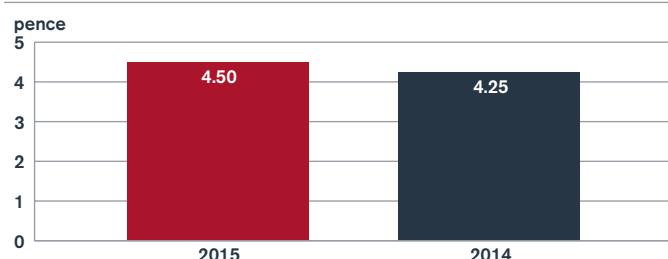
## Diluted NAV per share at year end<sup>4</sup>



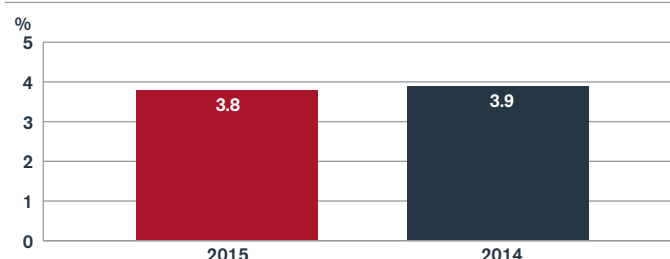
## Undiluted NAV per share at year end<sup>4</sup>



## Dividend in respect of year end<sup>3</sup>



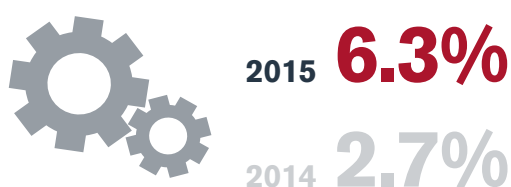
## Dividend yield for the year ended<sup>3</sup>



## Ongoing charge for year



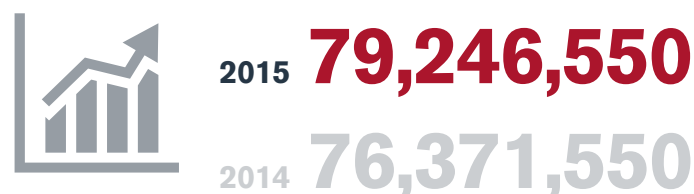
## Gearing at year end



## Share price at year end



## Shares in issue at year end



<sup>1</sup> The Company's share price total return, assuming the investment of £100 on launch (28 April 2011) and the reinvestment of all dividends excluding dealing expenses. Excludes 8,300,000 subscription shares in issue until 31 August 2014

<sup>2</sup> MSCI World (ex UK) Index (sterling adjusted)

<sup>3</sup> Includes the fourth interim dividend in respect of the year ended 31 August 2015 declared on 12 October 2015 to be paid to shareholders on 27 November 2015 and is based on the share price at the year end date

<sup>4</sup> Calculated using published daily NAVs including current year revenue

<sup>5</sup> As the remaining subscription shares were exercised on 4 September 2014, there is no dilutive effect on the net assets per ordinary share as at 31 August 2015 and therefore the diluted NAV and undiluted NAV as at that date are the same. In the prior year, the diluted NAV was calculated in accordance with guidelines issued by the AIC and assumed that all outstanding subscription shares were converted into ordinary shares at the year end

Source: Morningstar Funddata, Henderson, Datastream

# Strategic Report: Business Model

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## Investment objective

The Company's investment objective is to provide a high and rising level of dividends as well as capital appreciation over the long-term from a focused and internationally diversified portfolio of securities outside the UK.

## Investment policy

The Company will invest in a diversified global portfolio consisting predominantly of listed equities and fixed interest asset classes. The portfolio is diversified by factors such as geography, industry sub-sector and investment size. The Company does not invest in issuers whose securities are, at the time of investment, listed only in the UK.

## Strategy

The portfolio will ordinarily be made up of interests in 40-60 companies, with no single investment accounting for more than 5% of net assets at the time of investment.

The Company has an options strategy and may invest in derivative instruments; up to 20% of the Company's income may be generated by the options strategy. If considered appropriate the Company may hedge exposure to foreign currencies up to a maximum of 20% of gross assets.

## Borrowings

The Company's articles of association allow borrowings up to 100% of shareholders' funds. In normal circumstances the fund manager may only utilise gearing up to 25% of the net assets in accordance with the board's policy.

## General

In accordance with the listing rules of the Financial Conduct Authority ('FCA') (the 'Listing Rules'), it is the Company's stated policy that it will not invest more than 15% of its gross assets in other listed investment companies, including investment trusts, and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

## Management

The Company has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager. The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 and is terminable on six months' notice. Both entities are authorised and regulated by the FCA. References to Henderson within this report refer to the services provided by both entities.

Fund management is led by Ben Lofthouse, who has been in place since incorporation.

Under the terms of the management agreement, Henderson is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. Henderson also receives a marketing fee from the Company to cover promotional activities.

For part of the year ended 31 August 2014 an annual performance fee based on average performance over a rolling three year period was in place. With effect from 1 November 2013 the performance fee element of the management fee arrangements was removed and the management fee with effect from that date was reduced from 0.80% to 0.75% of net assets.

Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services.

Hannah Blackmore LLM ACIS acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

In accordance with the directors' policy on the allocation of expenses between income and capital, in each financial year 75% of the management fee payable is charged to capital and the remaining 25% to income.



# Strategic Report: Chairman's Statement



**The Chairman of the Company, Christopher Jonas, CBE, reports on the year to 31 August 2015**

## Performance and markets

During the year to 31 August 2015 the return on the diluted net asset value ('NAV') per ordinary share (on a total return basis) was 2.1%. The Company's return on the ordinary share price (on the same basis) was 12.2%. These returns compare to a total return of 5.0% in the MSCI World (ex UK) Index (sterling adjusted).

In the international markets where we operate, the past year has been particularly difficult to read, with lack of any clear trend leading to volatile conditions. Share price total return has been good and above our broader benchmark. This reflects credit on our managers given the unreliable nature of our markets.

The positive benchmark returns hide a sizeable dispersion between different stock markets around the world. Equity markets in developed economies have been generally positive, driven by a combination of gradual economic recovery and further Central Bank monetary policy action. However emerging markets have been weak, influenced by a combination of currency weakness, commodity price declines, and poor Chinese growth.

After strong NAV growth in the first half of the Company's financial year, markets have sold off primarily on concerns regarding China. While growth there has been slowing for some years, government intervention in both the stock and currency markets has unnerved investors and created considerable uncertainty.

It is reassuring to report therefore that the Company's portfolio avoided much of the turmoil in equity and currency markets by being mainly focused on developed economies. Against this the portfolio has been underweight in the best performing markets of the United States and Japan, which has led to underperformance against our NAV benchmark.

Market uncertainty over the take up of our subscription shares in August 2014 resulted in our starting the year at discount of 6.6%. This returned to a premium of 2.7% at the year end.

## Growth and corporate activity

The board believes it is in the interest of all shareholders that the Company widens its investor base and increases its size as opportunities arise. This should improve liquidity in our shares, and spread fixed costs over a larger base. Progress has been made over the year as the Company took advantage of ongoing demand from investors to issue shares periodically on an ad hoc basis.

Your board and the fund manager believe that the unique nature of the Company, the only international income investment trust that invests exclusively outside the UK, should continue to make the Company's shares attractive to a wider audience. So we shall remain alert for all opportunities to grow the Company.

During the year we increased our issued ordinary share capital by 6,795,962 ordinary shares and a further 500,000 ordinary shares have been issued between 1 September 2015 and 15 October 2015 being the last practicable date prior to the issue of this report. At 31 August 2015 there were 79,246,550 shares in issue.

Your board and the fund manager review conditions in our markets on a regular basis. When conditions allow we intend to bring forward a further share issue to enable the Company and its shareholders to benefit from economies of scale and the other benefits mentioned above.

## Earnings and dividends

The Company has performed well, achieving a dividend increase from 4.25p to 4.50p per ordinary share in respect of the year to 31 August 2015. The year consisted of a first and second interim dividend of 1.10p per ordinary share and an increased third interim dividend of 1.15p per ordinary share. The fourth interim dividend of 1.15p per ordinary share will be paid on 27 November 2015. Given the earnings growth being produced by the portfolio, and in the absence of any change in conditions, the board intends to maintain the quarterly dividend at its new level during the year to 31 August 2016.

## Gearing

Well-judged gearing enhances returns to shareholders. The board's current policy is to permit the fund manager to gear up to 25% of net assets at the time of drawdown or investment as appropriate. Borrowing limits for this purpose include implied gearing through the use of derivatives. The gearing at the year end was 6.3% (2014: 2.7%).

# Strategic Report: Chairman's Statement (continued)

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## Discount control

On expiry of the 8,300,000 subscription shares on 31 August 2014 the ordinary shares were trading at a material premium to the subscription share exercise price of 100p per share. As a result, all the subscription shares were exercised. On 1 September 2014 4,379,038 shares were exercised, issued and allotted and on 4 September 2014 the remaining 3,920,962 shares were exercised, issued and allotted.

The board is pleased that the Company has returned to trading at a premium after the expiry of the subscription shares. The board continues to monitor the premium/discount to NAV and will consider appropriate action if the relationship between the NAV and share price moves and remains out of line with the Company's peer group. Nonetheless there is a distinct limit to the board's ability to influence the premium or discount to NAV, so we believe it is not in shareholders' interests to have a specific issuance or buy-back policy. We believe it sensible to retain flexibility; accordingly we shall consider issuance and/or buy-backs within a narrow band relative to NAV where appropriate and subject to market conditions.

## Annual general meeting

The fifth annual general meeting of the Company will be held at 2:30 pm on Friday, 20 November 2015 at the registered office, 201 Bishopsgate, London EC2M 3AE. The notice of meeting and the resolutions to be proposed are set out in a separate document which accompanies this annual report. Ben Lofthouse, the fund manager, will give a presentation to the meeting which will be followed by light refreshments.

The directors welcome shareholders' attendance at the meeting and recommend shareholders support the resolutions to be proposed. Those who cannot attend are encouraged to vote on all resolutions by completing their proxy forms.

For the first time the Company's annual general meeting will be broadcast live on the internet. If you are unable to attend in person you can watch the meeting as it happens by visiting [www.henderson.com/trustslive](http://www.henderson.com/trustslive).

## Outlook

Economic growth in developed economies remains stable and interest rates remain at very low levels. Major countries are more aligned politically on policies to deal with the remainder of the 2007 induced recession, even if the rise in strongly left or right wing groupings within them presents a new challenge. Public debate about whether or when Central Banks should raise interest rates discloses a general belief in growth continuing for the near term, even if this growth may be patchy. Against this background, we judge that well positioned, cash generating companies with good dividend yields will remain attractive to investors looking for growing income streams and the potential for capital growth.

Our portfolio is spread globally and excludes UK listed stocks. Our managers have built a good reputation for selection between both markets and sectors. In order to balance risks in the portfolio, our board and our managers pay a lot of attention to limiting the downside while seeking out growth opportunities. Risk management measures include keeping a close eye on sterling movements, monitoring domestic market movements in different countries, reviewing gearing policy, and an investment process that builds a safety margin into stock pricing decisions.

In the relatively short life of the Company there have been several periods during which equity markets have corrected. On each occasion our portfolio had already been positioned defensively and from the disruption new investment opportunities have presented themselves. The Company has a manager with a growing reputation; we have a flexible mandate for geographical and sector allocations, and the ability to use leverage to enhance return when judged to be prudent.

Christopher Jonas, CBE  
Chairman  
19 October 2015



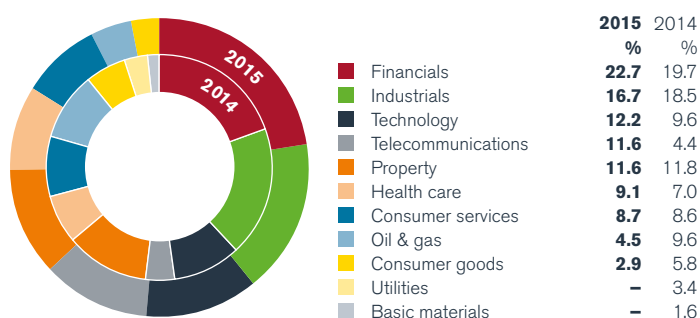
# Strategic Report: Portfolio Information

## Ten largest investments at 31 August

Ranking 2015	Ranking 2014	Company	Country	Sector	Market value 2015 £'000	% of portfolio
1	1	Reynolds American	US	Consumer goods	2,830	2.9
2	5	Novartis	Switzerland	Health care	2,649	2.7
3	9	Lockheed Martin	US	Industrials	2,577	2.7
4	3	Microsoft	US	Technology	2,526	2.6
5	6	Roche	Switzerland	Health care	2,464	2.5
6	30	General Electric	US	Industrials	2,351	2.4
7	–	Verizon Communications	US	Telecommunications	2,325	2.4
8	2	SK Telecom	Korea	Telecommunications	2,162	2.2
9	25	Six Flags Entertainment	US	Consumer services	2,094	2.2
10	–	Nielsen	US	Consumer services	2,077	2.1
Top 10 = 24.7% of the portfolio					24,055	24.7

