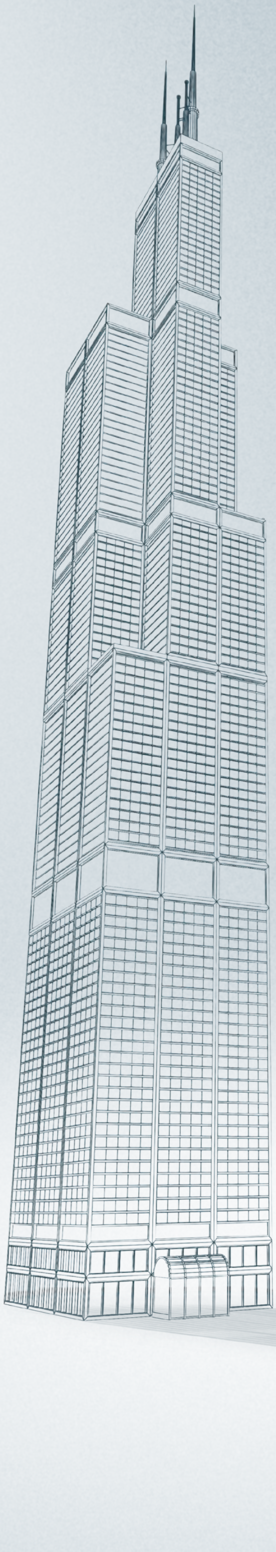
HENDERSON INTERNATIONAL INCOME TRUST PLC

Annual Report 2014



MANAGED BY
Henderson
GLOBAL INVESTORS

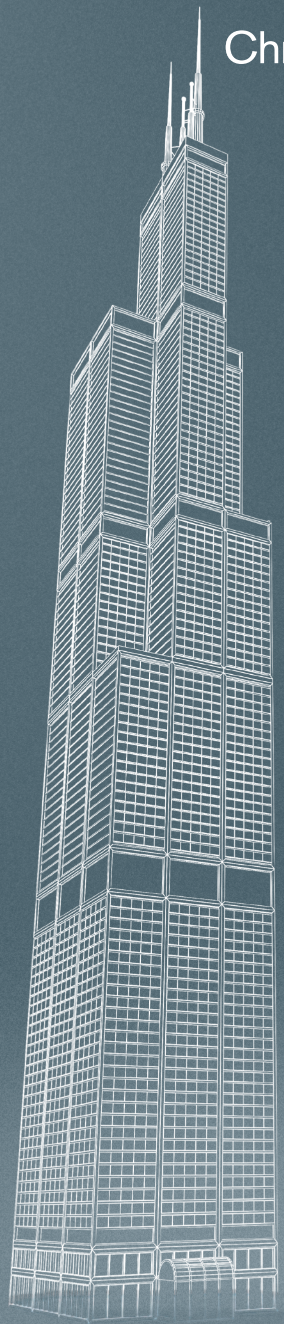
Contents

The image on the front cover is the Sears Tower, Chicago.

Strategic Report

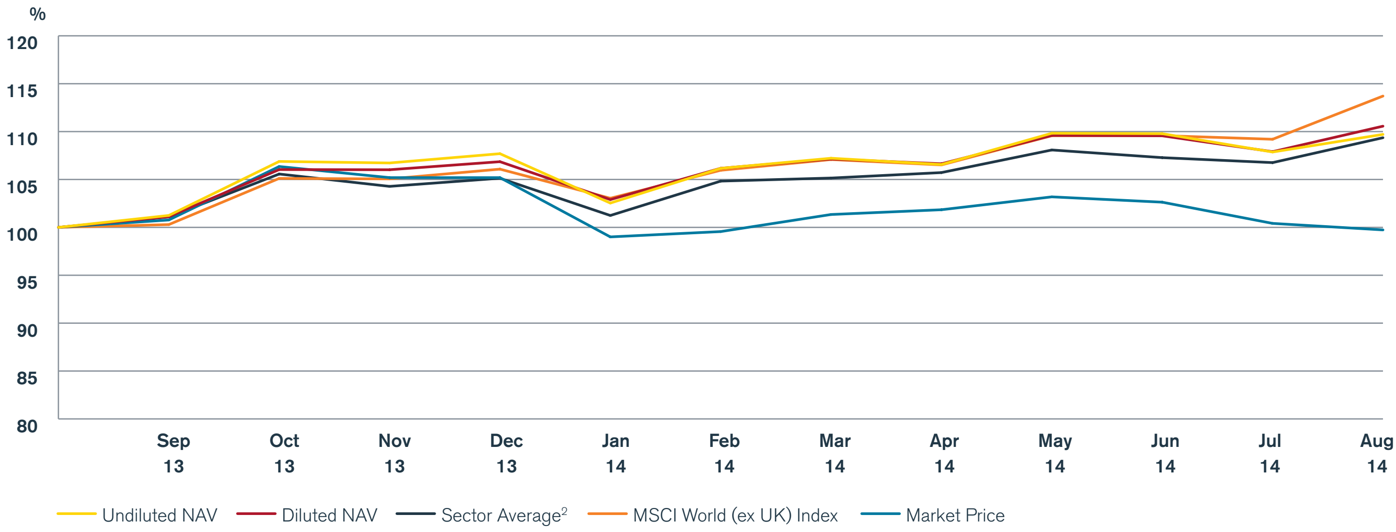
"Our portfolio has a broad international spread and our skilled investment team has the ability to select the most attractive markets. We acknowledge that there are shorter term challenges, but we continue to expect to deliver a growing income, and longer term growth in asset value".

