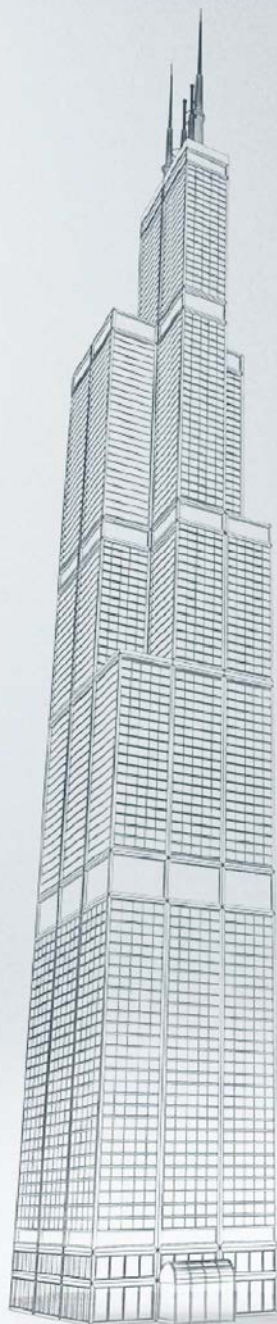


# HENDERSON INTERNATIONAL INCOME TRUST PLC

Annual Report 2016



MANAGED BY

**Henderson**  
GLOBAL INVESTORS

# Contents

<b>Strategic Report</b>		<b>Corporate Report</b>	
<b>Performance Highlights</b>	<b>2-3</b>	<b>Report of the Directors</b>	<b>22-23</b>
<b>Business Model</b>	<b>4</b>	<b>Statement of Directors' Responsibilities</b>	<b>24</b>
Investment objective	4	<b>Directors' Remuneration Report</b>	<b>25-26</b>
Investment policy	4	<b>Corporate Governance Statement</b>	<b>27-30</b>
Management	4	<b>Report of the Audit Committee</b>	<b>31-32</b>
<b>Chairman's Statement</b>	<b>5-6</b>	<b>Independent Auditors' Report</b>	<b>33-34</b>
Performance and markets	5	<b>Income Statement</b>	<b>35</b>
Growth and corporate activity	5	<b>Statement of Changes in Equity</b>	<b>36</b>
Earnings and dividends	5	<b>Statement of Financial Position</b>	<b>37</b>
Gearing	5	<b>Cash Flow Statement</b>	<b>38</b>
Discount control	5	<b>Notes to the Financial Statements</b>	<b>39-52</b>
Ongoing charge	6	<b>General Shareholder Information</b>	<b>IBC</b>
Board changes	6		
Annual general meeting	6		
Outlook	6		
<b>Portfolio Information</b>	<b>7-8</b>		
Ten largest investments	7		
Gearing levels over the year	7		
Asset allocation weighting of portfolio	7		
Sector exposure	8		
Geographic exposure	8		
<b>Investment Portfolio</b>	<b>9</b>		
<b>Fund Manager's Report</b>	<b>10-12</b>		
Performance review	10		
Portfolio positioning	12		
Outlook	12		
<b>Historical Performance and Financial Information</b>	<b>13</b>		
Total return performance	13		
Financial information	13		
Issued ordinary share capital since launch	13		
<b>Corporate Information</b>	<b>14-18</b>		
Directors	14		
Registered office	15		
Service providers	15		
Independent auditors	15		
Information sources	15		
Financial calendar	15		
HGi	15		
Follow us on Twitter, YouTube and Facebook	15		
Investing	15		
Nominee share code	15		
Status	16		
Principal risks and uncertainties	16		
Borrowings	16		
Vaiblility statement	17		
Corporate responsibility	17		
Key performance indicators	17		
Future developments	18		
Ongoing charge	18		
Voting policy and the UK stewardship code	18		
Employees, social, community, human rights and environmental matters	18		
Continued appointment of Henderson	18		
Modern Slavery Act 2015	18		
Board diversity	18		
<b>Glossary</b>	<b>19-20</b>		

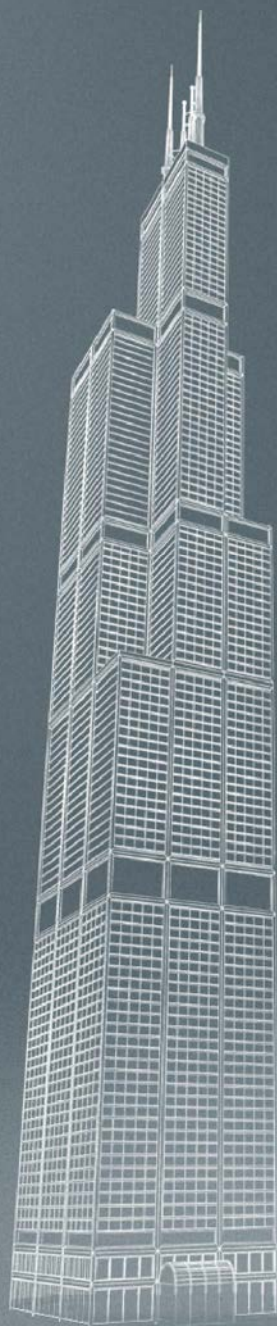


# Strategic Report

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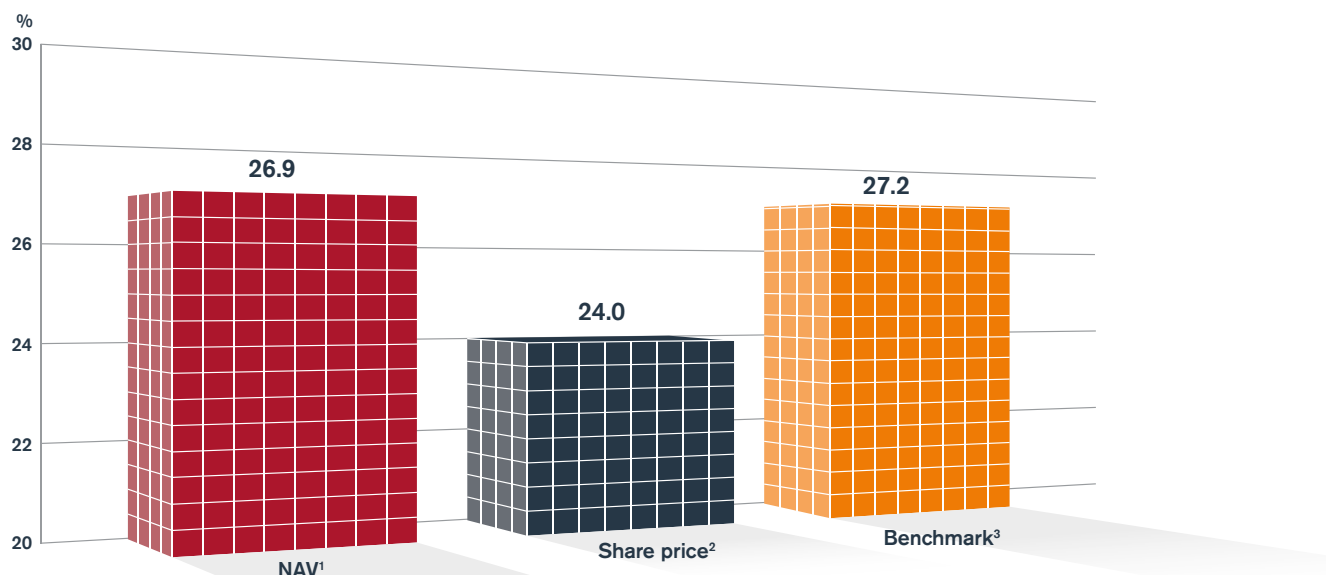
**“In the current environment we believe that a prudently managed international portfolio plays a key role in a coherent diversified strategy.”**

Christopher Jonas CBE, chairman

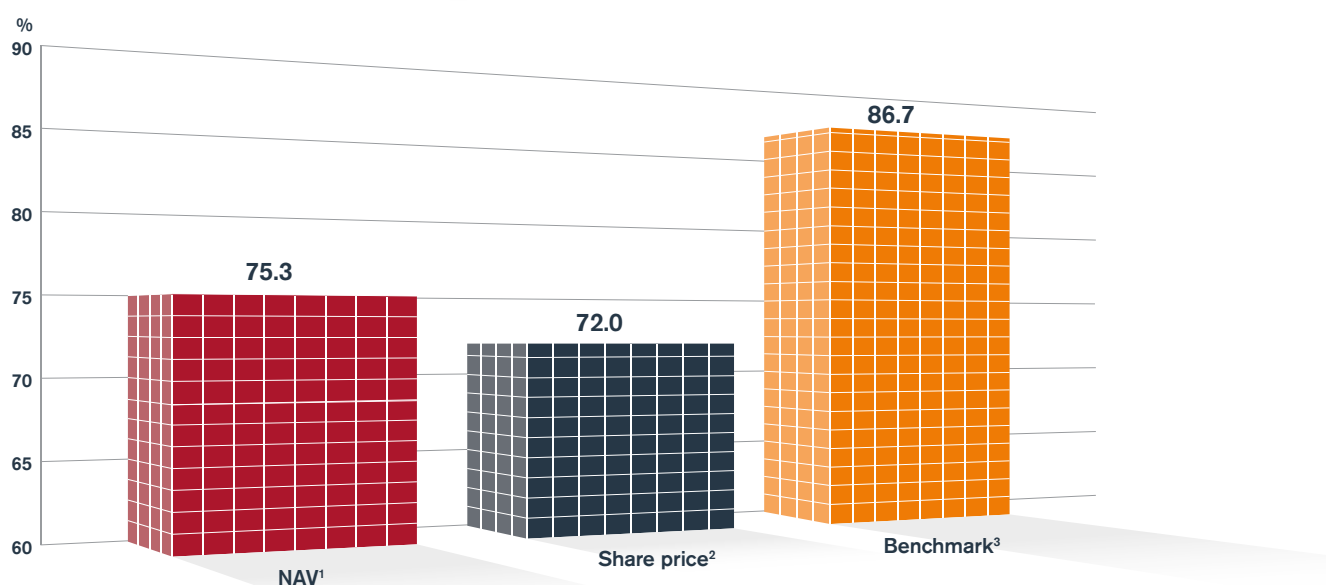


# Strategic Report: Performance Highlights

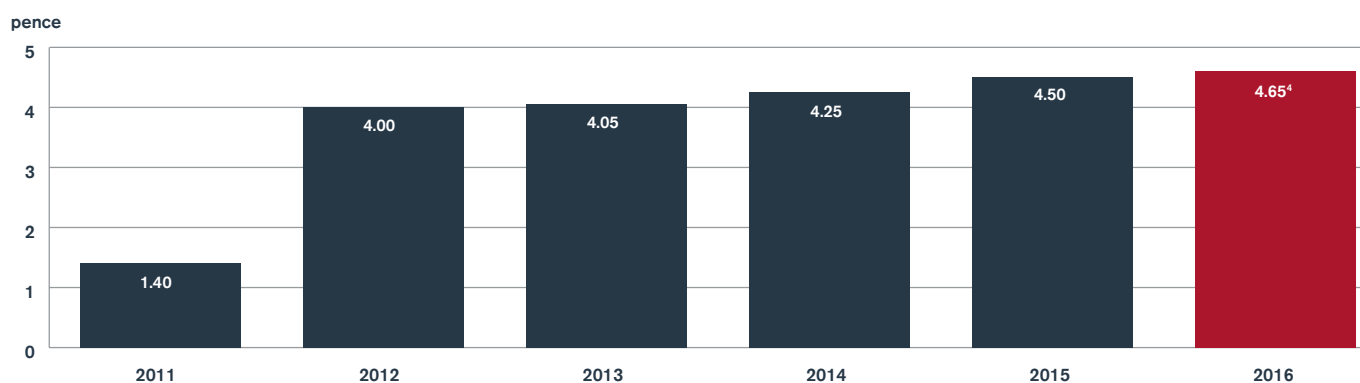
## Total return performance for year to 31 August 2016