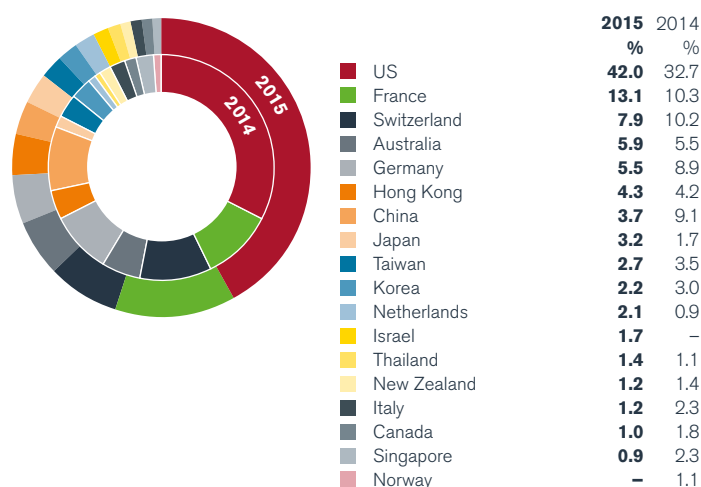
## Sector exposure at 31 August

As a percentage of the investment portfolio excluding cash

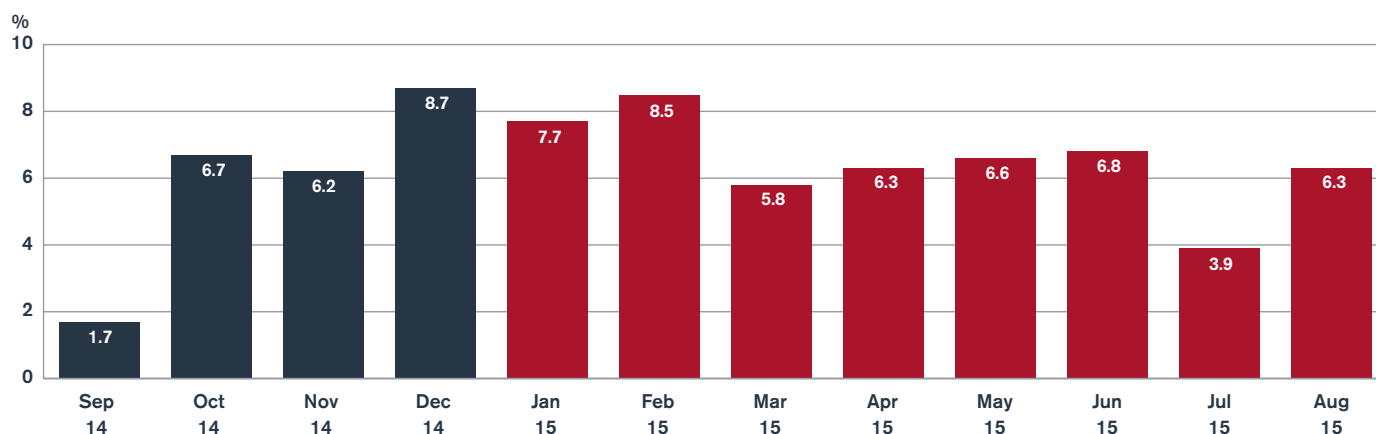


## Geographic exposure at 31 August

As a percentage of the investment portfolio excluding cash



## Gearing levels over the year to 31 August



# Strategic Report:

## Investment Portfolio as at 31 August 2015

Company	Country	Market value £'000	% of portfolio
<b>Consumer goods</b>			
Reynolds American	US	2,830	2.9
		<b>2,830</b>	<b>2.9</b>
<b>Consumer services</b>			
Six Flags Entertainment	US	2,094	2.2
Nielsen	US	2,077	2.1
RTL Group	Germany	1,941	2.0
Las Vegas Sands	US	1,322	1.4
Aimia	Canada	1,020	1.0
		<b>8,454</b>	<b>8.7</b>
<b>Financials</b>			
Ares Capital	US	1,910	2.0
JP Morgan Chase	US	1,839	1.9
KKR	US	1,822	1.9
Mizuho Financial	Japan	1,792	1.8
Zurich Insurance	Switzerland	1,514	1.5
Deutsche Boerse	Germany	1,510	1.5
AXA	France	1,460	1.5
Suncorp	Australia	1,437	1.5
National Australia Bank	Australia	1,347	1.4
Scor Se	France	1,346	1.4
PNC Financial Services	US	1,343	1.4
Daiwa Securities	Japan	1,342	1.4
Cembra Money Bank	Switzerland	1,135	1.2
Bank of China	China	1,135	1.2
Och-Ziff Capital Management	US	1,106	1.1
		<b>22,038</b>	<b>22.7</b>
<b>Health care</b>			
Novartis	Switzerland	2,649	2.7
Roche	Switzerland	2,464	2.5
Pfizer	US	1,989	2.1
Johnson & Johnson	US	1,783	1.8
		<b>8,885</b>	<b>9.1</b>
<b>Industrials</b>			
Lockheed Martin	US	2,577	2.7
General Electric	US	2,351	2.4
Deutsche Post	Germany	1,920	2.0
Compagnie de Saint-Gobain	France	1,764	1.8
Eaton	US	1,484	1.5
Rexel	France	1,480	1.5
Amcor	Australia	1,470	1.5
United Parcel Service	US	1,368	1.4
CK Hutchison	Hong Kong	1,039	1.1
Shanghai Industrial	China	823	0.8
		<b>16,276</b>	<b>16.7</b>

Company	Country	Market value £'000	% of portfolio
<b>Oil &amp; gas</b>			
Chevron	US	1,998	2.0
Total	France	1,279	1.3
ENI	Italy	1,125	1.2
		<b>4,402</b>	<b>4.5</b>
<b>Property</b>			
Eurocommercial	Netherlands	2,052	2.1
Icade	France	1,918	2.0
Nexity	France	1,625	1.6
Scentre	Australia	1,431	1.5
Iron Mountain	US	1,400	1.4
Cheung Kong	Hong Kong	1,031	1.1
China Resources Land	China	1,005	1.0
Mapletree Greater China	Singapore	853	0.9
		<b>11,315</b>	<b>11.6</b>
<b>Technology</b>			
Microsoft	US	2,526	2.6
Cisco Systems	US	1,782	1.8
Seagate Technology	US	1,621	1.6
Intouch	Thailand	1,384	1.4
Garmin	US	1,350	1.4
Taiwan Semiconductor Manufacturing	Taiwan	1,338	1.4
Advanced Semiconductor Engineering	Taiwan	1,236	1.3
NetEase	China	651	0.7
		<b>11,888</b>	<b>12.2</b>
<b>Telecommunications</b>			
Verizon Communications	US	2,325	2.4
SK Telecom	Korea	2,162	2.2
HKT Trust and HKT Ltd	Hong Kong	2,048	2.1
Orange	France	1,948	2.0
Bezeq The Israeli Telecommunication Corporation	Israel	1,581	1.7
Spark New Zealand	New Zealand	1,176	1.2
		<b>11,240</b>	<b>11.6</b>
<b>Total Investments</b>		<b>97,328</b>	<b>100.0</b>

# Strategic Report: Fund Manager's Report



**The Fund Manager of the portfolio, Ben Lofthouse, reports on the year to 31 August 2015**

## Performance review

The portfolio delivered positive returns over the period, generating a total return of 2.1% (diluted NAV per ordinary share) and a dividend of 4.50p, an increase of 5.9% year on year. The general increase in developed world equity markets over the period masks the fact that it has continued to be a tough operating environment for many companies; economic growth remains subdued, inflation low, and there has been considerable volatility in currencies and commodity prices, to say nothing of geopolitical concerns. To some extent the avoidance of problem areas has been almost as important as investing in 'winners' in this environment.

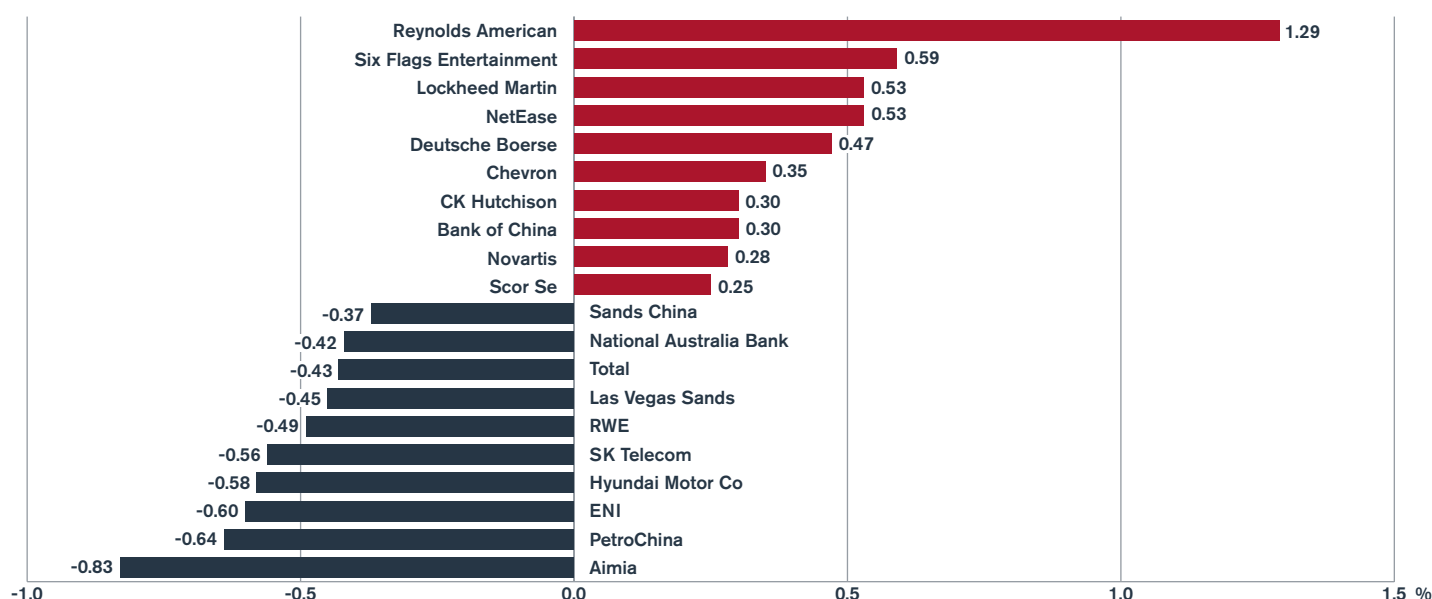
Across the portfolio dividend growth has been strong which has allowed the Company to grow its dividend again this year. One of the key investment criteria for the Company's investments is the ability to at least sustain, and preferably grow dividends, in what is potentially a relatively low economic growth environment.

The strongest dividend growth has come from some of the portfolio's technology companies, driven by strong balance sheets and excellent cash generation. After coming through a period of significant investment in new capacity, Taiwan Semiconductor Manufacturing increased its dividend by 50%, computer storage device manufacturer Seagate Technology raised its pay-out by 25%, and following several years of double digit growth Microsoft continued its progressive dividend policy with an 11% dividend increase. The portfolio has a significant weighting to financial services companies where the normalisation of dividend payments across the sector is ongoing. Within the portfolio French insurance giant AXA increased its dividend by 17% year on year, Swiss lender Cembra Money Bank increased its dividend by 9%, US retail bank PNC Financial Services provided an increase of 6%, and life and non-life insurer Scor Se announced an 8% increase. Other notable increases from some of the largest positions in the portfolio included theme park operator Six Flags Entertainment with an increase of 11% in its quarterly dividend, media company Nielsen – 12%, Reynolds American – 7%, Lockheed Martin – 13% and Novartis – 6%.

As alluded to in the opening paragraph of this report, it has not been plain sailing and integrated oil producer ENI announced that it would be reducing its dividend by almost 30% for 2015 in response to falling oil prices. The exposure to oil and oil services companies has been reduced significantly over the last twelve months from over 10% to less than 5%, and the position in ENI was 1.2% at the year end so it represents a small exposure in the portfolio.

The outlook for dividend growth from the portfolio remains good driven by a combination of earnings growth and the ability to raise pay-out ratios.

## Top ten contributors to and bottom ten detractors from relative return



Source: FactSet



# Strategic Report: Fund Manager's Report (continued)

## Portfolio

The Company's portfolio is relatively concentrated consisting typically of 60 positions, so performance is impacted by stock specific news and events as well as regional equity market performances and sector news. The principal contributors and detractors to performance are listed on page 9.

The strongest regional portfolio was North America, returning 8.7% over the period, followed by Europe which returned 5.6%, and then Asia-Pacific which generated a -7.6% return. Gearing enhanced the capital returns by 0.6% over the year. The MSCI World (ex UK) Index (sterling adjusted) returned 5.0% over the period.

All of the regional portfolios have outperformed their respective benchmarks, but performance relative to the benchmark has been held back by the portfolio's large weight in Asia-Pacific relative to the index (30% exposure on average over the year). Currency played a significant part in the weak performance of the region in a global context; the Australian, New Zealand, and Korean currencies fell 17%, 18% and 7% respectively against sterling over the year offsetting some good stock selection at a country level.

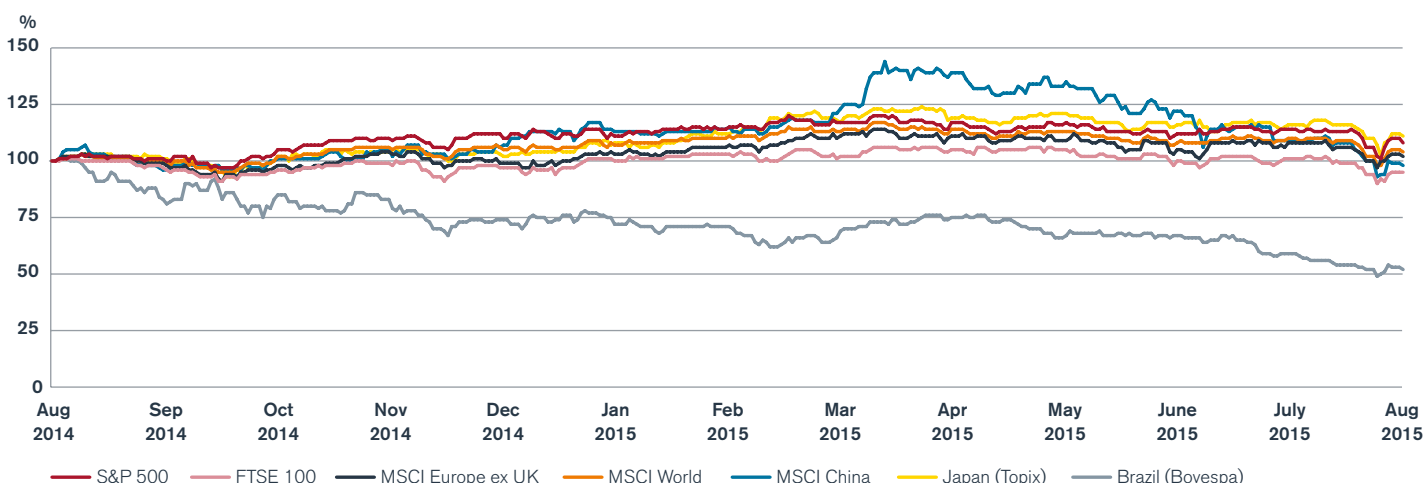
In the US portfolio the strongest performers were Reynolds American, which is in the process of further consolidating in the US tobacco industry, theme park operator Six Flags Entertainment which is seeing good attendance growth and price increases at its sites, and defence company Lockheed Martin whose restructuring activities are being well received by the market. The weakest performers include Macau Casinos, which have been hit by Chinese government action to crack down on corruption and the positions in Las Vegas Sands and SJM Holdings were weak as a result. The position in SJM Holdings was sold during the period. Loyalty programme operator Aimia was impacted by worse than expected contract terms with one of its key partners.

The threat of deflation in Europe has spurred the European Central Bank into action and its launch of quantitative easing ('QE') has had the result of weakening the currency significantly whilst driving equities higher. The overall effect to the portfolio has been positive

and holdings such as securities exchange operator Deutsche Boerse, insurance company Scor Se, and French house builder Nexity have all appreciated significantly even in sterling terms, despite the 8% depreciation of the euro over the year. Only time will tell whether QE will be effective, but in the short term the fall in currency, precipitous fall in energy prices, and fall in interest costs across the Eurozone over the last eighteen months are all likely to be positive drivers of economic activity in the coming months, which I hope will drive many of the Company's holdings earnings growth higher. Whilst weak energy prices will benefit energy users and importers they are not good for power generating utilities or oil producers and unsurprisingly German utility RWE and oil companies Total, PetroChina and ENI were weak as a result. These positions were initiated on the view that management were more focused on investor returns and cash generation, an investment case that was playing out, but unfortunately the fall in energy prices will undoubtedly make this harder to achieve. The position in RWE was closed in April when it became apparent that the dividend cover was going to be lower than we expected. The energy sector exposure was reduced significantly in the first half of the year through sales of oil services operators Sencorp Marine and Seadrill, and integrated oil company PetroChina. The average sector position in energy was significantly lower than that of the index and this was one of the most significant positives to relative performance at a sector level.

In the Asia-Pacific region a number of the strongest contributors to performance were Chinese holdings, including online gaming company NetEase, which saw strong earnings growth during the year. During the first half of the year the Chinese stock markets rallied significantly in response to Central Bank action to address falling inflation and slowing growth. The portfolio's exposure to Chinese equities had been increased in 2014 on valuation grounds. The sharp rally resulted in a realisation of much of the value in some positions and some positions were reduced or closed completely including NetEase, Bank of China, property companies Wharf Holdings and Shimao Property, and conglomerate NWS Holdings. With the benefit of hindsight this was well timed because subsequent actions to dampen the stock market have unfortunately resulted in a sharp market correction.

## Regional indices performance over the year

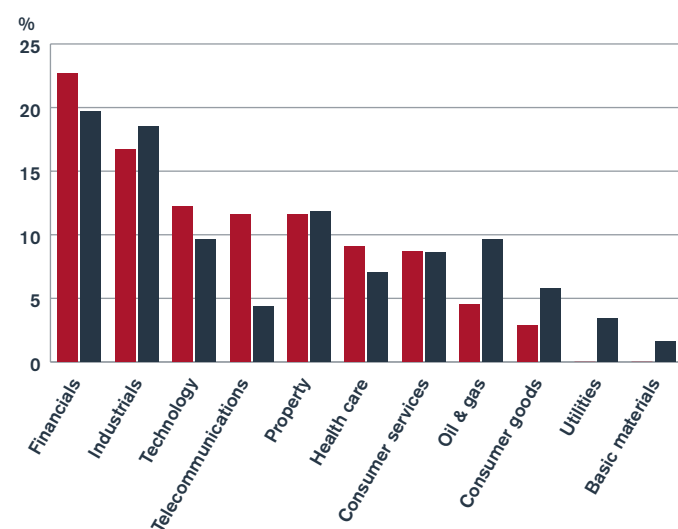


Source: Henderson

# Strategic Report: Fund Manager's Report (continued)

## Asset allocation weighting of portfolio at 31 August

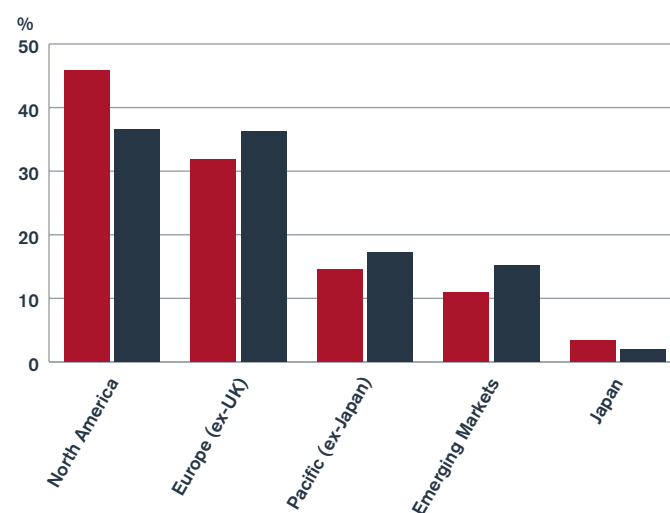
By sector



■ 2015 ■ 2014

Sources: Henderson

By region



■ 2015 ■ 2014

## Portfolio positioning

The Company has taken advantage of the fall in euro denominated interest rates by converting some of its gearing facility to euros and as at 31 August 2015 was borrowing €6.5m. In addition to reducing borrowing costs this reduces some of the portfolio's currency exposure to the euro. The exposure to companies listed in euros represents 23% of the portfolio.

The biggest change to the portfolio was in regional allocation. Over the year there was an increase in the US exposure from 32% to 42% of the portfolio, and reductions in Chinese exposure from 9% to 3.7%, and European exposure from 35% to 32%. These changes were predominantly driven by valuation differentials between regions. The European and Chinese stock markets were both driven higher over the year by Central Bank announcements regarding financial stimulus from the European Central Bank and People's Bank of China respectively. Whilst these announcements were welcome given the slow growth in these regions, they did lead to a somewhat indiscriminate rally in some areas of the market and profits were taken in some positions. In contrast the US stock market has seen net selling by investors for much of the year. Some dividend stocks have been particularly poor performers, in part due to fears regarding potential interest rate hikes by the Federal Reserve. This has provided an opportunity to invest in many companies that the investment team consider to be world leaders in their respective fields at attractive valuations and dividend yields

versus both their own trading histories and those of similar global peers. Positions initiated that fit this description include technology company Cisco, telecommunications operator Verizon Communications, pharmaceutical company Johnson & Johnson, consumer services company Nielsen, document storage company Iron Mountain and global financial services company JP Morgan Chase. Whilst the portfolio's returns over the last twelve months have benefited from having limited exposure to commodity producing regions and sectors, a new position was opened in energy company Chevron at the end of the year. Whilst the outlook for oil prices is very hard to determine, Chevron is a well invested resource company with numerous growth assets coming on stream over the next few years. It has traditionally traded at a premium to many of its global peers and the recent sector sell-off provided the opportunity to purchase it at a discount.

The most significant change in sector exposure during the year was the increase in the telecommunications sector from 4.4% to 11.6% and the reduction in the energy sector from 10% to 5%. The telecommunications sector increase has been done on a case by case investment by adding five new positions in five different regions. In many of these regions consolidation is happening or being considered, which should improve market dynamics. In addition data use by customers is increasing and helping to stabilise earnings. The cash flow generation for the sector has significantly improved compared to previous years which support both their dividend payments and investment needs.

## Strategic Report: Fund Manager's Report (continued)

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A number of positions across a range of sectors and geographies were closed over the last six months. There are stocks or industry specific reasons for each closed position but there is a general, overarching theme which is that growth outlook for some of these companies has deteriorated and in some cases new supply is coming in to their markets. Positions closed on this basis included chemicals company BASF, oil services companies SembCorp Marine and Seadrill, Asian construction company Taiwan Cement, and technology company Tong Hsing Electronic. In addition the positions in Eutelsat, Dominion Resources, Nestlé and Hong Kong property company Wharf Holdings were sold on valuation grounds having performed strongly.

### Outlook

The economic recovery since the financial crisis several years ago has been slower than expected but unemployment is generally falling in most developed markets, which is an important measure of progress. Economic policy remains accommodative, with even the European Central Bank acting to stimulate credit growth, and the fact that some Central Banks are considering when to raise rates is a sign that economic growth is on the right path. Whilst there are significant risks to economic growth that we remain vigilant about we are optimistic that the portfolio has the potential to grow investors' capital and dividend income in coming years and will take advantage of volatility in markets to enhance this potential by investing in undervalued companies.

Ben Lofthouse  
Fund Manager  
19 October 2015



# Strategic Report:

## Historical Performance and Financial Information

### Total return performance<sup>1</sup>

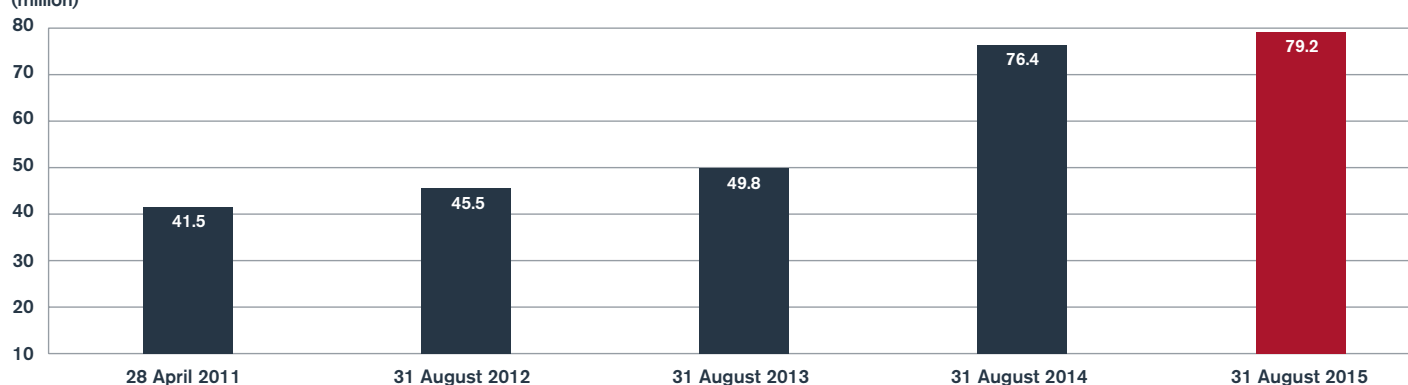
	1 year %	3 years %	Since launch %
Diluted NAV <sup>2,3</sup>	2.1	32.8	38.1
Undiluted NAV <sup>2</sup>	1.2	32.4	37.6
Share price <sup>4</sup>	12.2	31.7	34.9
Benchmark <sup>5</sup>	5.0	45.7	47.0
Sector average <sup>6</sup>	(0.6)	32.1	31.2

### Financial information for the year end 31 August

Date	Net assets £'000	NAV <sup>7</sup> pence	Share price <sup>4</sup> pence	Premium/ (discount) %	Profit for year £'000	Revenue return pence	Capital return pence	Total return pence	Dividends per ordinary share pence	Ongoing charge %
2012	44,268	97.2	100.5	(3.4)	1,655	6.08	(2.23)	3.85	5.40	1.38
2013	55,729	111.9	114.1	2.0	8,630	4.57	13.62	18.19	4.05	1.39
2014	85,787	118.4	109.8	(7.3)	7,077	5.59	5.99	11.58	4.25	1.09
<b>2015</b>	<b>91,594</b>	<b>115.6</b>	<b>118.8</b>	<b>2.8</b>	<b>1,668</b>	<b>5.14</b>	<b>(2.98)</b>	<b>2.16</b>	<b>4.50</b>	<b>1.11</b>

### Issued ordinary share capital since launch

Ordinary shares  
(million)



<sup>1</sup> Including dividends reinvested and excluding transaction costs

<sup>2</sup> Calculated using published daily NAVs including current year revenue

<sup>3</sup> As the remaining subscription shares were exercised on 4 September 2014, there is no dilutive effect on the net assets per ordinary share as at 31 August 2015 and therefore the diluted NAV and undiluted NAV as at that date are the same. In the prior year, the diluted NAV was calculated in accordance with guidelines issued by the AIC and assumed that all outstanding subscription shares were converted into ordinary shares at the year end

<sup>4</sup> Middle market closing price

<sup>5</sup> MSCI World (ex UK) Index (sterling adjusted)

<sup>6</sup> The AIC Global Equity Income Sector

<sup>7</sup> Undiluted NAV

Source: Morningstar Funddata, Henderson, Datastream

# Strategic Report:

## Governance Structure and Directors' Biographies

Responsibility for good governance lies with the board. The governance framework of the Company reflects the fact that as an investment company it has no employees and outsources investment management and administration to Henderson and other external service providers.

None of the director's has a service contract with the Company instead each director has a letter of appointment that sets out the terms. These letters are available for inspection at the registered office and will be available at the annual general meeting.

### The board

The board comprises four non-executive directors, all of whom are independent of Henderson.

Chairman: Christopher Jonas, CBE

The board meets at least five times a year for scheduled board meetings and has a formal schedule of matters specifically reserved for its decision, which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, contracts, communications, board membership and other appointments, delegation of authority, remuneration and corporate governance matters.