## Total return performance since launch



## Dividend growth since launch



# Strategic Report: Performance Highlights (continued)

## NAV per share at year end<sup>5</sup>



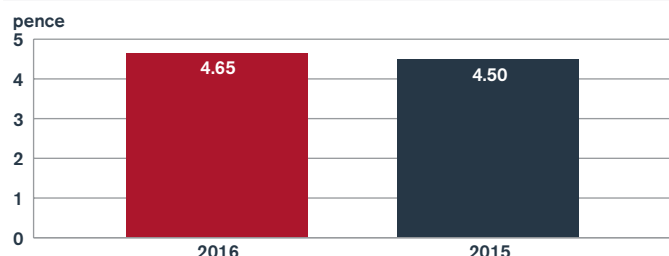
2016 **141.5p**  
2015 **115.6p**

## Net assets<sup>6</sup>



2016 **£220,904,000**  
2015 **£91,594,000**

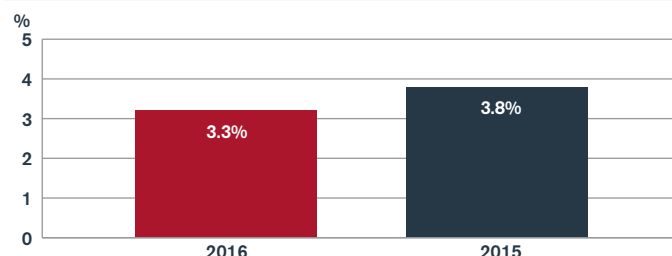
## Dividend in respect of year end<sup>4</sup>



2016

2015

## Dividend yield for the year end<sup>4</sup>



2016

2015

## Ongoing charge for year



2016 **1.01%**  
2015 **1.11%**

## Gearing at year end



2016 **0.0%**  
2015 **6.3%**

## Share price at year end



2016 **141.75p**  
2015 **118.75p**

## Shares in issue at year end



2016 **156,080,606**  
2015 **79,246,550**

1 Net asset value total return per share (including dividends per share reinvested)

2 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

3 MSCI World (ex UK) Index (sterling adjusted)

4 Includes the fourth interim dividend in respect of the year ended 31 August 2016 declared on 18 October 2016 to be paid to shareholders on 30 November 2016 and is based on the share price at the year end date

5 Calculated using published daily net asset values ('NAVs') including current year revenue less current liabilities

6 The combination of assets with Henderson Global Trust plc was with effect from 25 April 2016

# 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. It 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 Manager's Directive. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 and which 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 either entity.

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.

Following the transaction with Henderson Global Trust plc, with effect from 25 April 2016 the management fee was reduced from 0.75% per annum to 0.65% per annum of net assets equal to or below £250 million. The fee reduces further to 0.60% per annum of the net assets in excess of £250 million. The aggregate amount of fees charged by Henderson on assets comprised in the portfolio that are invested in in-house funds and connected investment trusts is deducted from any fees charged. The fees are payable quarterly in arrears. There is no performance fee arrangement in place.

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.

Wendy King FCIS 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 2016**

## Performance and markets

During the year to 31 August 2016 the return on the net asset value ('NAV') per ordinary share (on a total return basis) was 26.9%. The return on the ordinary share price (on the same basis) was 24.0%. These returns compare to a total return of 27.2% in the MSCI World (ex UK) Index (sterling adjusted).

## Growth and corporate activity

Since your Company's original listing, the board has believed it to be in the interest of all shareholders for the Company to widen its investor base and increase its size. Significant progress to this end has been made over the year by way of the combination of the assets of the Company with certain assets of Henderson Global Trust plc ('HGT'). This increased our issued ordinary share capital by the 75,234,056 ordinary shares issued to the former shareholders of HGT.

The benefits of the transaction to shareholders are both immediate and continuing:

- the management fee was reduced to 0.65% of NAV per annum on 25 April 2016. This will be reduced further to a rate of 0.60% of NAV per annum in respect of any NAV in excess of £250 million;
- the Company's market capitalisation increased and we entered the FTSE All-Share Index. Membership of the index should attract a wider range of investors with a consequent improvement in liquidity; and
- the fixed costs of the Company will be spread over a larger pool of assets, resulting in a lower ongoing charge.

During the year the Company issued 1,600,000 new shares in response to continuing shareholder demand. A further 475,000 ordinary shares have been issued between 1 September 2016 and 4 November 2016, the last practicable reporting date prior to the publication of the annual report. At 31 August 2016 there were 156,080,606 shares in issue and at 4 November 2016 there were 156,555,606 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 further from the economies of scale I have mentioned above.

## Earnings and dividends

The Company has performed well, achieving a dividend increase from 4.50p to 4.65p per ordinary share for the year to 31 August 2016. The year consisted of a first, second and third interim dividend of 1.15p per ordinary share and an increased fourth interim dividend of 1.20p per ordinary share. The fourth interim dividend of 1.20p per ordinary share will be paid on 30 November 2016. Given the earnings growth produced by the portfolio and in the absence of an adverse change in conditions, the board intend at least to maintain the quarterly dividend at its new level during the year to 31 August 2017.

## 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.

To date the Company has used gearing to invest in specific stock opportunities. At 31 August 2016 the Company had an overdraft with HSBC of £5,526,000 (2015: £6,030,000). There was no gearing in place at the year-end (2015: 6.3%).

## Discount control

The board is pleased that the Company has returned to trading generally at a premium after the combination with HGT. 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. However, there is a distinct limit to the board's ability to influence the premium or discount to NAV. Accordingly we



# Strategic Report: Chairman's Statement (continued)

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.

## Ongoing charge

The ongoing charge to the Company for the year to 31 August 2016, as calculated in accordance with the Association of Investment Companies (the 'AIC') methodology is 1.01% (2015: 1.11%). The ongoing charge should fall further when the full year impact of the reduced management fee and larger asset base takes full effect.

## Board changes

The combination with HGT included the appointment of two of its directors, Richard Hills and Aidan Lisser, who joined the board on 25 April 2016. They have a wealth of experience of investment and other relevant matters to the benefit of the Company. Both will be seeking election by shareholders at the annual general meeting.

Peregrine Banbury has decided not to seek re-election at the forthcoming annual general meeting and will retire from the board at the conclusion of the annual general meeting. The board joins me in thanking Peregrine for his contribution over the five years since our launch. He has provided unfailing support for our business and given sound advice at our board meetings. His experience and common sense will be much missed.

## Annual general meeting

The sixth annual general meeting of the Company will be held at 2.30 pm on Friday, 16 December 2016 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.

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

The Company is unique as the only international income trust that invests exclusively outside the UK. The board believes that this should continue to make the Company's shares attractive to a wide audience.

The broader international economic outlook is strongly influenced by the following:

- economic growth remains weak in many parts of the world, and inflation has continued to be very low, particularly in developed economies. In general central banks around the world continue to target higher levels of inflation than are currently being experienced, therefore monetary policy remains accommodative and designed to stimulate economic growth;
- negative interest rates and an asset-buying programme have been introduced in a number of countries, which has increased demand for income generating assets. This has primarily benefited bond markets, but has also driven some areas of equity markets higher. In this environment the Company's portfolio of cash generating companies with good dividend yields is proving very attractive for investors; and
- recent currency movements have been challenging. This year the trend has been beneficial for the portfolio as sterling has fallen against all of the world's most important currencies. In the short term this has benefited the capital return of the portfolio. If exchange rates remain at current levels it will also benefit the Company's income account as the sterling value of overseas dividends will be higher year on year.

The recent referendum in the UK regarding membership of the European Union has added an additional level of complexity for UK investors. In the current environment we believe that a prudently managed international portfolio plays a key role in a coherent diversified strategy.

The manager continues to believe that there are sufficient attractive opportunities that will allow them to continue to grow investors' capital and income over the medium term.