### The directors

Christopher Jonas, CBE	Simon Jeffreys	Peregrine Banbury, CVO	William (Bill) Eason
<b>Date of appointment:</b> 16 March 2011 (Chairman March 2011) Christopher has been a senior adviser at Lazard & Co. Ltd and Lloyds Banking Group and a main board member of British Railways, the Port of London Authority and Canary Wharf Group plc. Christopher was Chairman of Henderson Global Property Companies Limited. He is currently the Chairman of the Contemporary Art Society. Christopher was Chairman of Goldsmiths University of London and Chairman of the governing body of Roedean and is a past president of the Royal Institution of Chartered Surveyors.	<b>Date of appointment:</b> 16 March 2011 Simon is on the board of directors and chairs the audit committees of St James's Place plc, SimCorp A/S and Aon UK Limited. He is a Senior Advisor to Wellcome Trust. Simon was Chief Operating Officer of the Wellcome Trust until July 2014 where he was responsible for a wide range of business services including finance, legal, human resources, information technology and operations. He was previously Chief Administrative Officer for Fidelity International and for most of his professional life was a partner in PricewaterhouseCoopers, where he was the global leader of the firm's investment management and real estate practice.	<b>Date of appointment:</b> 16 March 2011 Peregrine is a consultant for B&C (Bank & Clients), a trustee and director of The Clive and Sylvia Richards Charity and a trustee of The Luke Somerfield Memorial Trust. Peregrine was regional non-executive Chairman of Coutts & Co following his retirement from Coutts at the end of 2009. He was previously a managing partner at Coutts, a former Head of Coutts Asset Management and a director of Coutts Investment Management Limited. Peregrine is a former director of the Securities Institute, and remains a Fellow of the Chartered Institute for Securities and Investment. He has also been a director of a number of investment trusts and trustee of a number of charities including The Two Moors Festival until May 2014.	<b>Date of appointment:</b> 16 March 2011 Bill is director of the Charities & Trust Fund Department at Quilter Cheviot, a director of The European Investment Trust PLC and a trustee to The Gordon Foundation. He is also a Business Fellow of Gray's Inn. Bill is a former Chairman of Henderson High Income Trust plc and was Chief Investment Officer at Laing and Cruickshank as well as acting as trustee to Marshall's Charity and the John Hampden Fund. He has been managing charitable and high net worth portfolios since 1973, and became a member of the London Stock Exchange in 1976. Bill is an Associate of the Society of Investment Professionals and holds a Fellowship of the Chartered Institute for Securities and Investment. He was also a Governor of Henley Management College.

### The committees

Audit Committee	Management Engagement Committee	Nominations Committee
Two scheduled meetings per annum to coincide with the financial reporting cycle. The board as a whole performs this function. <b>Chairman:</b> Simon Jeffreys <b>Key objectives:</b> <ul style="list-style-type: none"> <li>to monitor the integrity, clarity and completeness of the Company's financial statements</li> <li>to keep under review the adequacy and effectiveness of the Company's internal financial controls and internal controls and risk management systems</li> <li>to oversee the relationship with the external auditor</li> </ul>	One scheduled meeting per annum. The board as a whole performs this function. <b>Chairman:</b> Christopher Jonas, CBE <b>Key objectives:</b> <ul style="list-style-type: none"> <li>to review the terms of the management agreement to ensure that they are competitive and deemed to be in the best interests of shareholders as a whole</li> <li>to consider whether the continuing appointment of Henderson under the terms agreed is in the best interests of shareholders as a whole</li> </ul>	One scheduled meeting per annum. The board as a whole performs this function. <b>Chairman:</b> Christopher Jonas, CBE <b>Key objectives:</b> <ul style="list-style-type: none"> <li>to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board compared to its current position and make recommendations to the board with regard to any changes</li> <li>it is responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise</li> <li>to give full consideration to succession planning for directors</li> </ul>

# Strategic Report: Key Information

## Service providers

Alternative Investment Fund Manager  
Henderson Investment Funds Limited  
201 Bishopsgate  
London  
EC2M 3AE

Corporate secretary  
Henderson Secretarial Services Limited  
201 Bishopsgate  
London  
EC2M 3AE  
Telephone: 020 7818 1818

Depository and custodian  
HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

Independent auditors  
Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

Stockbroker  
Panmure Gordon & Co  
1 New Change  
London  
EC4M 9AF

Registrar  
Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Telephone: 0370 707 4033  
Email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

Investors with share certificates (i.e. not those in a share plan or ISA) can check their holdings at [www.computershare.com](http://www.computershare.com)

## Financial calendar

Fourth interim ex-dividend date	5 November 2015
Fourth interim dividend record date	6 November 2015
Annual general meeting <sup>1</sup>	20 November 2015
Half year results	April 2016

<sup>1</sup> At the Company's registered office at 2.30pm

## Information sources

For more information about Henderson International Income Trust plc, visit the website at

**[www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)**

## HGi

HGi is a content platform provided by Henderson that offers online personalisation where you can 'follow' investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi:  
<http://HGi.co/rb>



## Follow us on Twitter, YouTube and Facebook

For alternative access to Henderson's insight you can now follow us on Twitter, YouTube and Facebook.



## Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone on 03457 22 55 25, email [Henderson@halifax.co.uk](mailto:Henderson@halifax.co.uk) or visit their website [www.halifax.co.uk/sharedealing](http://www.halifax.co.uk/sharedealing).

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

## 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 them when invited to do so by the chairman.

Investors in Halifax Share Dealing Limited receive all shareholder communications and a voting instruction form is provided to facilitate voting at general meetings of the Company.



# Strategic Report: Corporate Information

## Status

The Company is an investment company as defined in section 833 of the Companies Act 2006 (the 'Act') and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 ('section 1158'), is subject to the Listing Rules and is governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company has obtained approval from HM Revenue & Customs ('HMRC') of its status as an investment trust under section 1158; the directors are of the opinion that the Company has conducted its affairs in compliance with section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with section 1158.

## Principal risks and uncertainties

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

### Investment activity and performance

An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group. The board monitors investment performance at each board meeting and regularly reviews the extent of borrowings when in use.

### Portfolio, market price and currency

Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. Henderson seeks to maintain a diversified portfolio to mitigate against this risk. The board regularly reviews the portfolio, activities and performance.

Most of the Company's assets, liabilities, income and expenses are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items. The fund manager monitors the Company's exposure to foreign currencies daily and reports to the board at each meeting. The fund manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed. The board has set an investment limit on currency hedging to a maximum of 30% of gross assets to mitigate against this risk.

### Tax and regulatory risks

A breach of section 1158 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being

subject to corporation tax. A breach of the Listing Rules could result in suspension of the Company's shares, while a breach of the Act could lead to criminal proceedings, or financial or reputational damage. Henderson has contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The board receives internal control reports produced by Henderson on a quarterly basis, which confirm regulatory compliance.

### Operational risks

Disruption to, or failure of, Henderson's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. The board monitors the services provided by Henderson and its other suppliers and receives reports on the key measures in place to provide effective internal control.

The board also monitors all business risks faced by the Company which are recorded in a risk map and is reviewed regularly. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

## Borrowings

Where the fund manager believes that gearing will enhance returns to shareholders, the Company may borrow up to 25% of its net assets at the time of drawdown or investment (as appropriate). Borrowings for these purposes would include implied gearing through the use of derivatives. The Company's gearing facility allows borrowing in sterling and other currencies. In the year under review the Company borrowed in both sterling and euros.

## Future developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The chairman's statement and fund manager's report provide commentary on the outlook for the Company.

## Key performance indicators

In order to measure the success of the Company in meeting its objective and to evaluate the performance of Henderson, the directors take into account the following key performance indicators ('KPIs'):

### Dividend sustainability and growth

At each board meeting, the board reviews the dividend income generating ability of the Company's portfolio, and monitors the dividend income received as the year progresses.

### Performance measured against the benchmark

The board reviews and compares, at each meeting, the performance of both the NAV per share and share price for the Company and its benchmark. The board considers the benchmark to be its most important KPI.

# Strategic Report: Corporate Information (continued)

## Discount to NAV

At each board meeting, the board monitors the level of the Company's discount to NAV per share (including income) and reviews the average discount/premium for the AIC Global Equity Income sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula, which includes current year revenue items.

## Performance against the Company's peer group

The Company is included in the AIC Global Equity Income sector. In addition to comparison against the stated benchmark, the board also considers at each meeting the performance of this AIC sector, as well as other investment trusts.

The charts and tables on pages 2, 3 and 13 show how the Company has performed against these KPIs.

## Corporate responsibility

### Responsible investment

Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices.

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is considered by Henderson's risk team but investments are not ruled out on social and environmental grounds only.

### Voting policy and the UK stewardship code

Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the UK stewardship code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the fund manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefore are fed back to the investee company prior to voting.

Practical difficulties may prevent Henderson voting in some markets. In particular, various factors, including restrictions on dealing and costs, may inhibit voting in some international markets and must be taken into account.

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website [www.henderson.com](http://www.henderson.com).

### Employees, social, community, human rights and environmental matters

The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues here; Henderson's policies are included in its annual report which can be found on the website [www.henderson.com](http://www.henderson.com).

Henderson's corporate responsibility statement is included on the website stated above. In 2012 it was granted CarbonNeutral® Company status which it has committed to maintain at least until the end of 2015.

The Company's annual report is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as Carbon Neutral®.

## Continued appointment of Henderson

The board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson are contained on page 4.

In addition to the monitoring of investment performance at each meeting, through the management engagement committee, an annual review of the Company's investment performance over both the short and longer terms, together with the quality of other services provided by Henderson, including company secretarial and accounting, is undertaken.

It is the directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders as a whole.

## Board diversity

The directors consider diversity when making appointments to the board taking into account relevant skills, experience, knowledge and gender. The board believes that diversity is important however, given the small size of the board, it is not considered appropriate for the Company to have set targets in this regard. The Company has no employees and therefore, there is nothing further to report in respect of diversity within the Company.

For and on behalf of the board

Christopher Jonas, CBE  
Chairman  
19 October 2015

# Strategic Report: Glossary

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## Alternative Investment Fund Managers Directive ('AIFMD')

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') and depositary to manage and oversee the operations of the investment vehicle. The board of the Company retains responsibility for strategy, operations and compliance and the directors retain a fiduciary duty to shareholders.

## Association of Investment Companies ('AIC')

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

## Benchmark

An index against which performance is compared. For the Company this is the MSCI World (ex UK) Index (sterling adjusted).

## Custodian

The custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

## Depositary

With effect from 22 July 2014 all AIFs were required to appoint a depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation and is responsible for the appointment of a custodian. The depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

## Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

## Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

## Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market, and is calculated by taking the difference between total investments and equity shareholders' funds, dividing this by equity shareholders' funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

## Investment trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

## Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

## Market capitalisation ('market cap')

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.



## Strategic Report: Glossary (continued)

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### Net asset value ('NAV') per share

The value of the Company's assets (i.e. investments and cash held) less any liabilities (i.e. bank borrowings and debt securities) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV is published daily.

### Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs, excluding any performance fees in accordance with the AIC methodology.

### Premium/discount

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

### Total return performance

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

### Yield

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

### Warning to shareholders

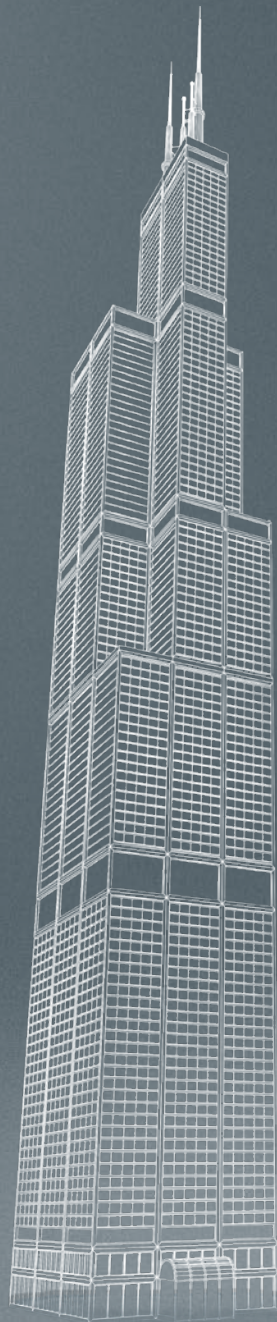
Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call the corporate secretary at the number provided on page 15.

# Corporate Report

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# Report of the Directors

The corporate governance statement set out on pages 26 to 29 forms part of the report of the directors.

The directors present the audited financial statements of the Company and their report for the year from 1 September 2014 to 31 August 2015. The Company registered in England & Wales on 2 March 2011 with company registration number 7549407 which became actively trading as a listed company on 28 April 2011 was active throughout the year under review and was not dormant.

## Directors' remuneration and shareholdings

The directors' remuneration report on pages 24 to 25 provides information on the remuneration and share interests of the directors.

## Directors' conflicts of interest

The Company's articles of association permit the board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the board believes that the systems it has in place for reporting and considering situational conflicts continues to operate effectively.

## Independence of directors

In accordance with the AIC Code of Corporate Governance, the board has reviewed the independent status of each individual director and the board as a whole. In the board's opinion all directors are considered to be independent of the Manager both in character and judgment.

Bill Eason is an employee of Quilter Cheviot Limited, a substantial shareholder of the Company (acquired by Old Mutual plc in February 2015). The directors have considered Mr Eason's independence. They have noted that there could be certain circumstances that might pose a conflict of interest to Mr Eason, but these would be disclosed and, in accordance with agreed procedures, Mr Eason would not vote on these issues.

Having considered these points and taking into account Mr Eason's conduct at board and committee meetings, the board confirmed that it considered him to be independent. As with all directors, this will be regularly reviewed and considered as part of the annual board performance evaluation process.

## Related party transactions

The Company's current related parties are its directors and Henderson. There have been no material transactions between the Company and its directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 24.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of marketing services there have been no material transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 21 on page 52.

## Share capital

The Company's share capital comprises ordinary shares with a nominal value of 1p. The voting rights of the shares on a poll are one vote for every ordinary share held. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

At the beginning of the year, there were 72,450,588 ordinary shares in issue. During the year 6,795,962 shares were issued to Panmure Gordon & Co. 3,920,962 of these shares were subscription shares that were exercised on 4 September 2014 and converted to ordinary shares at a price of 109.0p for total proceeds (net of commission) of £3,921,000. The remaining 2,875,000 ordinary shares were issued in the price range of 117.0p – 137.0p for total proceeds (net of commissions) of £3,665,000. At 31 August 2015 the number of ordinary shares in issue with voting rights was 79,246,550.

Since 31 August 2015 and up to 15 October 2015 being the last practicable date prior to publication of the annual report, a further 500,000 ordinary shares have been issued for a total proceeds (net of commissions) of £593,000. The number of shares in issue as at 15 October 2015 being the latest practicable date price to the publication of this report is 79,746,550.

The Company will seek authority from its shareholders at the 2015 annual general meeting to renew its authority to allot shares up to 10% of the issued share capital as at 20 November 2015. Please refer to the notice of meeting that accompanies this annual report for further details. This can also be found on the Company's website at [www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)



# Report of the Directors (continued)

Subject to annual shareholder approval the Company may purchase its own ordinary shares at a discount to NAV per share. At the annual general meeting in December 2014 shareholders gave the board authority to buy-back 11,448,095 ordinary shares during the following 15 months for cancellation. To date this authority has not been used. A resolution to renew this authority will be put to shareholders for approval at the 2015 annual general meeting.

## Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2015 in accordance with the FCA Disclosure and Transparency Rules were as follows:

	% of voting rights
Old Mutual plc	10.97
Brewin Dolphin Limited	5.56

No changes have been notified in the period between 1 September 2015 and 15 October 2015 being the last practicable date prior to the publication of the annual report.

At 31 August 2015, 5.8% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited ('HSDL'), which is part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Henderson, historically the participants in this scheme were given the opportunity to instruct the relevant nominee company to exercise voting rights appertaining to their shares in respect of all general meetings of the Company.

## Duration of the Company and going concern

The Company's articles of association require that at every third annual general meeting of the Company an ordinary resolution be put to shareholders asking them to approve the continuation of the Company; the next such resolution will be proposed at the annual general meeting in 2017.

The assets of the Company consist mainly of a portfolio of diversified securities that are readily realisable, and the Company has adequate financial resources to meet its liabilities and continue in operational existence for the foreseeable future. For these reasons, the directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the board has considered 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' published by the Financial Reporting Council.

## Annual general meeting

The annual general meeting will be held on Friday, 20 November 2015 at 2.30 pm at the Company's registered office. The notice of meeting and details of the resolutions to be put at the annual general meeting are contained in the separate letter being sent to shareholders with this report.

## Directors' statement as to disclosure of information to auditors

Each of the directors who were members of the board at the date of approval of this report confirms that to the best of his knowledge and belief, there is no information relevant to the preparation of the annual report which the Company's auditors are unaware and he 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.

## Global greenhouse gas emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 August 2015 (2014: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

## Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 21 under share capital.

By order of the board

Henderson Secretarial Services Limited  
Corporate Secretary  
19 October 2015



# Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report (which must be fair, balanced and understandable), the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company's financial statements in accordance with UK Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

## Statement under DTR 4.1.12

Each of the directors, who are listed on page 14, confirms that, to the best of his knowledge:

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the strategic report, report of the directors and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the board

Christopher Jonas, CBE  
Chairman  
19 October 2015

The financial statements are published on **[www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)** which is a website maintained by Henderson.

The maintenance and integrity of the website is 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 annual report since it was 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.

# Directors' Remuneration Report

## Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations'). The report also meets the relevant requirements of the Companies Act 2006 (the 'Act') and the Listing Rules of the Financial Conduct Authority and describes how the board has applied the principles relating to directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the annual general meeting on 20 November 2015. The Company's remuneration policy was approved by shareholders at the annual general meeting in 2014 in accordance with section 439A of the Act. No changes to the policy are currently proposed.

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.

All directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The board as a whole considers the directors' remuneration. The board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration (although the directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

## Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's articles of association the aggregate remuneration of the directors may not exceed £500,000 per annum. Subject to this overall limit, the board's policy is that the fees payable to the directors should be reasonable in relation to market rates, reflect the time spent by the board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to promote the long-term success of the Company. All directors, including any new appointments to the board, are paid at the same rate, apart from the Chairman of the board and the Chairman of the audit committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

No director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable.

This policy has been in place since 1 September 2013 and will remain in place until the annual general meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders in a general meeting. The board may amend the level of remuneration paid to individual directors within the parameters of the remuneration policy.

## Annual statement

As chairman, Christopher Jonas, CBE reports that there have been no decisions on directors' remuneration or any changes to the remuneration paid to each individual director in the year under review.

## Annual report on remuneration

### Directors' interests in shares (audited)

	Ordinary shares of 1p	
	31 August 2015	31 August 2014
Christopher Jonas	139,730	139,730
Peregrine Banbury	28,649	28,649
Bill Eason	125,000	81,212
Simon Jeffreys	102,425	102,425

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 preceding table. These include the subscription shares that were exercised on 31 August 2014.

There have been no changes to any of the directors' holdings in the period 1 September 2015 to 15 October 2015 being the last practicable date prior to the publication of the annual report.

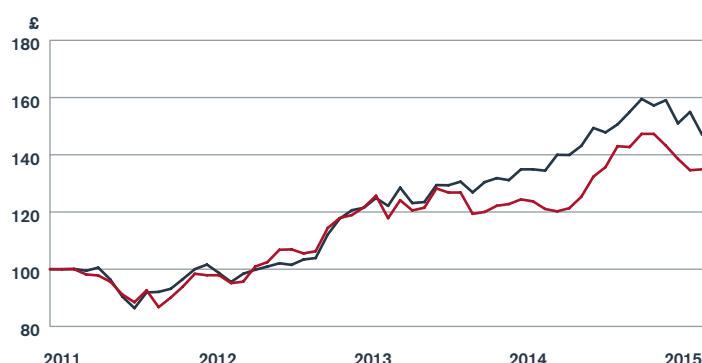
In accordance with the Company's articles of association, no director is required to hold any shares of the Company by way of qualification.

# Directors' Remuneration Report (continued)

## Performance

The graph compares the mid-market price of the Company's ordinary shares since launch to the year ended 31 August 2015 with the return from the MSCI World (ex UK) Index (sterling adjusted) over the same period.

- Henderson International Income Trust plc share price total return, assuming the investment of £100 on launch (28 April 2011) and the reinvestment of all dividends (excluding dealing expenses)
- MSCI World (ex UK) Index (sterling adjusted) total return, assuming the notional investment of £100 into the Index on launch (28 April 2011) and the reinvestment of all income (excluding dealing expenses)



Source: Datastream

## Directors' fees and expenses (audited)

The fees and expenses paid to the directors who served during the years ended 31 August 2015 and 31 August 2014 were as follows:

	Year ended 31 August 2015 Total salary and fees £	Year ended 31 August 2014 Total salary and fees £	Year ended 31 August 2015 Taxable benefits £	Year ended 31 August 2014 Taxable benefits £	Year ended 31 August 2015 Total £	Year ended 31 August 2014 Total £
Christopher Jonas <sup>1</sup>	35,000	35,000	753	51	35,753	35,051
Peregrine Banbury	20,000	20,000	—	—	20,000	20,000
Bill Eason	20,000	20,000	—	—	20,000	20,000
Simon Jeffreys <sup>2</sup>	25,000	25,000	55	183	25,055	25,183
<b>Total</b>	<b>100,000</b>	<b>100,000</b>	<b>808</b>	<b>234</b>	<b>100,808</b>	<b>100,234</b>

The table above omits other columns in the relevant regulations because no payments of other types such as performance related pay, vested performance related pay and remuneration related benefits were made.

<sup>1</sup> Chairman of the board, management engagement and nominations committees

<sup>2</sup> Chairman of the audit committee

## Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividends. There were no share buy-backs or other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2015 £	2014 £	Change £
Total remuneration	100,808	100,234	574
Ordinary dividend paid	3,446,721	2,483,317	963,404

## Statement of voting at annual general meeting

At the 2014 annual general meeting 8,630,730 (91.8%) votes were received for the resolution seeking approval for the director's remuneration report, 141,948 (1.5%) were against, 632,838 (6.7%) were discretionary and 36,381 were withheld. In relation to the approval of the remuneration policy 8,640,642 (91.8%) were for, 141,822 (1.5%) were against, 632,838 (6.7%) were discretionary and 26,595 were withheld. The percentage of votes excludes votes withheld for both resolutions.

For and on behalf of the board

Christopher Jonas, CBE  
Chairman  
19 October 2015

# Corporate Governance Statement

The corporate governance statement forms part of the report of the directors.

## Applicable corporate governance codes

The board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') are directly applicable to the Company. The board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The board has noted that the FRC and the AIC have issued revised codes which the Company will be required to report against next year. Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: [www.theaic.co.uk](http://www.theaic.co.uk) and [www.frc.org.uk](http://www.frc.org.uk).

## Statement of compliance

The directors believe that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code except as set out below. The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

## Directors

### Directors' appointment and retirement

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 annual general meeting in accordance with the articles of association. All directors retire by rotation at intervals of not more than three years.

In accordance with the articles of association, Christopher Jonas offers himself for re-election at the 2015 annual general meeting.

The contribution and performance of Christopher Jonas was reviewed by the nominations committee in July 2015, which recommended to the board his continuing appointment.

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

### Directors' independence

All directors have a wide range of other interests and are not dependent on the Company itself. At the nominations committee meeting in July 2015, the directors reviewed their independence and confirmed that all directors remain wholly independent of Henderson. The board has determined that all directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

A senior non-executive 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.

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 contract of service with the Company and there are no agreements between the Company and its directors concerning compensation for loss of office.

### Directors' professional development

When a new director is appointed he or she is offered an induction seminar which is held by Henderson at the request of the chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the board as they arise. Directors are also able to attend external training facilities and industry seminars at the expense of the Company and each director's individual training requirements are considered as part of the annual performance evaluation.

### Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the directors against certain liabilities arising from the carrying out of their duties. Under the Company's articles of association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to 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 judgement is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.



# Corporate Governance Statement (continued)

## The board

### Board composition

The board currently consists of four non-executive directors and the biographies of those holding office at the date of this report are included on page 14. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors. All directors served throughout the year and are all resident in the UK.

### Responsibilities of the board and its committees

The board, which is chaired by Christopher Jonas, CBE who is an independent non-executive director, meets formally at least five times a year, with additional board or committee meetings arranged when required. The directors have regular contact with the fund manager and representatives of the corporate secretary between formal meetings.

The board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The directors confirm that they are satisfied that the annual report and financial statements for the year ended 31 August 2015, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

At each meeting the directors follow a formal agenda, which includes a review of the Company's net asset value ('NAV'), share price, discount/premium, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act, and regularly reviews investment strategy. It has adopted a procedure for directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information.

### Committees of the board

The board has three committees: the audit committee, the management engagement committee and the nominations committee. The terms of reference for these committees are available on the website [www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com) or via the corporate secretary.

A separate remuneration committee has not been established as the board consists of only non-executive directors. The whole board is responsible for setting directors' fees in line with the remuneration policy set out on page 24, which is subject to periodic shareholder approval.

### Audit Committee

The committee comprises all of the directors and is chaired by Simon Jeffreys, who is a chartered accountant. The other committee members have a combination of financial, investment and other experience gained throughout their careers and the board is satisfied that at least one of the committee's members has recent and relevant financial experience. All members of the committee are considered to be independent. The report of the audit committee, which forms part of this corporate governance statement can be found on pages 30 to 31.

### Nominations Committee

All directors are members of the committee, which is chaired by the chairman of the board (who would not chair the committee when the chairman's successor was being considered). The committee is responsible for reviewing board succession planning and tenure policy, the performance of the board as a whole and the board committees and the recommendation to the board on the appointment of new directors through an established formal procedure.

When considering succession planning, the committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the board. The nominations committee considers diversity as part of the annual performance evaluation and it is felt that there is a range of backgrounds, and each director brings different qualities to the board and its discussions.

The board believes that diversity is important, however, given the small size of the board, it is not considered appropriate for the company to have set targets in this regard; candidates will be assessed in relation to the relevant needs of the company at the time of appointment. The nominations committee will make a recommendation to the board when the recruitment of additional non-executive directors is required. Once a decision is made to recruit additional directors to the board, a formal job description will be drawn up. The committee may use external agencies as and when the requirement to recruit an additional board member becomes necessary.

The committee also reviews and recommends to the board the directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each director's performance and consideration of the director's independence. The committee also takes into account the mix of skills and experience of the current board members. In accordance with the UK Code any director serving for longer than six years would be subject to particularly rigorous assessment of his or her contribution.

The committee met in July 2015 to carry out its annual review of the board, its composition and size and its committees. The results of the annual performance evaluation are detailed overleaf.

### Management Engagement Committee

All directors are members of the management engagement committee, which is chaired by the chairman of the board.

# Corporate Governance Statement (continued)

The committee is responsible for reviewing the terms of the management agreement with Henderson to ensure that they are competitive, negotiate terms with Henderson and consider whether the continuing appointment of Henderson is in the interest of shareholders as a whole.

The committee met in July 2015 to carry out its annual review of Henderson, the results of which are detailed below.

## Board attendance

The table below sets out the number of scheduled board and committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the annual general meeting in December 2014.

	Board	AC	MEC	NC
<b>Number of meetings</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>
Christopher Jonas, CBE	5	2	1	1
Peregrine Banbury, CVO	5	2	1	1
Bill Eason	4	1	1	1
Simon Jeffreys	5	2	1	1

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee

The directors and committees of the board also met as needed during the year to undertake business such as the approval of the Company's financial results and dividends.

## Performance evaluation

The directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the board as a whole, the committees and individual directors. During the year, the directors undertook a review of the board structure, including an evaluation of the performance of the board, the committees and of individual directors. The appraisal of the chairman was led by the chairman of the audit committee.

## Risk management and internal controls

The board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the board. The board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2015. During the course of its review the board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed regularly.

Henderson has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Henderson's compliance, internal audit and risk departments on a continuing basis. The board receives a formal report on a quarterly basis which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. The board receives a report on Henderson's internal controls each year which includes a report from Henderson's auditors on the control policies and procedures in operation.

The ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of this report. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. As all of the Company's management functions are delegated to third parties, and the board monitors the controls in place through Henderson's internal audit department, the board feels that there is currently no need for the Company to have its own internal audit function.

## Accountability and relationship with Henderson

The statement of directors' responsibilities in respect of the financial statements is set out on page 23, the independent auditors' report on pages 32 to 33 and the statement of going concern on page 22.

The board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. Further details of the management agreement can be found on page 4.

The board receives and considers regular reports from Henderson and ad hoc reports and information are supplied to the board as required. In addition, the chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the board. Directors also attend a similar directors briefing.

# Corporate Governance Statement (continued)

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Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each board meeting enabling the directors to probe further on any matters of concern. The directors have access to the advice and services of the corporate secretary through its appointed representative who is responsible to the board for ensuring that board and committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all board and committee meetings are fully recorded through a process that allows any director's concerns to be recorded in the minutes. The board and Henderson operate in a supportive, co-operative and open environment.

Henderson and BNP Paribas Securities Services, which acts for Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

The board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011, and confirmed its zero tolerance to bribery and corruption in its business activities. It has received assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

## Share capital

Please see the report of the directors on page 21.

## Relations with shareholders

Shareholder relations are given high priority by the board. The prime medium by which the Company communicates with its shareholders is through the half year results and annual report 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 publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website:

**[www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)**

Henderson also provides information on the company and fund manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 15.