Christopher Jonas, CBE  
Chairman  
7 November 2016

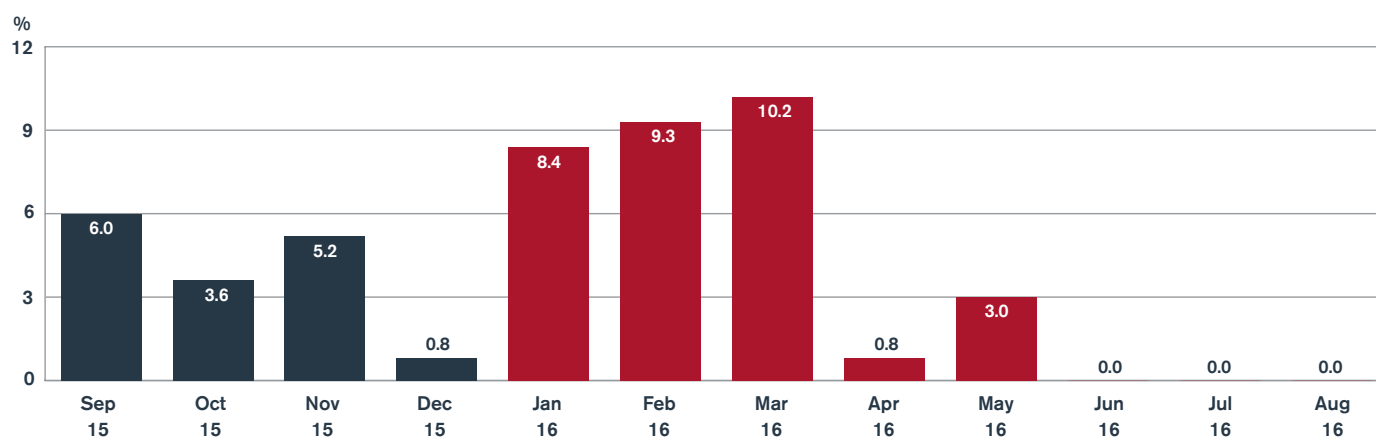


# Strategic Report: Portfolio Information

## Ten largest investments at 31 August

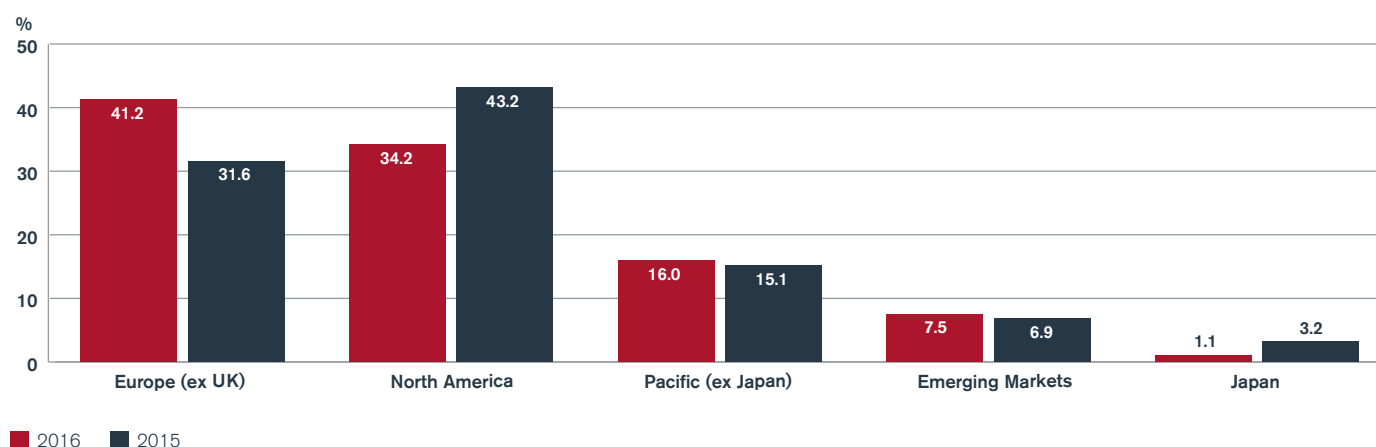
Ranking 2016	Ranking 2015	Company	Country	Sector	Market value 2016 £'000	% of portfolio
1	2	Novartis	Switzerland	Health care	7,759	3.6
2	5	Roche	Switzerland	Health care	7,317	3.4
3	4	Microsoft	US	Technology	7,300	3.4
4	45	Taiwan Semiconductor Manufacturing	Taiwan	Technology	5,629	2.7
5	–	Deutsche Telekom	Germany	Telecommunications	5,429	2.5
6	24	Cisco Systems	US	Technology	5,413	2.5
7	–	ING	Netherlands	Financials	5,239	2.4
8	–	Natixis	France	Financials	5,089	2.4
9	18	Icade	France	Property	4,928	2.3
10	–	Telenor	Norway	Telecommunications	4,824	2.3
					<b>58,927</b>	<b>27.5</b>

## Gearing levels over the year to 31 August



## Asset allocation weighting of portfolio at 31 August

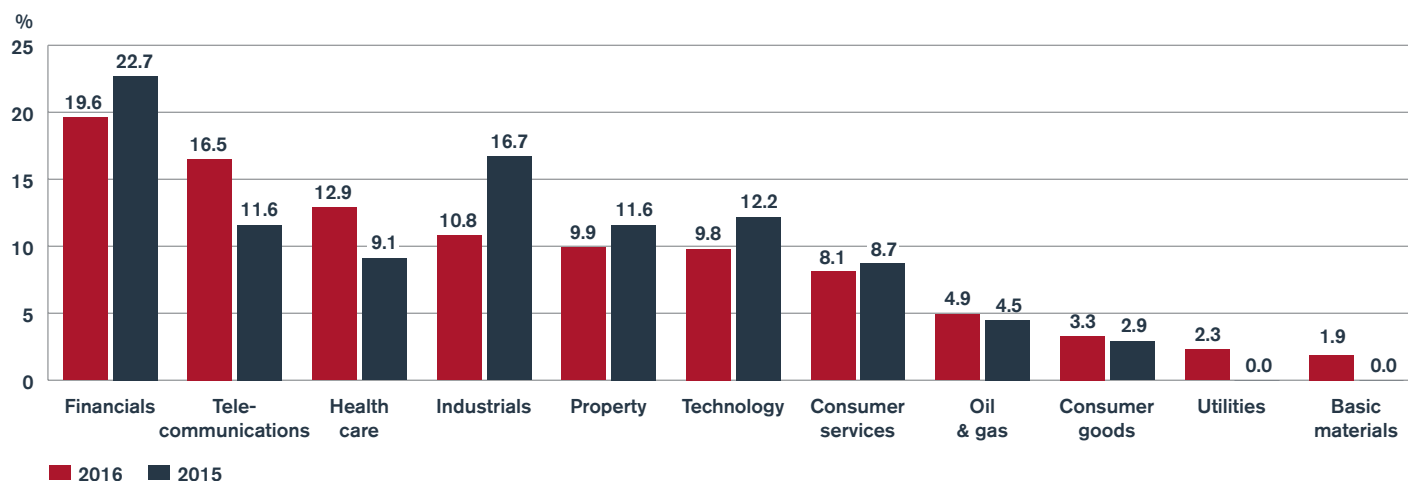
By region



# Strategic Report: Portfolio Information (continued)

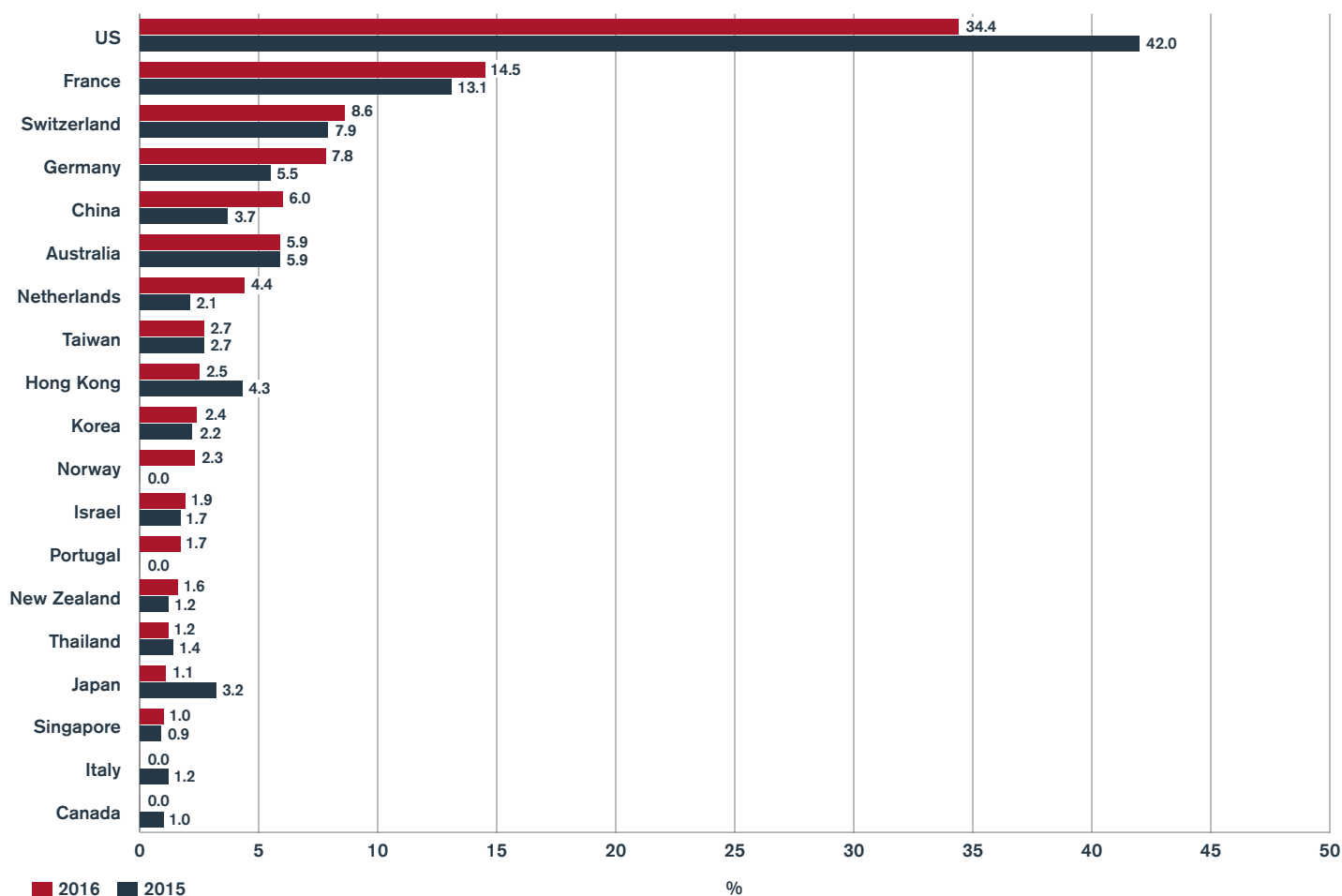
## Sector exposure at 31 August

As a percentage of the investment portfolio excluding cash



## Geographic exposure at 31 August

As a percentage of the investment portfolio excluding cash



# Strategic Report:

## Investment Portfolio as at 31 August 2016

Company	Country	Market value £'000	% of portfolio
<b>Basic materials</b>			
Bayer	Germany	4,037	1.9
		<b>4,037</b>	<b>1.9</b>
<b>Consumer goods</b>			
Coca-Cola	US	4,667	2.2
Panasonic	Japan	2,390	1.1
		<b>7,057</b>	<b>3.3</b>
<b>Consumer services</b>			
Nielsen	US	4,464	2.1
NOS	Portugal	3,600	1.7
Las Vegas Sands	US	3,559	1.6
Fairfax Media	Australia	3,037	1.4
Six Flags Entertainment	US	2,717	1.3
		<b>17,377</b>	<b>8.1</b>
<b>Financials</b>			
ING	Netherlands	5,239	2.4
Natixis	France	5,089	2.4
Wells Fargo	US	4,628	2.2
Ares Capital	US	4,600	2.1
AXA	France	3,978	1.9
Muenchener Rueckver	Germany	3,840	1.8
Synchrony Financial	US	3,402	1.6
KKR	US	3,374	1.6
Suncorp	Australia	3,202	1.5
JP Morgan Chase	US	2,392	1.1
Deutsche Börse	Germany	2,150	1.0
		<b>41,894</b>	<b>19.6</b>
<b>Health care</b>			
Novartis	Switzerland	7,759	3.6
Roche	Switzerland	7,317	3.4
Pfizer	US	4,614	2.2
Sanofi	France	4,586	2.1
Johnson & Johnson	US	3,453	1.6
		<b>27,729</b>	<b>12.9</b>
<b>Industrials</b>			
Adecco	Switzerland	3,525	1.6
United Parcel Service	US	3,360	1.6
Amcor	Australia	3,349	1.5
Jiangsu Expressway	China	3,003	1.4
Compagnie de			
Saint-Gobain	France	2,304	1.1
General Electric	US	2,201	1.0
Lockheed Martin	US	2,122	1.0
CK Hutchison	Hong Kong	2,115	1.0
Deutsche Post	Germany	1,235	0.6
		<b>23,214</b>	<b>10.8</b>

Company	Country	Market value £'000	% of portfolio
<b>Oil &amp; gas</b>			
Chevron	US	4,655	2.2
Total	France	3,249	1.5
Star Petroleum Refining	Thailand	2,590	1.2
		<b>10,494</b>	<b>4.9</b>
<b>Property</b>			
Icade	France	4,928	2.3
Eurocommercial	Netherlands	4,271	2.0
Scentre	Australia	3,212	1.5
China Resources Land	China	2,392	1.1
Mapletree Greater			
China	Singapore	2,219	1.0
Nexity	France	2,161	1.0
Iron Mountain	US	2,005	1.0
		<b>21,188</b>	<b>9.9</b>
<b>Technology</b>			
Microsoft	US	7,300	3.4
Taiwan Semiconductor			
Manufacturing	Taiwan	5,629	2.7
Cisco Systems	US	5,413	2.5
NetEase	China	2,624	1.2
		<b>20,966</b>	<b>9.8</b>
<b>Telecommunications</b>			
Deutsche Telekom	Germany	5,429	2.5
Telenor	Norway	4,824	2.3
Orange	France	4,706	2.2
Verizon			
Communications	US	4,518	2.1
Bezeq The Israeli			
Telecommunication			
Corporation	Israel	4,018	1.9
Spark New Zealand	New Zealand	3,303	1.6
HKT Trust and HKT Ltd	Hong Kong	3,288	1.5
SK Telecom	Korea	2,621	1.2
China Mobile	China	2,593	1.2
		<b>35,300</b>	<b>16.5</b>
<b>Utilities</b>			
Korea Electric Power	Korea	2,569	1.2
Guangdong Investment	China	2,343	1.1
		<b>4,912</b>	<b>2.3</b>
<b>Total investments</b>		<b>214,168</b>	<b>100.0</b>



# Strategic Report: Fund Manager's Report



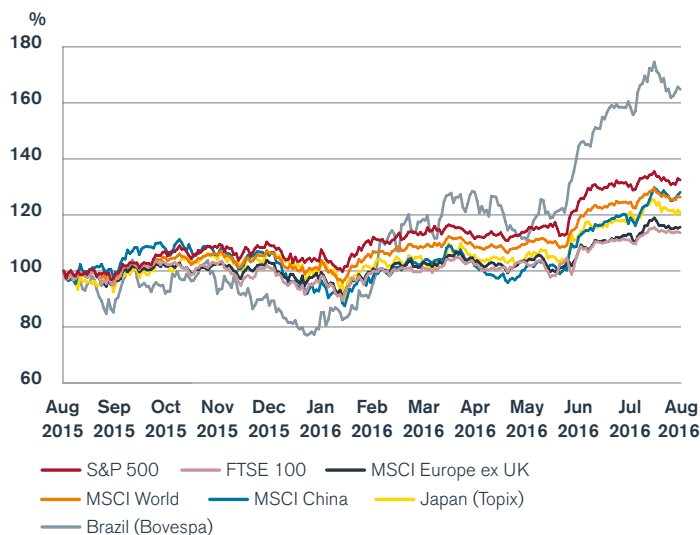
The Fund Manager of the portfolio, Ben Lofthouse, reports on the year to 31 August 2016

## Performance review

The portfolio has delivered reassuring returns over the period, generating a NAV total return of 26.9%, including a dividend of 4.65p, an increase of 3.3% year-on-year.

Global equity markets gains have been made against the backdrop of subdued economic growth and low inflation, particularly in developed market economies. The prevailing low inflation rate environment has resulted in further unconventional monetary policy actions by some central banks designed to improve growth rates, including negative interest rate policies. Many investors require yields from their assets and this low interest rate environment has driven prices of many yielding asset classes higher. Whilst this 'search for yield' trend has been positive for some sectors of equity markets, the lack of growth in the world has been detrimental to others.

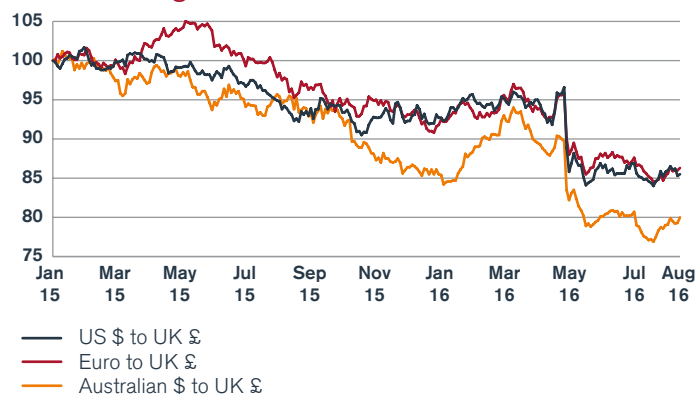
## Regional indices performance over the year<sup>1</sup>



1. Each market index has been rebased to sterling  
Source: Henderson

Currency movements have been an added driver of returns this year. The portfolio consists entirely of overseas companies therefore weakness in sterling has driven a significant up-lift in the portfolio's value. If rates remain at current levels this currency weakness will also filter through to higher dividend payments. The most important currencies for the portfolio are the US dollar (39% of portfolio assets), the Euro (28%), and the Australian dollar (7%). The table below shows how sterling has moved relative to these currencies over the year.

## UK exchange rate chart



Source: Datastream

The team's investment process prioritises dividend growth and sustainability when selecting investments. Dividend growth from the portfolio holdings has been good, and the majority of investments have increased their dividends over the period. Several of the top ten holdings, for example, increased their dividends by double digit percentages including Cisco Systems (24%) and Taiwan Semiconductor Manufacturing (33%). All of the Company's holdings contribute to income generation and the diversification across sectors and geographies is designed to enhance the portfolio's dividend stability. The weighted average income yield on the portfolio at year end was over 4.0%.

The Company's portfolio is relatively concentrated consisting typically of 60 positions. So performance is particularly impacted by stock specific news and events as well as regional equity market performances and sector news.

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

The capital return has been reassuring this year. The strongest performing portfolios have been the Asia-Pacific and North American portfolios, which returned 40% and 38% respectively. Despite some signs of economic stabilisation and continued central bank stimulus European returns were lower at 17%. Stock selection has been strong and the returns of each portfolio exceeded their respective benchmarks. The portfolio return was in line with the benchmark, but the strong stock selection was offset by the relative weakness of the overweight position in Europe. The geographical and sector allocation of the portfolio is largely driven by stock selection. The stock selection process focuses on identifying undervalued companies that are well invested, market leading and generate enough to profits and cash to finance both dividends and appropriate growth investments. Dividends from these companies allow investors to be paid to remain invested until the valuation anomaly corrects. The European market has many such companies, both domestic and global, and its current unpopularity with investors provides an interesting investment opportunity. For this reason the European exposure within the portfolio has been maintained.

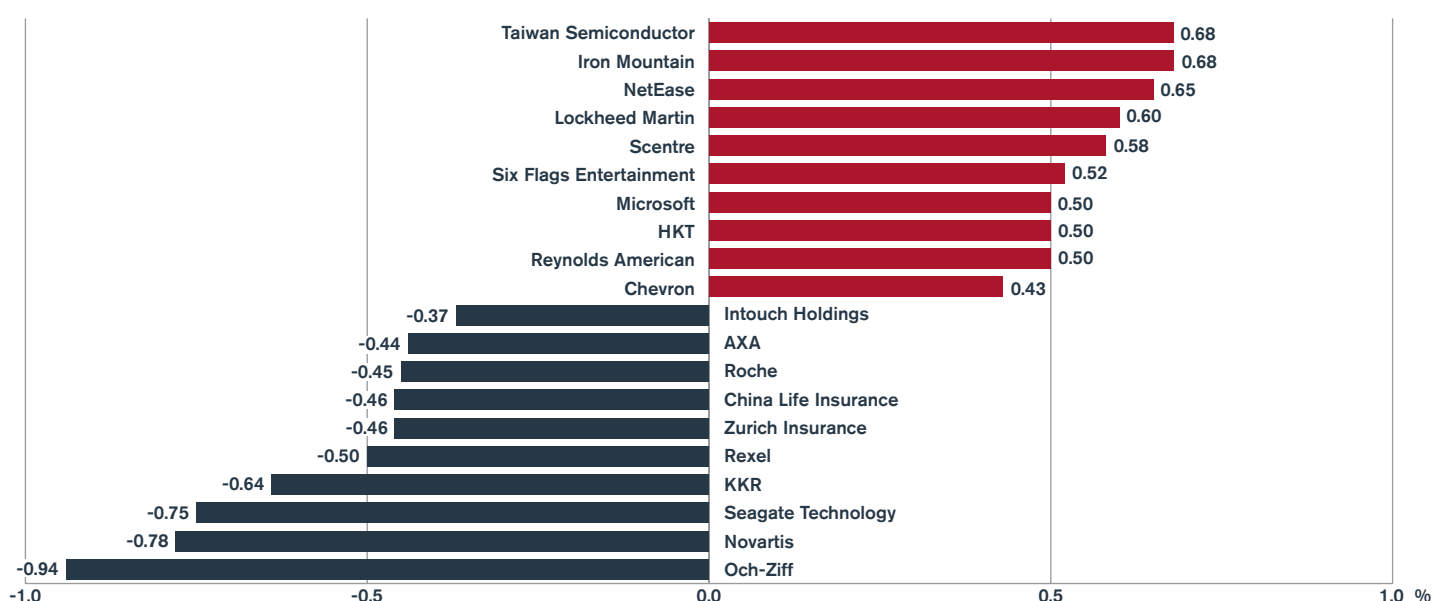
At a sector level falling interest rate expectations have generally driven a re-rating of defensive dividend stocks, and a de-rating of many financial stocks. Within the portfolio, this trend explains in part the strong performance of defensive stocks like tobacco company Reynolds American and Australian REIT Scentre, and the weak performance of insurers AXA and China Life.

In the US portfolio the strongest performers were document storage company Iron Mountain, which is in the process of acquiring a competitor to enhance profitability, Lockheed Martin, which has generated outstanding cash flows whilst growing the business, and theme park operator Six Flags Entertainment where growing revenues underpin an attractive dividend yield. The weakest performers include fund manager Och-Ziff, which has been investigated for its sales practices in some countries. The burden of legal costs have resulted in a dividend cut and the position has been sold. Data storage company Seagate operates in a consolidated market, but despite this price deflation has been higher than expected. Concerns around the dividend mean that this position has also been closed.

The largest positive contributors in the Asia-Pacific portfolio included technology companies Taiwan Semiconductor Manufacturing. It has a clear technological lead in its industry and has been successfully winning orders. Meanwhile the Chinese online gaming company NetEase, launched some very successful new products that will enhance its growth profile.