The board considers that shareholders should be encouraged to attend and participate at the annual general meeting, which for the first time this year will also be available to watch live as it happens by visiting **[www.henderson.com/trustslive](http://www.henderson.com/trustslive)**. Shareholders have the opportunity to address questions to the chairman of the board, the chairman of the audit committee and all other directors at the meeting and the fund manager will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the board that the annual report and notice of annual general meeting be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the Company's website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the chairman at the registered office address given on page 15 of this report.

General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between Henderson and shareholders are reported to the board.

By order of the board

For and on behalf of  
Henderson Secretarial Services Limited  
Corporate Secretary  
19 October 2015

# Report of the Audit Committee

## Meetings

The audit committee met twice during the year under review. The Company's auditors are invited to attend meetings as necessary. Representatives of Henderson and BNP Paribas Securities Services may also be invited. In the year under review the audit committee has met with Henderson's Head of Internal Audit, Financial Reporting Manager and Chief Risk Officer.

The audit committee chairman has also met with representatives of BNP Paribas Securities Services with other Henderson managed investment trusts audit committee chairmen to discuss the service provided.

## Role and responsibilities

The role of the audit committee is to assist the board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the external auditors. The responsibilities are set out in formal terms of reference which are regularly reviewed. In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies;
- a review of the half year results and the annual report, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy in order to make recommendations to the board;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson;
- consideration of the appropriate level of dividend to be paid by the Company;
- consideration of the internal controls in place at Henderson and BNP Paribas Securities Services as administrator, as described on page 28, and Henderson's policies in relation to cyber risk and business continuity;
- the committee met with Henderson's Chief Risk Officer to discuss internal controls and risk management. The discussion included a detailed overview of the Henderson Global Investors internal controls reports and went on to provide a summary of the HSBC Securities Services and BNP Paribas Securities Services (the Company's main third party service providers) internal controls reports that the Henderson Operational Risk Team had reviewed. The committee received reassurances from the Chief Risk Officer and the committee concurred with the Chief Risk Officer's judgement that the findings were satisfactory with no material breaches to report that affected the Company;
- consideration of the key risks, risk management systems in place and the Company's risk map; the Company's risk map has been reviewed and updated by the audit committee to include reference to the appointment of HSBC as depositary required by the Alternative Investment Fund Managers Directive;
- consideration of the Company's anti-bribery policy and review of the Company's gifts and hospitality register and was satisfied that the Company was in compliance;
- consideration of the nature and scope of the external audit and the findings therefrom;
- the audit committee chairman met with the lead external audit partner following the publication of the Financial Reporting Council's ('FRC') Audit Quality Inspection Report ('AQIR') of Grant Thornton UK LLP. The matters arising from the AQIR were discussed and considered by the audit committee at its October 2015 meeting as to how relevant they may be to the quality of the Company's audit and the committee was satisfied that the audit performed for the year ended 31 August 2015 was sound;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the board, as described on page 28;
- the committee met with Henderson's Head of Internal Audit to discuss Henderson's internal audit plan for the 2015 calendar year which included Client Money and Custody Assets and Performance Measurement, both of which had a direct or indirect relevant to Henderson's investment trusts. The committee concluded that it was appropriate to rely on Henderson's internal audit function;
- consideration of the appointment of the external auditors and its performance and remuneration (see page 31);
- consideration of the external auditors' independence and objectivity and the reporting of the external auditor. The committee also considered its policy on non-audit services. The committee was satisfied with the arrangements (as explained further on page 31);
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The committee was satisfied that the policy includes the necessary arrangements for independent investigation and follow up action; and
- in assessing whether the report is fair, balanced and understandable, each director received the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's auditors, the fund manager and the company secretary.



# Report of the Audit Committee (continued)

## Audit for the year ended 31 August 2015

In relation to the annual report for the year ended 31 August 2015 the following significant issues were considered by the committee:

Significant issue	How the issue was addressed
<b>Valuation and ownership of the Company's investments</b>	The directors have appointed Henderson to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments are verified by reconciliation to the custodian's records.
<b>Recognition of income</b>	Income received is accounted for in line with the Company's accounting policy (as set out in note 1d) on page 38) and is reviewed by the committee at each meeting.

## Policy on non-audit services

The provision of non-audit services by the Company's auditors is considered and approved by the audit committee on a case by case basis. The policy set by the audit committee, which is kept under review, ensures that consideration is given to the following factors when considering the provision of non-audit services by the auditors:

- the level of non-audit fees paid to the audit firm in relation to the statutory audit fee;
- whether the audit firm is the most suitable supplier of non-audit services;
- the impact on the auditors' independence and objectivity and what safeguards can be put in place to eliminate or reduce any threat in this regard; and
- the cost-effectiveness of the services.

The board has determined that the auditors will never be considered for the provision of services related to accounting and preparation of the financial statements, internal audit and custody.

There were no fees paid or payable to the auditors for non-audit services in the year under review.

## Auditors' appointment

Grant Thornton UK LLP have been the Company's auditors since the Company was launched. The appointment of the auditors is not regularly put out to tender and as the Company is not in the FTSE 350 it is not required to do so on a regular basis. However, performance is regularly reviewed by the audit committee. The audit committee is satisfied that the auditors are independent of the Company. In accordance with EU regulations on auditor rotation and FRC guidance on audit tendering, the Company will be required to put its audit contract out to tender every 10 years.

The committee reviewed and updated its terms of reference at its meeting in October 2015 to reflect the revised UK Corporate Governance Code requirements that were published in September 2014. The terms of reference are available to view on the Company's website: [www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)

At its October 2015 meeting the audit committee discussed in detail the effectiveness and quality of the audit provided by Grant Thornton UK LLP for the financial year ended 31 August 2015 and in particular considered the FRC's AQIR. The committee assessed the performance of Grant Thornton UK LLP through discussions, with the auditor present and privately with the fund manager, company secretary and Henderson's Financial Reporting Manager, to provide feedback on the audit process. The committee concluded that it was content that the audit for the year ended 31 August 2015 had been professionally delivered and high standards adhered to and it therefore recommended Grant Thornton UK LLP's continuing appointment to the board.

The auditors have indicated their willingness to continue in office. Accordingly, resolutions to confirm the re-appointment of Grant Thornton UK LLP as auditors to the Company and to authorise the directors to determine their remuneration will be proposed at the forthcoming annual general meeting.

Fees paid or payable to the auditors are detailed in note 6 on page 40.

For and on behalf of the board  
Simon Jeffreys  
Audit Committee Chairman  
19 October 2015

# Independent Auditors' Report to the Members of Henderson International Income Trust plc

Our opinion on the financial statements is unmodified.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Who are we reporting to

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

## What we have audited

Henderson International Income Trust plc's financial statements comprise the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice.

## Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

## Valuation and ownership of investments

**The risk:** The Company's investment objective is to provide a high and rising level of dividends as well as capital appreciation over the long-term from a focused and internationally diversified portfolio of securities outside the UK. As a consequence of this, the Company has significant exposure to investments which are the main drivers for capital appreciation, with the investment portfolio valued at £97m. There is a risk that investments shown in the Balance Sheet may not be owned by the Company or are incorrectly valued. We identified ownership and valuation of investments as risks that required particular audit attention.

**Our response on valuation:** Our audit work on valuation included, but was not restricted to, understanding management's process to value quoted investments; agreeing the valuation of quoted investments to an independent source of market prices; and in order to confirm investments are actively traded we obtained trading volumes of listed investments held at the year end.

**Our response on ownership:** In order to confirm that the balances referred to above were owned by the Company our audit work included, but was not restricted to, obtaining a confirmation of

investments held at the year end directly from the independent custodian; testing the reconciliation of the independent custodian records to the records maintained by the Company's administrator; testing a selection of investment additions and disposals shown in the Company's records to supporting documentation.

The Company's accounting policy on the valuation of investments is shown in note 1b) and its disclosures about investments held at the year end are included in note 11. The audit committee also identified valuation and ownership of the Company's investments as a significant issue in its report on page 31, where the committee also describes how it addressed this issue.

## Completeness and occurrence of investment income

**The risk:** The Company measures performance on a total return basis and investment income is one of the significant components of this performance measure in the Income Statement. We identified completeness and occurrence of investment income as risks that required particular audit attention.

**Our response:** Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice; obtaining an understanding of the Company's process for recognising revenue in accordance with the stated accounting policy; testing whether a sample of income transactions have been recognised in accordance with the policy; for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Income Statement; performing cut-off testing of dividend income around the year end; and checking the categorisation of special dividends as either revenue or capital receipts.

The Company's accounting policy on the recognition of investment income is shown in note 1d) and the components of that income are included in note 3. The audit committee also identified the recognition of income as a significant issue in its report on page 31, where the committee also describes how it addressed this issue.

## Our application of materiality and an overview of the scope of our audit

### Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the financial statements as a whole to be £916,000, which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as the revenue column of the Income Statement, directors' remuneration and related party transactions.

# Independent Auditors' Report to the Members of Henderson International Income Trust plc (continued)

We determined the threshold at which we will communicate misstatements to the audit committee to be £46,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

## Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records are outsourced to third-party service providers. Accordingly, our audit work included obtaining an understanding of, and evaluating relevant internal controls at both the Company and third-party service providers. This included obtaining and reading controls reports prepared by third-party auditors on the description, design and operating effectiveness of internal controls at the investment manager, custodian and administrator. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

## Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified.

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

*Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:*

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

*In particular, we are required to report to you if:*

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

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

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

*Under the Listing Rules, we are required to review:*

- the directors' statement, set out on page 22, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

## Responsibilities for the financial statements and the audit

*What an audit of financial statements involves:*

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

*What the directors are responsible for:*

As explained more fully in the statement of directors' responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

*What are we responsible for:*

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Christopher Smith  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
19 October 2015

# Income Statement

Notes		Year ended 31 August 2015			Year ended 31 August 2014		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains from investments held at fair value through profit or loss	–	(2,010)	(2,010)	–	4,058	4,058
3	Income from investments held at fair value through profit or loss	4,821	–	4,821	4,276	–	4,276
	Profit on foreign exchange	–	310	310	–	147	147
4	Other income	192	–	192	76	–	76
	<b>Gross revenue and capital gains/(losses)</b>	<b>5,013</b>	<b>(1,700)</b>	<b>3,313</b>	<b>4,352</b>	<b>4,205</b>	<b>8,557</b>
5	Management fee	(177)	(532)	(709)	(146)	(437)	(583)
6	Other administrative expenses	(350)	–	(350)	(302)	–	(302)
	<b>Net return on ordinary activities before finance charges and taxation</b>	<b>4,486</b>	<b>(2,232)</b>	<b>2,254</b>	<b>3,904</b>	<b>3,768</b>	<b>7,672</b>
7	Finance charges	(23)	(70)	(93)	(35)	(104)	(139)
	<b>Net return on ordinary activities before taxation</b>	<b>4,463</b>	<b>(2,302)</b>	<b>2,161</b>	<b>3,869</b>	<b>3,664</b>	<b>7,533</b>
8	Taxation on net return on ordinary activities	(493)	–	(493)	(456)	–	(456)
	<b>Net return on ordinary activities after taxation</b>	<b>3,970</b>	<b>(2,302)</b>	<b>1,668</b>	<b>3,413</b>	<b>3,664</b>	<b>7,077</b>
9	Basic return per ordinary share	5.14p	(2.98p)	2.16p	5.59p	5.99p	11.58p
9	Diluted return per ordinary share	5.14p	(2.98p)	2.16p	5.55p	5.95p	11.50p

The total column of this statement represents the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items derive from continuing operations. The Company had no recognised gains or losses other than those disclosed in the Income Statement.



# Reconciliation of Movements in Shareholder's Funds

Notes	Year ended 31 August 2015	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
	At 31 August 2014	764	28,239	45,732	9,168	1,884	85,787
16,17	New shares allotted	29	3,654	–	–	–	3,683
	Issue costs	–	(18)	–	–	–	(18)
17	Ordinary shares issued following conversion of subscription shares	–	3,921	–	–	–	3,921
	Net return for the year	–	–	–	(2,302)	3,970	1,668
10	Dividends paid	–	–	–	–	(3,447)	(3,447)
	<b>At 31 August 2015</b>	<b>793</b>	<b>35,796</b>	<b>45,732</b>	<b>6,866</b>	<b>2,407</b>	<b>91,594</b>
	Year ended 31 August 2014	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
	At 31 August 2013	581	2,958	45,732	5,504	954	55,729
16,17	New shares allotted	5	510	–	–	–	515
	Issue costs	–	(5)	–	–	–	(5)
17	Ordinary shares issued following conversion of subscription shares	–	4,379	–	–	–	4,379
	Issue costs	–	(5)	–	–	–	(5)
16	Issue of ordinary shares from C share conversion	178	20,822	–	–	–	21,000
	Issue costs	–	(420)	–	–	–	(420)
	Net return for the year	–	–	–	3,664	3,413	7,077
10	Dividends paid	–	–	–	–	(2,483)	(2,483)
	<b>At 31 August 2014</b>	<b>764</b>	<b>28,239</b>	<b>45,732</b>	<b>9,168</b>	<b>1,884</b>	<b>85,787</b>

# Balance Sheet

Notes		At 31 August 2015 £'000	At 31 August 2014 £'000
11	<b>Fixed asset investments held at fair value through profit or loss</b>	97,328	88,126
	<b>Current assets</b>		
12	Debtors	4,153	4,621
		<b>4,153</b>	<b>4,621</b>
13	<b>Creditors: amounts falling due within one year</b>	(9,887)	(6,960)
	<b>Net current liabilities</b>	<b>(5,734)</b>	<b>(2,339)</b>
	<b>Total net assets</b>	<b>91,594</b>	<b>85,787</b>
	<b>Capital and reserves</b>		
16	Called up share capital	793	764
17	Share premium account	35,796	28,239
18	Special reserve	45,732	45,732
18	Other capital reserves	6,866	9,168
18	Revenue reserve	2,407	1,884
	<b>Total shareholders' funds</b>	<b>91,594</b>	<b>85,787</b>
14	Net asset value per ordinary share (basic)	115.6p	118.4p
14	Net asset value per ordinary share (diluted)	115.6p	117.5p

The financial statements on pages 34 to 52 were approved and authorised for issue by the board of directors on 19 October 2015 and signed on their behalf by:

Christopher Jonas, CBE  
Chairman

# Cash Flow Statement

Notes		For the year ended 31 August 2015		For the year ended 31 August 2014	
		£'000	£'000	£'000	£'000
19	<b>Net cash inflow from operating activities</b>		3,311		2,942
	<b>Servicing of finance</b>				
	Interest paid	(93)		(141)	
	<b>Net cash outflow from servicing of finance</b>		(93)		(141)
	<b>Net tax recovered</b>		61		58
	<b>Financial investment</b>				
	Purchases of investments	(51,170)		(63,689)	
	Sales of investments	39,743		43,127	
	<b>Net cash outflow from financial investment</b>		(11,427)		(20,562)
	<b>Equity dividends paid</b>		(3,447)		(2,483)
	<b>Net cash outflow before financing</b>		(11,595)		(20,186)
	<b>Financing</b>				
	Proceeds from issue of ordinary shares	12,014		515	
	Proceed from issue of ordinary shares from C share conversion	–		21,000	
	Issue costs from C share conversion	–		(456)	
	Expenses paid in respect of shares issued	(18)		(5)	
	<b>Net cash inflow from financing</b>		11,996		21,054
	<b>Increase in cash</b>		401		868
	<b>Reconciliation of net cash flow to movement in net debt</b>				
20	Increase in cash as above		401		868
20	Exchange movements		309		175
	Net debt at start of the year		(6,740)		(7,783)
20	<b>Net debt at 31 August</b>		(6,030)		(6,740)
	<b>Represented by:</b>				
	Bank overdraft		(6,030)		(6,740)
			(6,030)		(6,740)

# Notes to the Financial Statements

## 1 Accounting policies

### a) Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value through profit or loss. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with those parts of the Companies Act 2006 (the 'Act') applicable to companies reporting under the standards and with the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investments Companies (the 'AIC') in January 2009.

### b) Fixed asset investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Assets are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the Balance Sheet date, without deduction of the estimated future selling costs.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'Gains or losses from investments held at fair value through profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

### c) Capital gains and losses

Capital gains and losses arising on investments sold and investments held, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in capital reserves.

### d) Income

Dividends receivable (including overseas withholding taxes) from equity shares are taken to revenue return on an ex-dividend basis except where, in the opinion of the directors, the dividend is capital in nature, in which case it is taken to the capital return. Bank deposit interest is taken to revenue on an accruals basis.

Option premium income is recognised as revenue over the life of the contract and included in the revenue column of the Income Statement unless the option has been written for the maintenance and enhancement of the Company's investment portfolio and represents an incidental part of a larger capital transaction, in which case any premiums arising are allocated to the capital column of the Income Statement.

### e) Derivative financial instruments

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Henderson's expectations for the relevant share prices and to generate additional return for shareholders. The Company does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Company's policies as approved by the board.

Derivatives are measured at fair value based on market prices or at valuations based on market prices.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Income Statement.

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as capital return such that the total return reflects the overall change in the fair value of the option.

### f) Expenses and finance charges

All expenses are accounted for on an accruals basis. Finance charges, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method. On the basis of the board's expected long-term split of returns in the form of capital gains and income of 75% and 25% respectively, the Company charges 75% of its finance charges and management fee to the capital return. All other expenses are charged to revenue return. All of these amounts are stated inclusive of any related irrecoverable value added tax.



# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### g) Taxation

The tax expense represents the sum of the current tax and deferred tax arising from the accounting period.

The current tax is based on the taxable profit for the year. Taxable profit differs from net return before taxation as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Balance Sheet date.

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 return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Balance Sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### h) Foreign currency

In accordance with FRS 23: 'The effects of changes in Foreign Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be sterling.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets and liabilities and equity investments held at fair value through profit or loss denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue return or capital return, depending on whether the gain or loss is of a revenue or capital nature.

### i) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are approved by the board or, in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Reconciliation of Movements in Shareholder's Funds.

### j) Capital reserves

#### **Capital reserve arising on investments sold**

The following are accounted for in this reserve:

- expenses and finance costs charged to capital net of tax relief;
- gains and losses on the disposal of investments;
- realised foreign exchange differences of a capital nature; and
- costs of repurchasing ordinary share capital.

#### **Capital reserve arising on revaluation of investments held**

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

# Notes to the Financial Statements (continued)

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

	2015 £'000	2014 £'000
Gains on investments sold in the year	2,395	250
Revaluation of investments held at 31 August	(4,405)	3,808
	<b>(2,010)</b>	<b>4,058</b>

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

	2015 £'000	2014 £'000
Overseas dividend income	4,738	4,276
Scrip dividends	83	–
	<b>4,821</b>	<b>4,276</b>

## 4 Other income

	2015 £'000	2014 £'000
Stock lending commission	–	8
Option premium income	192	68
	<b>192</b>	<b>76</b>

## 5 Management fee

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	177	532	709	146	437	583

A summary of the terms of the management agreement is given in the strategic report on page 4.

## 6 Other administrative expenses (including irrecoverable VAT)

	2015 £'000	2014 £'000
Directors' fees (see the directors' remuneration report on page 25)	101	100
Auditors' remuneration – for audit services	26	27
Other expenses	223	175
	<b>350</b>	<b>302</b>

## 7 Finance charge

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Bank interest	23	70	93	35	104	139

# Notes to the Financial Statements (continued)

## 8 Taxation

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Foreign withholding taxes	543	–	543	517	–	517
Overseas tax reclaimable	(50)	–	(50)	(61)	–	(61)
<b>Current tax charge for the year</b>	<b>493</b>	<b>–</b>	<b>493</b>	<b>456</b>	<b>–</b>	<b>456</b>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20.58% (2014: 22.17%). The differences are explained below:

### Factors affecting the tax charge for the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	4,463	(2,302)	2,161	3,869	3,664	7,533
Corporation tax at 20.58% (2014: 22.17%)	919	(474)	445	858	812	1,670
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss and foreign exchange	–	350	350	–	(932)	(932)
Non-taxable overseas dividends	(912)	–	(912)	(875)	–	(875)
Overseas tax	493	–	493	456	–	456
Unutilised loan relationships	17	–	17	29	–	29
Expenses charged to capital available to be utilised	(124)	124	–	(120)	120	–
Income taxable in different periods	11	–	11	–	–	–
Excess management expenses	89	–	89	108	–	108
<b>Current tax charge</b>	<b>493</b>	<b>–</b>	<b>493</b>	<b>456</b>	<b>–</b>	<b>456</b>

### Deferred tax

The Company has unrecognised deferred tax assets of £487,000 at 31 August 2015 (2014: £385,000) arising as a result of excess management expenses and loan relationship deficits (including interest on the bank overdraft). These expenses would only be able to be utilised if the Company were to generate profits chargeable to corporation tax in the future.

Due to its status as an investment trust, the Company is exempt for UK corporation tax on disposal of its investments.

The Company intends to maintain approval as an investment trust company for the foreseeable future.

# Notes to the Financial Statements (continued)

## 9 Return per ordinary share

	2015		2014	
	£'000	pence	£'000	pence
<b>Basic</b>				
Revenue return	3,970	5.14	3,413	5.59
Capital return	(2,302)	(2.98)	3,664	5.99
<b>Total return</b>	<b>1,668</b>	<b>2.16</b>	<b>7,077</b>	<b>11.58</b>
Weighted number of ordinary shares		77,267,337		61,101,252
<b>Diluted</b>				
Revenue return	3,970	5.14	3,413	5.55
Capital return	(2,302)	(2.98)	3,664	5.95
<b>Total return</b>	<b>1,668</b>	<b>2.16</b>	<b>7,077</b>	<b>11.50</b>
<b>Number of dilutive shares</b>		–		425,315
Diluted shares in issue for return per share		77,267,337		61,526,567

As detailed in note 16, the remaining subscription shares were exercised on 4 September 2014. On the basis set out in Financial Reporting Standard 22 'Earnings per Share', there is no dilutive effect on net revenue or net capital return per share in the current year arising from the exercise.

In the prior year, for the purposes of calculating diluted total, revenue and capital returns per ordinary share, the number of ordinary shares was the weighted average used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all outstanding subscription shares at the year end by reference to the average share price of the ordinary shares during the period.

## 10 Dividends paid on ordinary shares for the year ended 31 August

	Record date	Payment date	Ex-dividend date	2015 £'000	2014 £'000
4th interim dividend – 1.05p	15 November 2013	29 November 2013	13 November 2013	–	526
1st interim dividend – 1.05p	10 January 2014	31 January 2014	8 January 2014	–	527
2nd interim dividend – 1.05p	11 April 2014	30 April 2014	9 April 2014	–	715
3rd interim dividend – 1.05p	11 July 2014	31 July 2014	9 July 2014	–	715
4th interim dividend – 1.10p	10 October 2014	31 October 2014	9 October 2014	840	–
1st interim dividend – 1.10p	6 February 2015	27 February 2015	5 February 2015	843	–
2nd interim dividend – 1.10p	8 May 2015	29 May 2015	7 May 2015	853	–
3rd interim dividend – 1.15p	7 August 2015	28 August 2015	6 August 2015	911	–
				<b>3,447</b>	<b>2,483</b>

A fourth interim dividend in respect of the year ended 31 August 2015 was declared on 12 October 2015 and will be paid to shareholders on 27 November 2015 with record date 6 November 2015. The Company's shares will go ex-dividend on 5 November 2015.

The total dividend payable in respect of the financial period which form the basis of section 1158 of the Corporation Tax Act 2010 are set out below:

	2015 £'000	2014 £'000
Revenue available for distribution by way of dividend for the year	3,970	3,413
Interim dividends of 3.35p paid (2014: 3.15p)	(2,607)	(1,957)
Interim dividend for the year ended 31 August 2015 of 1.15p (based on 79,746,550 ordinary shares in issue as at 15 October 2015) (2014 1.10p)	(917)	(840)
<b>Undistributed revenue for section 1158 purposes<sup>1</sup></b>	<b>446</b>	<b>616</b>

<sup>1</sup> Compromises 9.3% based on taxable income



# Notes to the Financial Statements (continued)

## 11 Fixed asset investments

2015	Listed investments £'000	Total £'000
31 August 2014	79,449	79,449
Purchases at cost	54,719	54,719
Sales at cost	(41,112)	(41,112)
<b>Cost of investments at 31 August 2015</b>	<b>93,056</b>	<b>93,056</b>
Investment holding gains at 31 August 2015	4,272	4,272
<b>Valuation at 31 August 2015</b>	<b>97,328</b>	<b>97,328</b>
2014	Listed investments £'000	Total £'000
31 August 2013	57,090	57,090
Purchases at cost	63,287	63,287
Sales at cost	(40,928)	(40,928)
<b>Cost of investments at 31 August 2014</b>	<b>79,449</b>	<b>79,449</b>
Investment holding gains at 31 August 2014	8,677	8,677
<b>Valuation at 31 August 2014</b>	<b>88,126</b>	<b>88,126</b>

Total transaction costs amounted to £140,000 (2014: £123,000) of which purchase transaction costs for the year ended 31 August 2015 were £76,000 (2014: £67,000) and comprise mainly brokers' commissions. Sales transaction costs for the year ended 31 August 2015 were £64,000 (2014: £56,000).

## 12 Debtors

	2015 £'000	2014 £'000
Share issue proceeds	–	4,410
Sales for future settlement	3,764	–
Withholding tax recoverable	52	60
Prepayments and accrued income	328	149
VAT recoverable	9	2
	<b>4,153</b>	<b>4,621</b>

## 13 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Purchases for future settlement	3,549	–
Management fee	117	109
Bank overdraft	6,030	6,740
Overdraft interest payable	11	11
Other creditors	172	91
Derivatives at fair value – forward foreign exchange	8	9
	<b>9,887</b>	<b>6,960</b>

# Notes to the Financial Statements (continued)

## 14 Net asset value per ordinary share

The net asset value per ordinary share and the net assets attributable to ordinary shares at the end of the year were as follows:

	2015 £'000	2014 £'000
<b>Basic:</b>		
Net assets attributable	91,594	85,787
Number of ordinary shares in issue	79,246,550	72,450,588
Net assets per ordinary share	115.6p	118.4p
<b>Diluted:</b>		
Net assets attributable assuming exercise of subscription shares	91,594	89,708
Number of potential ordinary shares in issue	79,246,550	76,371,550
Net assets per ordinary share	115.6p	117.5p

The diluted net asset per ordinary share for the prior year was calculated in accordance with guidelines issued by the Association of Investment Companies, and assumed that all outstanding subscription shares were converted into ordinary shares at the year end.

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2015 £'000	2014 £'000
Net assets at start of the year	85,787	55,729
Total net return on ordinary activities after taxation	1,668	7,077
Dividends paid on ordinary shares in the period	(3,447)	(2,483)
Issue of ordinary shares less issue costs	7,586	25,464
<b>Total net assets attributable to the ordinary shares at 31 August</b>	<b>91,594</b>	<b>85,787</b>

## 15 Risk management policies and procedures

As an investment trust company the Company invests in equities and other investments for the long-term so as to secure its investment objective as stated on page 4. In pursuing its investment objective, the Company is exposed to a variety of financial 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 financial risks, market risk (comprising other price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the directors' approach to the management of these risks, are set out below. The board of directors and Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ('OMS') is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises Hiportfolio software;
- the IT tools to which the Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Arc Logics operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - Hiportfolio for portfolio holdings and valuations.

# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

These are supplemented by in-house developments: Derivatives Risk and Compliance database ('DRAC') and Counterparty Exposure ('CER') reports.

The board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk category. The policies for the management of risk have not changed since incorporation.

The Company has a spread of investments which by their nature are less risky than placing the entire amount of the Company's assets on one investment. By their nature, equity investments can be higher risk than some other investments but the longer-term return can be positive. Performance of equities has been and is likely to continue to be volatile over shorter periods.

### 15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises other price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The fund manager assesses the exposure to market price 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.

#### 15.1.1 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 the investments.

#### Management of the risk

The board of directors manages the risks inherent in the investment portfolio by ensuring that the portfolio is diversified and through full and timely reporting of relevant information from Henderson. Investment performance is reviewed at each board meeting. The board monitors the fund manager's compliance with the Company's objectives, and is directly responsible for investment strategy, asset allocation and diversification.