Within the European portfolio the strongest performers included French house builder Nexity and Deutsche Post. Nexity reported stronger than expected sales growth driven by low interest rates and government initiatives to boost house building. German parcels and logistics company Deutsche Post continued to see parcel delivery growth as a result of online retail trends. The weakest performers

### Top ten contributors to and bottom ten detractors from relative return (%)



Source: FactSet

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

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included pharmaceutical companies Novartis and Roche. The sector has been impacted by the highly publicised actions of a few, high profile companies. Nevertheless the companies held in the portfolio have good drug pipelines and diversified portfolios which should drive future earnings and dividend growth.

### Portfolio positioning

The most significant asset allocation changes in the portfolio composition over the year are the reduction in the US portfolio weight from 42% to 34% and the reduction of gearing from 6% to 0%. The reduction in the gearing and US weight is the result of profit taking in long held positions such as Swiss consumer finance company Cembra, US bank PNC Financial Services Group, tobacco company Reynolds American, and German TV company RTL. These companies' valuations had recovered from very depressed levels a few years ago and they were sold in order to finance new investments with greater total return potential. As a result of this activity the industrial and financial sector exposures were also reduced. European exposure was increased from 32% to 40% which is a reflection of the attractive valuations on offer in areas of the European market. Examples of positions initiated include telecommunications company Deutsche Telekom, Netherlands financial services company ING, and Portuguese cable company NOS.

### Outlook

The Company's investment strategy is to provide a high and rising level of dividends and capital appreciation over the long term. To facilitate this it invests in an internationally diversified portfolio of securities outside the UK. Given the very low yields available from some asset classes and the numerous political and economic uncertainties currently on investors' minds this strategy seems as relevant now as it was at launch five years ago. The landscape is constantly changing and the investment team continue to find attractive opportunities that they believe can achieve investors' goals.

Ben Lofthouse  
Fund Manager  
7 November 2016



# Strategic Report: Historical Performance and Financial Information

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

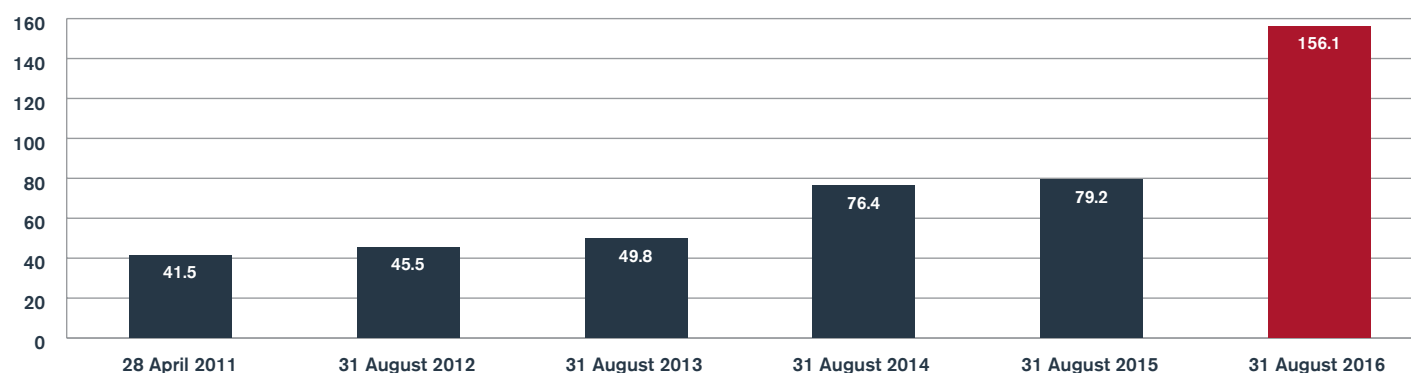
	1 year %	3 years %	Since launch %
Diluted NAV <sup>2,3</sup>	26.9	43.2	75.3
Undiluted NAV <sup>2</sup>	26.9	40.8	74.6
Share price <sup>4</sup>	24.0	38.7	72.0
Benchmark <sup>5</sup>	27.2	51.8	86.7
Sector average <sup>6</sup>	21.6	32.1	58.7

## 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) %	Net return 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
2015	91,594	115.6	118.8	2.8	1,668	5.14	(2.98)	2.16	4.50	1.11
<b>2016</b>	<b>220,904</b>	<b>141.5</b>	<b>141.8</b>	<b>0.2</b>	<b>37,570</b>	<b>6.12</b>	<b>29.14</b>	<b>35.26</b>	<b>4.65</b>	<b>1.01</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 2016 and therefore the diluted NAV and undiluted NAV as at that date are the same. In the years prior to 31 August 2015, 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: Corporate Information

## Directors

The directors appointed to the board at the date of this report are:

**Christopher Jonas, CBE**

**Position:** Chairman of the board

**Date of appointment:** 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.

**Simon Jeffreys**

**Position:** Director and chairman of the audit committee

**Date of appointment:** 16 March 2011

Simon is chairman of Aon UK Limited, a director of Templeton Emerging Markets Trust plc and a director and chair of the audit committees of St James's Place plc and SimCorp A/S. 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.

**Peregrine Banbury, CVO**

**Position:** Director

**Date of appointment:** 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.

**William (Bill) Eason**

**Position:** Director

**Date of appointment:** 16 March 2011

Bill is a director of The European Investment Trust PLC, Regional Reit Limited and Institutional Protection Services Limited. He is a trustee to The Gordon Foundation and 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 was also a director of the Charities & Trust Fund Department at Quilter Cheviot. 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.

**Richard Hills**

**Position:** Director

**Date of appointment:** 25 April 2016

Richard has substantial investment experience, having held senior positions at two major investment companies. He chairs the Aztec Group Ltd, which is one of the largest Channel Islands private equity fund administrators. He is currently chairman of Strategic Equity Capital plc and The SME Loan Fund plc and a director of JP Morgan Income & Capital Investment Trust plc. He was chairman of Henderson Global Trust plc.

**Aidan Lisser**

**Position:** Director

**Date of appointment:** 25 April 2016

Aidan has had many years' experience at a senior level, across international consumer and financial services organisations. He is chief marketing officer at Investec Wealth & Investment and was previously employed by Allianz Global Investors AG, Standard Chartered Bank plc and Unilever plc. He was a director of Henderson Global Trust plc.

All directors are independent of Henderson and are members of the Audit Committee (except the chairman), Management Engagement Committee, Nominations Committee and Insider Committee.

# Strategic Report: Corporate Information (continued)

## Registered office

201 Bishopsgate  
London  
EC2M 3AE

## 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

## 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)

## Independent auditors

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

## Information sources

For more information about Henderson International Income Trust plc, visit the website at [www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)

## Financial calendar

Annual results announced	November 2016
Fourth interim ex-dividend date	27 October 2016
Fourth interim dividend record date	28 October 2016
Fourth interim dividend payable on	30 November 2016
Annual general meeting <sup>1</sup>	16 December 2016
1st interim dividend payable on	28 February 2017
Half year results	April 2017
2nd interim dividend payable on	31 May 2017
3rd interim dividend payable on	31 August 2017

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

## 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>



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## 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 (continued)

## 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, with the assistance of Henderson, has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. In carrying out this assessment, the board has considered the market uncertainty arising from the result of the UK referendum to leave the European Union. 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, which have not changed from last year, and the steps taken by the board to mitigate these, and whether the board considers the impact of such risks has changed over the past year are as follows:

Risk	Mitigation
<b>Investment activity and performance risks</b> An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group.	The board monitors investment performance at each board meeting and regularly reviews the extent of its borrowings when in use.
<b>Portfolio and market price risks</b> 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.  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.	Henderson seeks to maintain a diversified portfolio to mitigate against this risk. The board regularly reviews the portfolio, activities and performance.  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.
<b>Tax and regulatory risks</b> 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 UK Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act could lead to criminal proceedings, or financial or reputational damage. The Company must also ensure compliance with the Listing Rules.	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.
<b>Operational risks</b> 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 service providers 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 elements 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.

The board considers these risks to have remained unchanged throughout the year under review.

## Borrowings

Where the fund manager believes that gearing will enhance returns to shareholders, the Company may borrow up to 25% of its custody 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.

# Strategic Report: Corporate Information (continued)

## Viability statement

The directors have assessed the viability of the Company over a three year period, taking account of the Company's current position and the potential impact of the principal risks and uncertainties documented in this Strategic Report.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular investment activity and performance, portfolio, market and currency risks, in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The directors also took into account the liquidity of the portfolio, the gearing and the income stream from the portfolio in considering the viability of the Company over the next three years and its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's long term borrowings, and how the forecast income stream, expenditure and levels of reserves could impact on the Company's ability to pay dividends to shareholders over that period in line with its current dividend policy. Whilst detailed forecasts are only made over a shorter time frame, the nature of the Company's business as an investment trust means that such forecasts are equally valid to be considered over the longer three year period as a means of assessing whether the Company can continue in operation. This included consideration of the duration of the Company's overdraft facility and how a breach of the overdraft facility covenants could impact on the Company's net asset value and share price.

The directors conducted this review for a period of three years. They consider this to be an appropriate period over which they do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place. The directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period because the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. Only a substantial financial crisis affecting the global economy could have an impact on this assessment. Whilst there is currently uncertainty

in the markets following the UK referendum result to leave the European Union, the board does not believe that this will have a long term impact on the viability of the Company and its ability to continue in operation.

The directors recognise that there is a continuation vote that is due to take place at the annual general meeting following the 31 August 2017 year end. The directors currently support the continuation of the Company and expect that the Company will continue to exist for the foreseeable future, and at least for the period of assessment. However if such a vote were not passed, the directors would follow the provisions in the articles of association to the effect that the Company be wound up, liquidated, reorganised or unitised.

Based on this assessment, the directors expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three year period.

## 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. 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.

## 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'):

KPI	Action
<b>Dividend sustainability and growth</b>	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.
<b>Performance measured against the benchmark</b>	At each meeting the board reviews and compares 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.
<b>Discount to NAV</b>	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.
<b>Performance against the Company's peer group</b>	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.

# Strategic Report: Corporate Information (continued)

## Future developments

While the future performance of the Company is mainly dependent on the performance of international financial markets 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.

## Ongoing charge

The board regularly reviews the ongoing charge and monitors Company expenses. For the year ended 31 August 2016 the ongoing charge as a percentage of shareholders' funds was 1.01% (2015: 1.11%).

## 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. 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 given 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.

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. These include systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment. The Company has not reported directly 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 2018.

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.

The management engagement committee undertakes 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.

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.

## Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

## Board diversity

The directors consider diversity when making appointments to the board, taking into account relevant skills, experience, knowledge and gender. The board recognises 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  
7 November 2016

# 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 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 Statement of Financial Position. 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 costs 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.

### Revenue return per share

The revenue return per share is the revenue return profit for the year divided by the weighted average number of ordinary shares in issue during the year.

### 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.

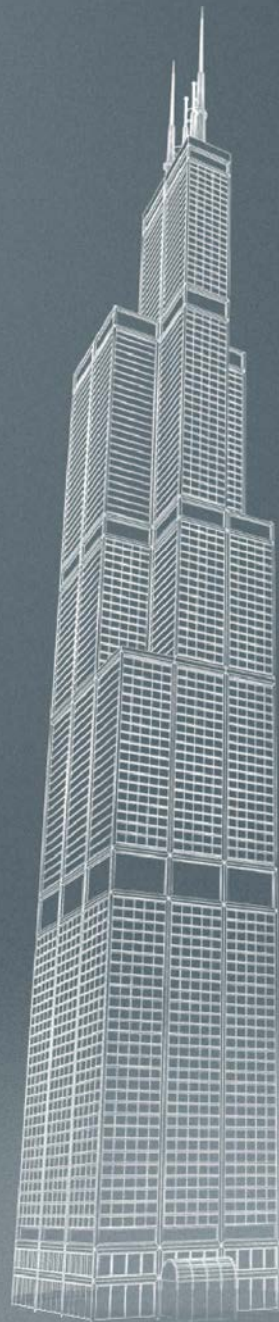
Please note that it is very unlikely that either the Company or the Company's registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect 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 27 to 30 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 2015 to 31 August 2016. 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 25 and 26 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. All 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 Henderson both in character and judgment.

Bill Eason was 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. 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 25.

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 19 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 79,246,550 ordinary shares in issue. During the year 1,600,000 ordinary shares were issued to Panmure Gordon & Co in the price range of 117.0p – 144.125p for total proceeds (net of commissions) of £1,977,000. On 25 April 2016 the Company issued 75,234,056 ordinary shares following the combination with Henderson Global Trust plc for total proceeds of £94,323,000 net of costs.

At 31 August 2016 the number of ordinary shares in issue with voting rights was 156,080,606.

Since 31 August 2016 and up to 4 November 2016 being the last practicable date prior to publication of the annual report, a further 475,000 ordinary shares have been issued for a total proceeds (net of commissions) of £682,000. The number of shares in issue as at 4 November 2016 being the latest practicable date prior to the publication of this report is 156,555,606.

The Company will seek authority from its shareholders at the 2016 annual general meeting to renew its authority to allot shares up to 10% of the issued share capital as at 16 December 2016. 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 2015 shareholders gave the board authority to buy-back 12,028,957 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 2016 annual general meeting.

## Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2016 in accordance with the FCA Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Old Mutual	6.0
Brewin Dolphin Limited	5.6
Smith & Williamson	4.5

No changes have been notified in the period between 1 September 2016 and 4 November 2016 being the last practicable date prior to the publication of the annual report.

At 31 August 2016, 6.3% 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, the participants in this scheme are 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

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.

## Annual general meeting

The annual general meeting will be held on Friday, 16 December 2016 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.

## Other information

Information on recommended dividends, future developments and financial risks are detailed in the Strategic 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 2016 (2015: 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 Listing Rule 9.8.4(7), the information of which is detailed on page 22 under share capital.

By order of the board

Henderson Secretarial Services Limited  
Corporate Secretary  
7 November 2016

# 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 position and performance, business model and strategy.

## Statement under Disclosure and Transparency Rule 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  
7 November 2016

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 16 December 2016. 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. These include 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 2016	31 August 2015
Christopher Jonas, CBE	159,730	139,730
Simon Jeffreys	127,397	102,425
Peregrine Banbury, CVO	28,649	28,649
Bill Eason	125,000	125,000
Richard Hills <sup>1</sup>	33,206	–
Aidan Lisser <sup>1</sup>	8,135	–

<sup>1</sup> Appointed on 25 April 2016

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.

In the period 1 September 2016 to 4 November 2016 being the last practicable date prior to the publication of the annual report, Aidan Lisser purchased a further 6,865 shares in the Company bringing his total beneficial holding to 15,000 ordinary shares.

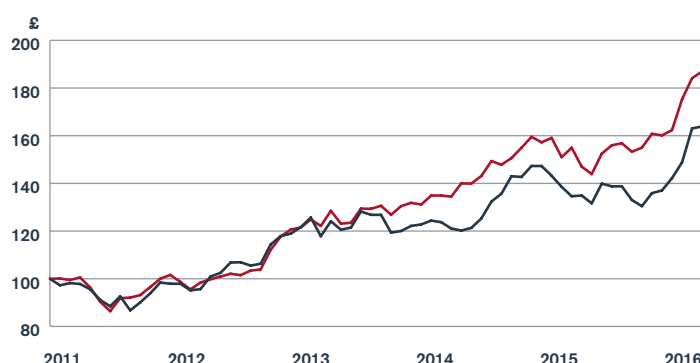
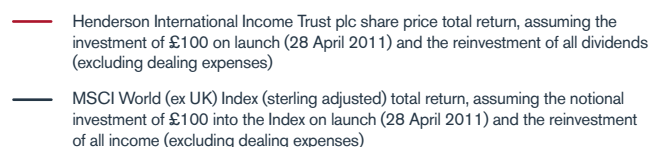
In accordance with the Company's articles of association, no director is required to hold any shares of the Company by way of qualification.



# 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 2016 with the return from the MSCI World (ex UK) Index (sterling adjusted) over the same period.



Source: Datastream

## Directors' fees and expenses (audited)

The fees and expenses paid to the directors who served during the years ended 31 August 2016 and 31 August 2015 were as follows:

	Year ended 31 August 2016 Total salary and fees £	Year ended 31 August 2015 Total salary and fees £	Year ended 31 August 2016 Taxable benefits £	Year ended 31 August 2015 Taxable benefits £	Year ended 31 August 2016 Total £	Year ended 31 August 2015 Total £
Christopher Jonas <sup>1</sup>	35,000	35,000	1,197	753	36,197	35,753
Simon Jeffreys <sup>2</sup>	25,000	25,000	—	55	25,000	25,055
Peregrine Banbury	20,000	20,000	—	—	20,000	20,000
Bill Eason	20,000	20,000	—	—	20,000	20,000
Richard Hills <sup>3</sup>	7,014	—	461	—	7,475	—
Aidan Lissner <sup>3</sup>	7,014	—	28	—	7,042	—
<b>Total</b>	<b>114,028</b>	<b>100,000</b>	<b>1,686</b>	<b>808</b>	<b>115,714</b>	<b>100,808</b>

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

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

<sup>3</sup> Appointed on 25 April 2016

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.

The fees paid to directors during the year were as follows chairman: £35,000, audit committee chairman: £25,000, director: £20,000. With effect from 1 September 2016 the fees were increased to chairman: £39,000, audit committee chairman: £29,000, director: £24,000, this is the first increase in fees since the Company was launched in 2011.

## 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.

	2016 £	2015 £	Change £	Change %
Total remuneration	115,714	100,808	14,906	14.8
Ordinary dividends paid	4,559,983	3,446,721	1,113,262	32.3

## Statement of voting at annual general meeting

At the 2015 annual general meeting 6,667,793 (97.7%) votes were received for the resolution seeking approval for the director's remuneration report, 106,387 (1.6%) were against, 49,251 (0.7%) were discretionary and 13,966 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  
7 November 2016

# 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 2015 (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.

Richard Hills and Aidan Lisser, both of who were non-executive directors of Henderson Global Trust plc ('HGT'), joined the board on 25 April 2016 following the combination with HGT. They are required to be elected by shareholders at the first annual general meeting following their appointment and accordingly offer themselves for election.

In accordance with the articles of association, Peregrine Banbury was due to retire by rotation. However he is not seeking re-election and will retire from the board at the conclusion of the annual general meeting.

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 October 2016, 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.

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 six 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 with the exception of Richard Hills and Aidan Lisser who were appointed on 25 April 2016 following the combination with Henderson Global Trust plc. All directors are 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 has a formal schedule of matters 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. It 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 2016, 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 NAV, share price, discount/premium, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters. 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 where necessary 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.

The board has three principal 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. The Company also has an insider committee to assist in meeting the disclosure obligations of the Market Abuse Regulations which came into force on 3 July 2016.

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 25, 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 overall that the committee 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 31 and 32.

## 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. It believes that there are 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 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. An external agency was not used in respect of the appointment of Richard Hills and Aidan Lisser.

The committee also reviews and recommends to the board the directors seeking election or re-election. Recommendation is not automatic and will follow a process of evaluation of each director's performance, length of service 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 meets annually to carry out its review of the board, its composition and size and its committees. The results of the annual performance evaluation are detailed overleaf.

# Corporate Governance Statement (continued)

## Management Engagement Committee

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

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 2016 to carry out its annual review of Henderson, the results of which are detailed below.

## Insider Committee

The committee was formed to assist in meeting the disclosure obligations under the Market Abuse Regulations, which came into force on 3 July 2016.

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

## 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 2015, with the exception of Richard Hills and Aidan Lisser who were appointed on 25 April 2016.

	Board	AC	MEC	NC	IC
<b>Number of meetings</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>–</b>
Christopher Jonas, CBE	5	2	1	1	–
Simon Jeffreys	5	2	1	1	–
Peregrine Banbury, CVO	5	2	1	1	–
Bill Eason	5	1	1	1	–
Richard Hills <sup>1</sup>	1	–	1	–	–
Aidan Lisser <sup>1</sup>	–	–	–	–	–

<sup>1</sup> Appointed 25 April 2016

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee which met following the year end

IC: Insider Committee which did not meet prior to the year end

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 and discussions regarding the combination with HGT.

## 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 2016. 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 24, the independent auditors' report on pages 33 and 34 and the viability statement on page 17.

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.

# Corporate Governance Statement (continued)

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.

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.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Henderson. Any correspondence from shareholders addressed to the chairman or the company received at Henderson's offices is forwarded to the chairman of the Company in line with the audited procedures in place. Any correspondence is submitted to the next board meeting.

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 22.

## 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 will again this year 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  
7 November 2016



# Report of the Audit Committee

I have pleasure in presenting the report of the Audit Committee for the year ended 31 August 2016.

## Meetings

The audit committee which is chaired by myself, Simon Jeffreys 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 Deputy Chief Risk Officer and Head of Internal Audit.

## 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 including consideration of FRS102, see note 1a;
- a review of the half year results and the annual report, including the disclosures made therein in relation to internal controls and risk management, viability, 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 position and 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 29 including compliance with S1158, and Henderson's policies in relation to cyber risk and business continuity;
- the committee met with Henderson's Deputy 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 Deputy Chief Risk Officer and the committee concurred with her judgement that the findings were satisfactory with no material breaches to report that affected the Company;
- the audit committee chairman met with the auditor to discuss the audit plan;
- discussion of audit materiality at the audit planning meeting;
- consideration of the financial reporting of the HGT transaction;
- ensuring that the auditors reported all errors;
- consideration of the FRC review of Grant Thornton UK LLP and Grant Thornton's internal quality reviews;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- 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;
- 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 29;
- the committee met with Henderson's Head of Internal Audit to discuss Henderson's internal audit plan for the 2016 calendar year including those audits 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 32);
- 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 32);
- 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;
- 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; and
- consideration of the annual confirmation from the Company's depositary.

# Report of the Audit Committee (continued)

## Audit for the year ended 31 August 2016

In relation to the annual report for the year ended 31 August 2016 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 1e) on page 39) 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.

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 2016 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 2016. 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 2016 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 42.