Options and forward currency contracts may be used to limit exposure which might adversely affect the value of the portfolio of investments.

The Company's exposure to other changes in market prices at 31 August 2015 on its investments held at fair value through profit or loss was £97,328,000 (2014: £88,126,000)

#### Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on page 8. There is a concentration of exposure to Continental Europe, the Far East, Australasia and the USA, 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 return after taxation for the year, and the equity, to an increase or decrease of 20% in the fair values of the Company's investments. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at the Balance Sheet date, with all other variables held constant.

	2015		2014	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
<b>Impact statement – return after tax</b>				
Revenue return	(36)	36	(33)	33
Capital return	19,357	(19,357)	17,526	(17,526)
<b>Total return after tax for the period</b>	<b>19,321</b>	<b>(19,321)</b>	<b>17,493</b>	<b>(17,493)</b>
<b>Impact on net assets</b>	<b>19,321</b>	<b>(19,321)</b>	<b>17,493</b>	<b>(17,493)</b>

### 15.1.2 Currency risk

Most of the Company's assets, liabilities, income and expenses are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items.

#### Management of the risk

The fund manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the board at each board meeting. The fund manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

Foreign currency borrowings may be used to hedge the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited by the board to 20% of net asset value.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the year between the time that income is included in the financial statements and its receipt.

### Foreign currency exposure

The carrying values of the Company's monetary items that have foreign currency exposure at 31 August 2015 are shown below. Where the Company's equity investments, which are not monetary items, are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

### Foreign currency exposure and sensitivity

Currency	2015			2014		
	Current assets £'000	Current liabilities £'000	Equity investments £'000	Current assets £'000	Current liabilities £'000	Equity investments £'000
Australian Dollar	56	–	6,862	43	(2,801)	6,114
Euro	13	(4,740)	21,368	21	–	19,750
Hong Kong Dollar	59	–	7,081	–	–	10,415
Norwegian Krone	–	–	–	–	–	984
US Dollar	3,853	(3,735)	45,046	84	–	33,901
Other (non sterling)	137	–	16,971	48	–	16,962
	<b>4,118</b>	<b>(8,475)</b>	<b>97,328</b>	<b>196</b>	<b>(2,801)</b>	<b>88,126</b>

The above amounts are not necessarily representative of the exposure to risk during the period as levels of monetary foreign currency exposure may change significantly during the year.

### Foreign currency sensitivity

The following table illustrates the sensitivity of the total return after tax for the period and the net assets with regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates.

It is assumed that all exchange rates move by +/- 10% against sterling.

This percentage is deemed reasonable based on the average market volatility in exchange rates in the year. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at the Balance Sheet date.

If sterling had depreciated against the currencies shown the impact on the total return and net assets would have been as follows:

Impact on total returns year ended 2015	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krone £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	32	110	34	–	153	103	432
Capital return	758	2,361	783	–	4,977	1,874	10,753
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>790</b>	<b>2,471</b>	<b>817</b>	<b>–</b>	<b>5,130</b>	<b>1,977</b>	<b>11,185</b>

Impact on total returns year ended 2014	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krone £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	23	119	30	–	118	107	397
Capital return	675	2,182	1,150	108	3,746	1,873	9,734
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>698</b>	<b>2,301</b>	<b>1,180</b>	<b>108</b>	<b>3,864</b>	<b>1,980</b>	<b>10,131</b>



# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

If sterling had appreciated against the currencies shown the impact on the total return and net assets would have been as follows:

Impact on total returns year ended 2015	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krone £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	(26)	(90)	(28)	–	(125)	(84)	(353)
Capital return	(620)	(1,932)	(640)	–	(4,071)	(1,534)	(8,797)
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>(646)</b>	<b>(2,022)</b>	<b>(668)</b>	<b>–</b>	<b>(4,196)</b>	<b>(1,618)</b>	<b>(9,150)</b>

Impact on total returns year ended 2014	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krone £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	(18)	(97)	(24)	–	(96)	(88)	(323)
Capital return	(553)	(1,785)	(942)	(88)	(3,065)	(1,533)	(7,966)
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>(571)</b>	<b>(1,882)</b>	<b>(966)</b>	<b>(88)</b>	<b>(3,161)</b>	<b>(1,621)</b>	<b>(8,289)</b>

In the opinion of the directors, the above sensitivity analyses are not necessarily representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

### 15.1.3 Interest rate risk

#### Management of the risk

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

#### Interest rate exposure

The exposure at 31 August of financial assets and financial liabilities to floating rates is shown below:

	2015 Total £'000	2014 Total £'000
<b>Exposure to floating interest rates:</b>		
Net overdraft	(6,030)	(6,740)

#### Interest rate sensitivity

The Company utilised its multi-currency overdraft facility and therefore was exposed to interest rate risk.

### 15.2 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 securities that are readily realisable. The Company had available a multi-currency overdraft facility with HSBC Bank plc of the lesser of £25 million or 20% of custody assets. The facility has no expiry date but is reviewed annually.

The board gives guidance to the fund manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short-term cash requirements.

# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

### Liquidity risk exposure

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

	2015 Due within one month £'000	2014 Due within one month £'000
Other creditors and accruals	3,857	220
Bank overdraft	6,030	6,740
	<b>9,887</b>	<b>6,960</b>

### 15.3 Credit 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

Credit risk is managed as follows:

- investment transactions are carried out with a large number of approved brokers, whose credit standard is reviewed periodically by Henderson, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with banks considered to be credit worthy and is subject to continual review.

### 15.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or the Balance Sheet amount is a reasonable approximation of fair value due to their short-term to maturity (amounts due from brokers, dividends and interest receivable and amounts due to brokers, accruals, cash at bank and bank overdrafts).

### 15.5 Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss at 31 August 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	97,328	–	–	97,328
Forward foreign exchange contracts	–	(8)	–	(8)
	<b>97,328</b>	<b>(8)</b>	<b>–</b>	<b>97,320</b>

Financial assets at fair value through profit or loss at 31 August 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	88,126	–	–	88,126
Forward foreign exchange contracts	–	(9)	–	(9)
	<b>88,126</b>	<b>(9)</b>	<b>–</b>	<b>88,117</b>

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 as follows:

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.

# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

### 15.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital at 31 August 2015 comprised its equity share capital and reserves that are shown in the Balance Sheet at a total of £91,594,000 (2014: £85,787,000).

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

- the need for new issues of equity shares;
- the need to buy-back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (the level of share discount or premium); and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged since incorporation.

The Company is subject to additional externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- shareholders have given authority at the annual general meeting held in 2012 for the Company to make distributions from capital profit.

## 16 Called up share capital

2015	Number of shares	Number of shares entitled to dividend	£'000
<b>Ordinary shares of 1p each</b>			
At 31 August 2014	72,450,588	72,450,588	725
New shares allotted in the year	2,875,000	2,875,000	29
New shares allotted from exercise of subscription shares	3,920,962	3,920,962	39
<b>At 31 August 2015</b>	<b>79,246,550</b>	<b>79,246,550</b>	<b>793</b>
<b>Subscription shares of 1p each</b>			
At 31 August 2014	3,920,962	–	39
Exercise of subscription shares	(3,920,962)	–	(39)
<b>At 31 August 2015</b>	<b>–</b>	<b>–</b>	<b>–</b>

During the year, the Company issued 2,875,000 ordinary shares for a total consideration of £3,665,000 after deduction of issue costs.

At the launch the Company issued subscription shares to all subscribers on the basis of one subscription share for every five ordinary shares subscribed. Each subscription share conferred the right to subscribe for one ordinary share on payment of the subscription price of 100p. There are no longer any subscription shares in issue following the exercise of the remaining 3,920,962 shares by Equiniti Financial Services Limited, the Company's appointed trustee, on 4 September 2014.

# Notes to the Financial Statements (continued)

## 16 Called up share capital (continued)

2014	Number of shares	Number of shares entitled to dividend	£'000
<b>Ordinary shares of 1p each</b>			
At 31 August 2013	49,803,050	49,803,050	498
New shares allotted in year	450,000	450,000	5
New shares allotted from conversion of C shares	17,818,500	17,818,500	178
New shares to be allotted from exercise of subscription shares	4,379,038	4,379,038	44
<b>At 31 August 2014</b>	<b>72,450,588</b>	<b>72,450,588</b>	<b>725</b>
<b>Subscription shares of 1p each</b>			
At 31 August 2013	8,300,000	–	83
Exercise of subscription shares	(4,379,038)	–	(44)
<b>At 31 August 2014</b>	<b>3,920,962</b>	<b>–</b>	<b>39</b>

During the year, the Company issued 450,000 ordinary shares for a total consideration of £510,000 after deduction of issue costs.

During the year, the Company issued 21,000,000 C shares for a total consideration of £20,580,000 after deduction of issue costs (capped at £420,000). These were converted into 17,818,500 new ordinary shares on 22 January 2014.

During the year, 4,379,038 subscription shares were exercised and allotted into ordinary shares for a consideration of £4,374,000 after deduction of issue costs.

## 17 Share premium account

	2015 £'000	2014 £'000
At the start of the year	28,239	2,958
Ordinary shares allotted in year	3,654	510
Issue costs	(18)	(5)
Ordinary shares allotted from C share issue	–	20,822
Issue costs – C share issue	–	(420)
Ordinary shares allotted from exercise of subscription shares	3,921	4,379
Issue costs	–	(5)
<b>At 31 August</b>	<b>35,796</b>	<b>28,239</b>



# Notes to the Financial Statements (continued)

## 18 Reserves

2015	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Total capital reserves £'000	Revenue reserve £'000
At 31 August 2014	45,732	500	8,668	9,168	1,884
Net movement on investments held at fair value through profit or loss	–	2,395	(4,405)	(2,010)	–
Net movement on foreign exchanges	–	309	1	310	–
Expenses and finance costs charged to capital	–	(602)	–	(602)	–
Net revenue return after taxation for the year	–	–	–	–	3,970
Dividends paid	–	–	–	–	(3,447)
<b>At 31 August 2015</b>	<b>45,732</b>	<b>2,602</b>	<b>4,264</b>	<b>6,866</b>	<b>2,407</b>

2014	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Total capital reserves £'000	Revenue reserve £'000
At 31 August 2013	45,732	616	4,888	5,504	954
Net movement on investments held at fair value through profit or loss	–	250	3,808	4,058	–
Net movement on foreign exchanges	–	175	(28)	147	–
Expenses and finance costs charged to capital	–	(541)	–	(541)	–
Net revenue return after taxation for the year	–	–	–	–	3,413
Dividends paid	–	–	–	–	(2,483)
<b>At 31 August 2014</b>	<b>45,732</b>	<b>500</b>	<b>8,668</b>	<b>9,168</b>	<b>1,884</b>

At the annual general meeting held in December 2012 the Company's articles of association were changed to allow it to distribute capital profit by way of a dividend or otherwise than by way of repurchase of the Company's shares. All sums carried and standing to the capital and special reserves may be applied for any of the purposes to which sums standing to any reserve under the articles are applicable.

## 19 Reconciliation of operating revenue to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net return before finance charges and taxation	2,254	7,672
Capital return before finance charges and taxation	2,232	(3,768)
<b>Revenue return before finance charges and taxation</b>	<b>4,486</b>	<b>3,904</b>
Increase in creditors	89	15
Increase in debtors	(186)	(15)
Tax on overseas investment income deducted at source	(546)	(525)
Expenses allocated to capital	(532)	(437)
<b>Net cash inflow from operating activities</b>	<b>3,311</b>	<b>2,942</b>

# Notes to the Financial Statements (continued)

## 20 Analysis of changes in net funds/(debt)

	At 1 September 2014 £'000	Cash flow £'000	Exchange movements £'000	At 31 August 2015 £'000
Net bank overdraft	(6,740)	401	309	(6,030)

The net bank overdraft includes borrowing in sterling and euros utilised in the financial year ended 31 August 2015.

	At 1 September 2013 £'000	Cash flow £'000	Exchange movements £'000	At 31 August 2014 £'000
Net bank overdraft	(7,783)	868	175	(6,740)

## 21 Transactions with the management company and related parties

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 15 March 2011 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company has appointed wholly owned subsidiaries of Henderson Group plc ('Henderson') to provide investment management, accounting, administrative and secretarial services. Henderson has contracted with BNP Securities Services to provide accounting and administration services.

Details of the fee arrangements are given in the strategic report on page 4. The total of the management fees paid or payable under the management agreement to Henderson in respect of the year ended 31 August 2015 was £709,000 (2014: £583,000), of which £117,000 (2014: £109,000) (per note 13) was outstanding at 31 August 2015.

In addition to the above services, Henderson has provided the Company with sales and marketing services during the year. The total fees, excluding VAT paid or payable for these services for the year ended 31 August 2015 amounted to £53,000 (2014: £20,000) of which £12,000 (2014: £3,000) was outstanding at 31 August 2015.

Fees paid to directors are considered to be a related party transaction. Details of the amounts paid are included in the directors' remuneration report on page 25 and in note 6 on page 40.

## 22 Subsequent events

Since the year end the Company has issued 500,000 shares for net proceeds of £593,000. The board have evaluated the period since the year end and have not noted any other subsequent events.

# General Shareholder Information

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## BACS

Dividends and interest can be paid to shareholders and stockholders 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 page 15) 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.

## Equality Act 2010

Copies of this report and other documents issued by the Company are available from the corporate 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 by dialling 0370 702 0005. 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) dial 18001 followed by the number you wish to dial.

## Non-mainstream pooled investments ('NMPI') status

The Company currently conducts its affairs so that its ordinary shares of 1p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

## Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times and other leading newspapers. The Financial Times also shows figures for the estimated NAV and the discount.

## Performance details/share price information

Details of the Company's share price and NAV can be found on the website. The address is [www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com). The Company's NAV is published daily.

## Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, Computershare Investor Services PLC, via [www.computershare.com](http://www.computershare.com). Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

## AIFMD disclosures

Periodic disclosures required in accordance with the Alternative Investment Fund Managers Directive are included within a Key Investor Information Document ('KIID') which can be found on the Company's website [www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)

Henderson International Income Trust plc  
Registered as an investment company in England and Wales with registration number 7549407  
Registered office: 201 Bishopsgate, London EC2M 3AE

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Legal Entity Identifier (LEI): 2138006N35XWKGK2YUK38

Telephone: **020 7818 1818**  
Email: **trusts@henderson.com**

**[www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)**

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