## Auditors' appointment and audit tendering

Grant Thornton UK LLP have been the Company's auditors since the Company was launched. The Statutory Auditors and Third Country Auditors Regulations came into force on 17 June 2016. These require the Company to rotate its audit firm after a period of 10 years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. Grant Thornton UK LLP has been the Company's auditor for less than 10 years. The auditor is required to rotate partners every five years and this is the last year that the current partner will be in place. Under transitional provisions, the Company will be required to put the external audit out to tender for the 2021 financial year end.

For and on behalf of the board  
Simon Jeffreys  
Audit Committee Chairman  
7 November 2016

# Independent Auditor's 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 2016 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) including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 for the year ended 31 August 2016, comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, 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 including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

## Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on 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 valuation of investments is the main driver for capital appreciation, with the investment portfolio valued at £214m at the year-end including the investments acquired during the year from the combination with Henderson Global Trust plc.

There is a risk that investments shown in the Statement of Financial Position may not be owned by the Company or are incorrectly valued. We identified valuation and ownership 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 confirmation of the independent custodian 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 1c) 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 32, 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 1e) 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 32, 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 use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work. We determined materiality for the audit of the financial statements as a whole to be £2,209,000, 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. Materiality for the current year is higher than the level determined for the year ended 31 August 2015 because the level of net assets is higher. 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.

We determined the threshold at which we will communicate misstatements to the audit committee to be £110,450. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

## Overview of the scope of our audit

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). 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 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, including journal entries, 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**  
*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' statements in relation to going concern and longer term viability set out on pages 39 and 17 respectively; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

*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.

We have nothing to report in respect of the above.

*We also confirm that we do not have anything material to add or to draw attention to in relation to:*

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Responsibilities for the financial statements and the audit

*What the directors are responsible for:*

As explained more fully in the statement of directors' responsibilities set out on page 24, 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  
7 November 2016

# Income Statement

Notes		Year ended 31 August 2016			Year ended 31 August 2015		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	Gains/(losses) from investments held at fair value through profit or loss	–	31,899	31,899	–	(2,010)	(2,010)
3	Income from investments held at fair value through profit or loss	7,684	–	7,684	4,821	–	4,821
	(Loss)/profit on foreign exchange	–	(50)	(50)	–	310	310
4	Other income	325	–	325	192	–	192
	<b>Gross revenue and capital gains/(losses)</b>	<b>8,009</b>	<b>31,849</b>	<b>39,858</b>	<b>5,013</b>	<b>(1,700)</b>	<b>3,313</b>
5	Management fee	(244)	(731)	(975)	(177)	(532)	(709)
6	Other administrative expenses	(395)	–	(395)	(350)	–	(350)
	<b>Net return on ordinary activities before finance costs and taxation</b>	<b>7,370</b>	<b>31,118</b>	<b>38,488</b>	<b>4,486</b>	<b>(2,232)</b>	<b>2,254</b>
7	Finance costs	(49)	(58)	(107)	(23)	(70)	(93)
	<b>Net return on ordinary activities before taxation</b>	<b>7,321</b>	<b>31,060</b>	<b>38,381</b>	<b>4,463</b>	<b>(2,302)</b>	<b>2,161</b>
8	Taxation on net return on ordinary activities	(800)	(11)	(811)	(493)	–	(493)
	<b>Net return on ordinary activities after taxation</b>	<b>6,521</b>	<b>31,049</b>	<b>37,570</b>	<b>3,970</b>	<b>(2,302)</b>	<b>1,668</b>
9	Return per ordinary share – basic	6.12p	29.14p	35.26p	5.14p	(2.98p)	2.16p

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. There is no material difference between the net return on ordinary activities before taxation and the net return for the financial year stated above and their historical cost equivalent.



# Statement of Changes in Equity

Notes	Year ended 31 August 2016	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 August 2015	793	35,796	45,732	6,866	2,407	91,594
16,17	New shares allotted	768	95,933	–	–	–	96,701
	Issue costs	–	(401)	–	–	–	(401)
	Net return for the year	–	–	–	31,049	6,521	37,570
10	Dividends paid	–	–	–	–	(4,560)	(4,560)
	<b>At 31 August 2016</b>	<b>1,561</b>	<b>131,328</b>	<b>45,732</b>	<b>37,915</b>	<b>4,368</b>	<b>220,904</b>
Notes	Year ended 31 August 2015	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserves £'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>

# Statement of Financial Position

Notes		At 31 August 2016 £'000	At 31 August 2015 £'000
11	<b>Fixed asset investments held at fair value through profit or loss</b>	214,168	97,328
	<b>Current assets</b>		
12	Debtors	831	4,153
	Cash at bank	12,183	–
		<b>13,014</b>	<b>4,153</b>
13	<b>Creditors: amounts falling due within one year</b>	(6,278)	(9,887)
	<b>Net current assets/(liabilities)</b>	<b>6,736</b>	<b>(5,734)</b>
	<b>Total net assets</b>	<b>220,904</b>	<b>91,594</b>
	<b>Capital and reserves</b>		
16	Called up share capital	1,561	793
17	Share premium account	131,328	35,796
18	Special reserve	45,732	45,732
18	Other capital reserves	37,915	6,866
18	Revenue reserve	4,368	2,407
	<b>Total shareholders' funds</b>	<b>220,904</b>	<b>91,594</b>
14	Net asset value per ordinary share – basic and diluted	141.5p	115.6p

The financial statements on pages 35 to 52 were approved and authorised for issue by the board of directors on 7 November 2016 and signed on their behalf by:

Christopher Jonas, CBE  
Chairman

# Cash Flow Statement

	Year ended 31 August 2016 £'000	(Restated*) Year ended 31 August 2015 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	38,381	2,161
Add back: finance costs	107	93
(Less)/add: (gains)/losses on investments held at fair value through profit or loss	(31,899)	2,010
Add/(less): loss/(profit) on foreign exchange	50	(310)
Withholding tax on dividends deducted at source	(1,136)	(546)
Taxation recovered	193	61
Increase in debtors	(291)	(186)
Increase in creditors	463	89
<b>Net cash inflow from operating activities</b>	<b>5,868</b>	<b>3,372</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(139,050)	(51,170)
Sale of investments	148,976	39,743
<b>Net cash inflow/(outflow) from investing activities</b>	<b>9,926</b>	<b>(11,427)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(4,560)	(3,447)
Proceeds from issue of ordinary shares	1,618	11,996
Interest paid	(107)	(93)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(3,049)</b>	<b>8,456</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,745</b>	<b>401</b>
Cash and cash equivalents at start of year	(6,030)	(6,740)
Effect of foreign exchange rates	(58)	309
<b>Cash and cash equivalents at end of year</b>	<b>6,657</b>	<b>(6,030)</b>
<b>Comprising:</b>		
Cash at bank	12,183	–
Bank overdraft	(5,526)	(6,030)
	<b>6,657</b>	<b>(6,030)</b>

\*The Cash Flow Statement previously reported has been restated to comply with the new disclosure requirements of FRS 102.

# Notes to the Financial Statements

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## 1 Accounting policies

### a) Basis of accounting

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 15.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('the SORP') issued in November 2014. The date of transition to FRS 102 was 1 September 2014. The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented. Following the application of the revised reporting standards there have been no significant changes to the accounting policies compared to those set out in the Company's annual report for the year ended 31 August 2015.

There has been no impact on the Company's Income Statement, Statement of Financial Position (previously called the Balance Sheet) or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for periods previously reported.

The Cash Flow Statement previously reported has been restated to comply with the new disclosure requirements of the revised reporting standard. The accounts have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

### b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

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

All investments are 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 Statement of Financial Position date, without deduction of the estimate 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.

### d) 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.

### e) 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.

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### f) 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 process 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.

### g) Expenses and finance costs

All expenses are accounted for on an accruals basis. Finance costs, 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 costs 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.

### h) 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 profit 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### i) Foreign currency

The results and financial position of the Company are expressed in pounds sterling which is the functional currency and presentational currency of the Company. 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. Gains or losses arising from a change in exchange rates in respect of investments are included within the gain or loss from investments held at fair value through profit or loss.

### j) 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 Statement of Changes in Equity.



# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### k) Capital reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The special reserve represents the value of the share premium account that was cancelled and transferred to distributable reserves on 28 February 2013.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on revaluation of investments held. The following analyses what is accounted for in each of these components.

#### Capital reserve arising on investments sold

The following are accounted for in this reserve:

- gains and losses on disposals of investments;
- expenses and finance costs allocated to capital net of tax relief;
- 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.

### l) Distributable reserves

The Company's capital reserve arising on investments sold, capital reserve arising on revaluation of investments held, special reserve and revenue reserve may be distributed by way of a dividend.

## 2 Gains/(losses) from investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Gains on investments sold in the year	1,533	2,395
Revaluation of investments held at 31 August	30,355	(4,405)
Movement in appreciation of traded options held	11	–
	<b>31,899</b>	<b>(2,010)</b>

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

	2016 £'000	2015 £'000
Dividend income	7,684	4,738
Scrip dividends	–	83
	<b>7,684</b>	<b>4,821</b>

## 4 Other income

	2016 £'000	2015 £'000
Treasury bill interest	1	–
Bank interest	1	–
Option premium income	323	192
	<b>325</b>	<b>192</b>

# Notes to the Financial Statements (continued)

## 5 Management fees

	2016			2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	244	731	975	177	532	709

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)

	2016 £'000	2015 £'000
Directors' fees (see the directors' remuneration report on page 26)	116	101
Auditors' remuneration – for audit services	28	26
Marketing	54	53
Depository fees	34	30
Other expenses	163	140
	<b>395</b>	<b>350</b>

## 7 Finance costs

	2016			2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Bank interest	49	58	107	23	70	93

## 8 Taxation

	2016			2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Foreign withholding taxes	967	11	978	543	–	543
Overseas tax reclaimable	(167)	–	(167)	(50)	–	(50)
<b>Total tax charge for the year</b>	<b>800</b>	<b>11</b>	<b>811</b>	<b>493</b>	<b>–</b>	<b>493</b>

The Company's profit for the accounting year is taxed at an effective rate of 20% (2015: 20.58%). The standard rate of corporation tax has been 20% since 1 April 2015.

### Factors affecting the tax charge for the year

	2016			2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	7,321	31,060	38,381	4,463	(2,302)	2,161
Corporation tax at 20.00% (2015: 20.58%)	1,464	6,212	7,676	919	(474)	445
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss and foreign exchange	–	(6,370)	(6,370)	–	350	350
Non-taxable overseas dividends	(1,375)	–	(1,375)	(912)	–	(912)
Overseas tax	800	11	811	493	–	493
Unutilised loan relationships	21	–	21	17	–	17
Expenses charged to capital available to be utilised	(158)	158	–	(124)	124	–
Income taxable in different periods	–	–	–	11	–	11
Excess management expenses	48	–	48	89	–	89
<b>Total tax charge for the year</b>	<b>800</b>	<b>11</b>	<b>811</b>	<b>493</b>	<b>–</b>	<b>493</b>

# Notes to the Financial Statements (continued)

## 8 Taxation (continued)

### Deferred tax

The Company has unrecognised deferred tax assets of £590,000 at 31 August 2016 (2015: £487,000) arising as a result of excess management expenses and loan relationship deficits (including interest on the bank overdraft). These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

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

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

## 9 Return per ordinary share

	2016		2015	
	£'000	pence	£'000	pence
Revenue return	6,521	6.12	3,970	5.14
Capital return	31,049	29.14	(2,302)	(2.98)
<b>Total return</b>	<b>37,570</b>	<b>35.26</b>	<b>1,668</b>	<b>2.16</b>
Weighted number of ordinary shares		106,540,906		77,267,337

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

	Record date	Payment date	Ex-dividend date	2016 £'000	2015 £'000
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
4th interim dividend – 1.15p	6 November 2015	27 November 2015	5 November 2015	920	–
1st interim dividend – 1.15p	5 February 2016	26 February 2016	4 February 2016	923	–
2nd interim dividend – 1.15p	15 April 2016	31 May 2016	14 April 2016	923	–
3rd interim dividend – 1.15p	29 July 2016	31 August 2016	28 July 2016	1,794	–
				<b>4,560</b>	<b>3,447</b>

A fourth interim dividend in respect of the year ended 31 August 2016 of 1.20p per share was declared on 18 October 2016 and will be paid to shareholders on 30 November 2016 with record date 28 October 2016. The Company's shares will go ex-dividend on 27 October 2016.

All dividends have been paid or will be paid out of revenue profits.

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:

	2016 £'000	2015 £'000
Revenue available for distribution by way of dividend for the year	6,521	3,970
Interim dividends of 3.45p paid (2015: 3.35p)	(3,640)	(2,607)
Fourth Interim dividend for the year ended 31 August 2016 of 1.20p (based on 156,555,606 ordinary shares in issue as at 4 November 2016) (2015: 1.15p)	(1,879)	(920)
<b>Undistributed revenue for section 1158 purposes<sup>1</sup></b>	<b>1,002</b>	<b>443</b>

<sup>1</sup> Comprises 13.7% based on taxable income

# Notes to the Financial Statements (continued)

## 11 Fixed asset investments

2016	Listed investments £'000	Total £'000
31 August 2015	93,056	93,056
Purchases at cost	230,164	230,164
Sales at cost	(143,679)	(143,679)
<b>Cost of investments at 31 August 2016</b>	<b>179,541</b>	<b>179,541</b>
Investment holding gains at 31 August 2016	34,627	34,627
<b>Valuation at 31 August 2016</b>	<b>214,168</b>	<b>214,168</b>
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>

Total transaction costs amounted to £232,000 (2015: £140,000) of which purchase transaction costs for the year ended 31 August 2016 were £134,000 (2015: £76,000) and comprise mainly brokers' commissions. Sales transaction costs for the year ended 31 August 2016 were £98,000 (2015: £64,000).

In order to maintain investment trust status part of the assets transferred in the HGT transaction were taken as Treasury bills. These were subsequently sold and the proceeds re-invested.

## 12 Debtors

	2016 £'000	2015 £'000
Share issue proceeds	19	–
Sales for future settlement	–	3,764
Withholding tax recoverable	184	52
Prepayments and accrued income	619	328
VAT recoverable	9	9
	<b>831</b>	<b>4,153</b>

## 13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Purchases for future settlement	–	3,549
Management fee	545	117
Bank overdraft	5,526	6,030
Overdraft interest payable	–	11
Other creditors	130	172
Derivatives at fair value – forward foreign exchange	–	8
Derivatives at fair value – traded option contracts	77	–
	<b>6,278</b>	<b>9,887</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:

	2016 £'000	2015 £'000
Net assets attributable	220,904	91,594
Number of ordinary shares in issue	156,080,606	79,246,550
Net assets per ordinary share	141.5p	115.6p

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

	2016 £'000	2015 £'000
Net assets at start of the year	91,594	85,787
Total net return on ordinary activities after taxation	37,570	1,668
Dividends paid on ordinary shares in the period	(4,560)	(3,447)
Issue of ordinary shares less issue costs	96,300	7,586
<b>Total net assets attributable to the ordinary shares at 31 August</b>	<b>220,904</b>	<b>91,594</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 (compromising 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.

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 overleaf 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.



# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

### 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 2016 on its investments held at fair value through profit or loss was £214,168,000 (2015: £97,328,000).

#### Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on page 9. 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 Statement of Financial Position date, with all other variables held constant.

	2016		2015	
	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	(70)	70	(36)	36
Capital return	42,625	(42,625)	19,357	(19,357)
<b>Total return after tax for the period</b>	<b>42,555</b>	<b>(42,555)</b>	<b>19,321</b>	<b>(19,321)</b>
<b>Impact on net assets</b>	<b>42,555</b>	<b>(42,555)</b>	<b>19,321</b>	<b>(19,321)</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.

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 25% of custody assets.

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.

# Notes to the Financial Statements (continued)

## 15 Risk management policies and procedures (continued)

### Foreign currency exposure

The carrying values of the Company's monetary items that have foreign currency exposure at 31 August 2016 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	2016			2015		
	Current assets £'000	Current liabilities £'000	Equity investments £'000	Current assets £'000	Current liabilities £'000	Equity investments £'000
Australian Dollar	155	–	16,102	56	–	6,862
Euro	67	(5,526)	60,802	13	(4,740)	21,368
Hong Kong Dollar	83	–	15,734	59	–	7,081
Norwegian Krone	19	–	4,824	–	–	–
US Dollar	1,137	(77)	84,320	3,853	(3,735)	45,046
Other (non sterling)	205	–	32,386	137	–	16,971
	<b>1,666</b>	<b>(5,603)</b>	<b>214,168</b>	<b>4,118</b>	<b>(8,475)</b>	<b>97,328</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 recent years. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at the Statement of Financial Position 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 2016	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krone £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	31	251	47	12	193	144	678
Capital return	1,780	6,723	1,739	533	9,323	3,582	23,680
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>1,811</b>	<b>6,974</b>	<b>1,786</b>	<b>545</b>	<b>9,516</b>	<b>3,726</b>	<b>24,358</b>

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>

# 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 2016	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krone £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	(25)	(206)	(39)	(10)	(158)	(118)	(556)
Capital return	(1,457)	(5,499)	(1,423)	(437)	(7,627)	(2,929)	(19,372)
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>(1,482)</b>	<b>(5,705)</b>	<b>(1,462)</b>	<b>(447)</b>	<b>(7,785)</b>	<b>(3,047)</b>	<b>(19,928)</b>

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>

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:

	2016 Total £'000	2015 Total £'000
<b>Exposure to floating interest rates:</b>		
Net cash/(overdraft) at bank	6,657	(6,030)

#### 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 £50 million (2015: £25 million) or 25% 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:

	2016 Due within one month £'000	2015 Due within one month £'000
Other creditors and accruals	752	3,857
Bank overdraft	5,526	6,030
	<b>6,278</b>	<b>9,887</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 Statement of Financial Position at their fair value (investments) or the Statement of Financial Position 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 102 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 August 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	214,168	–	–	214,168
Traded option contracts	–	(77)	–	(77)
	<b>214,168</b>	<b>(77)</b>	<b>–</b>	<b>214,091</b>

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>

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.

The investments that were previously Level 1 and Level 2 in 2014, under the FRS 29 fair value hierarchy, continue to be categorised as Level 1 and Level 2 under FRS 102.

# 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 2016 comprised its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £220,904,000 (2015: £91,594,000).

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

2016	Number of shares	Number of shares entitled to dividend	£'000
<b>Ordinary shares of 1p each</b>			
At 31 August 2015	79,246,550	79,246,550	793
New shares allotted in year	76,834,056	76,834,056	768
<b>At 31 August 2016</b>	<b>156,080,606</b>	<b>156,080,606</b>	<b>1,561</b>

During the year, the Company issued 76,834,056 ordinary shares for a total consideration of £96,300,000 after deduction of issue costs.

Included within the issue of 76,834,056 ordinary shares during the period were 75,234,056 shares issued following the liquidation of Henderson Global Trust plc ('HGT') whereby investors in HGT were given the option of receiving shares in either The Bankers Investment Trust PLC or Henderson International Income Trust plc.

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.



# Notes to the Financial Statements (continued)

## 17 Share premium account

	2016 £'000	2015 £'000
At the start of the year	35,796	28,239
Ordinary shares allotted in year	95,933	3,654
Issue costs	(401)	(18)
Ordinary shares allotted from exercise of subscription shares	–	3,921
<b>At 31 August</b>	<b>131,328</b>	<b>35,796</b>

## 18 Reserves

2016	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 2015	45,732	2,602	4,264	6,866	2,407
Net movement on investments held at fair value through profit or loss	–	1,533	30,366	31,889	–
Net movement on foreign exchanges	–	(50)	–	(50)	–
Expenses and finance costs charged to capital	–	(789)	–	(789)	–
Taxation charged to capital	–	–	(11)	(11)	–
Net revenue return after taxation for the year	–	–	–	–	6,521
Dividend paid	–	–	–	–	(4,560)
<b>At 31 August 2016</b>	<b>45,732</b>	<b>3,296</b>	<b>34,619</b>	<b>37,915</b>	<b>4,368</b>

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>

## Notes to the Financial Statements (continued)

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### 19 Transactions with the management company and related parties

Under the terms of an agreement effective from 22 July 2014, 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 Paribas 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 2016 was £975,000 (2015: £709,000), of which £545,000 (2015: £117,000) (per note 13) was outstanding at 31 August 2016.

In addition to the above services, Henderson has provided the Company with marketing services during the year. The total fees, excluding VAT paid or payable for these services for the year ended 31 August 2016 amounted to £54,000 (2015: £53,000) of which £28,000 (2015: £12,000) was outstanding at 31 August 2016.

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 26 and in note 6 on page 42. Directors' shareholdings are shown on page 25.

### 20 Subsequent events

Since the year end the Company has issued 475,000 shares for net proceeds of £679,000. 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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## AIFMD disclosures

In accordance with the Alternative Investment Fund Managers Directive ('AIFMD'), information in relation to the Company's leverage and remuneration of Henderson, as the Company's Alternative Investment Fund Manager ('AIFM') are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a Key Investor Information Document ('KIID') which can be found on the Company's website.

## BACS

Dividends and interest can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar (the address is given on 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.

## Common Reporting Standard

With effect from 1 January 2016 new tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information is being introduced. The legislation will require the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

## 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.

## Foreign Account Tax Compliance Act ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities 'regularly traded on an established securities market', investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company will therefore need to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

## ISA

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

## 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.

## 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.

## 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.

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

SEDOL/ISIN number: Ordinary Shares B3PHCS8/ GB00B3PHCS86  
London Stock Exchange (EPIC) Code: HINT  
Global Intermediary Identification Number (GIIN): WRGF5X.99999.SL.826  
Legal Entity Identifier (LEI): 2138006N35XWKGK2YUK38

Telephone: **0800 856 5656**  
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**[www.hendersoninternationalincometrust.com](http://www.hendersoninternationalincometrust.com)**

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