Christopher Jonas CBE, Chairman

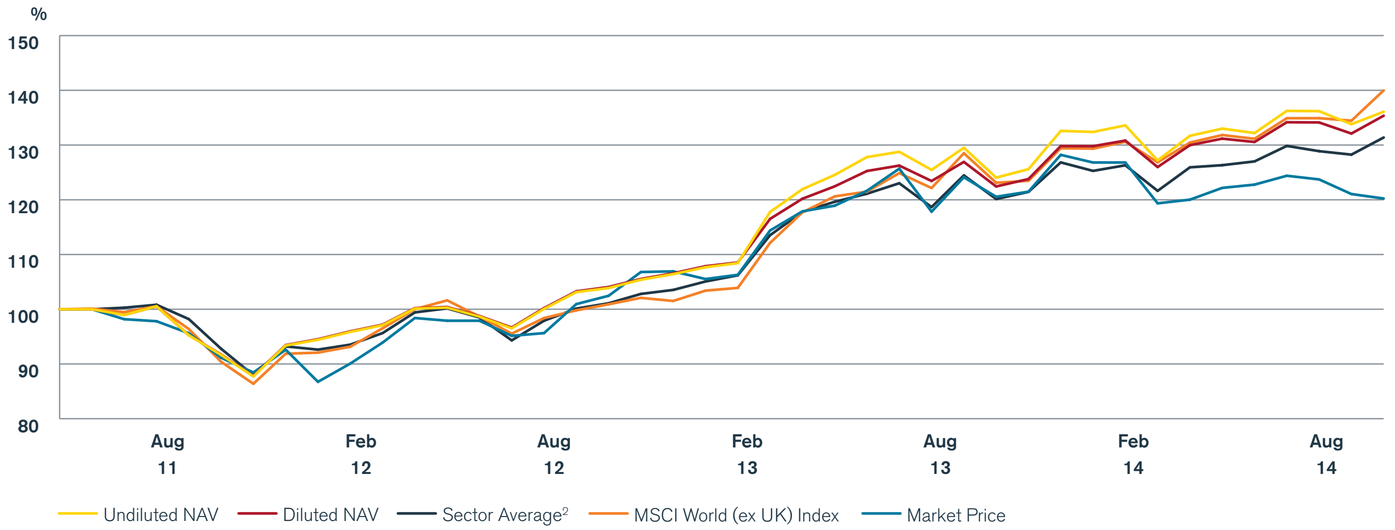


Strategic Report: Performance Highlights

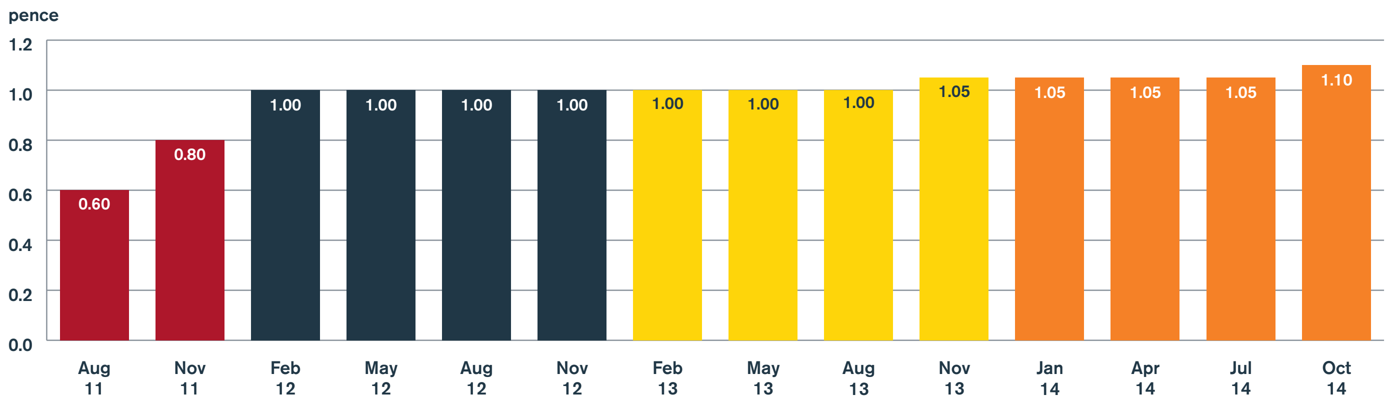
Total return performance for year to 31 August 2014[1]



Total return performance since launch[1]



Dividend growth since launch[3]



Strategic Report: Performance Highlights (continued)

Diluted NAV per share at year end[4]

2014 **117.5p**

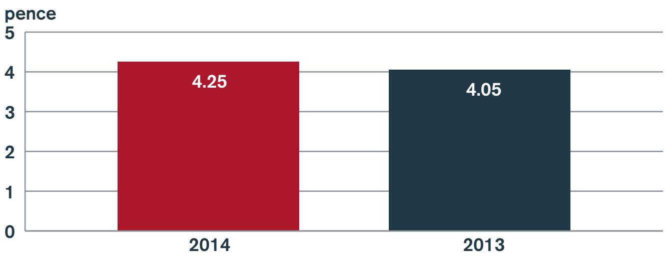
2013 110.2p

Undiluted NAV per share at year end[4]

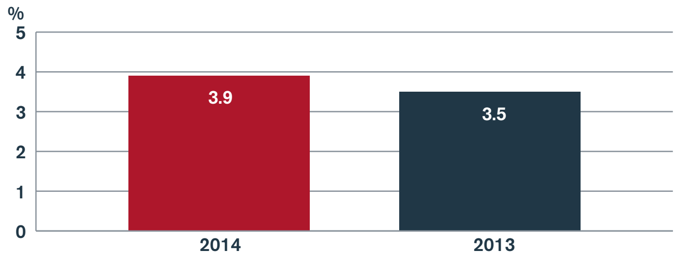
2014 **118.4p**

2013 111.9p

Dividend in respect of the year end[5]



Dividend yield at year end[3]



Ongoing charge for year

2014 **1.09%**

2013 1.39%

Gearing at year end

2014 **2.7%**

2013 11.1%

Share price at year end

2014 **109.8p**

2013 114.1p

Shares in issue[6]

2014 **76,371,550**

2013 49,803,050

1 Henderson International Income Trust plc share price total return, assuming the investment of £100 on launch (28 April 2011) and movement to each and the reinvestment of all dividends excluding dealing expenses. Excludes 8,300,000 subscription shares in issue until 31 August 2014
2 AIC Global Equity Income sector NAV total return
3 Quarterly dividends announced and paid
4 Calculated using published daily NAVs including current year revenue
5 Based on ordinary dividends paid, excludes 1st interim dividend payment for the year end 2014 and includes the 1st interim dividend payment for the year end 2015
6 This includes 8,300,000 subscription shares that were exercised, issued and allotted on 1 September 2014 (4,379,038 shares) and 4 September 2014 (3,920,962 shares)
Source: Morningstar Funddata, Henderson, Datastream

Strategic Report: Business Model

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.

Gearing

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

General

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

Management

The Company has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. 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. Prior to 22 July 2014 Henderson Global Investors Limited was appointed as Investment Manager. Both entities are authorised and regulated by the FCA. References to Henderson within this report refer to the services provided by both entities.

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

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

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

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

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

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

Strategic Report: Chairman's Statement

The Chairman of the Company, Christopher Jonas, CBE, reports on the year to 31 August 2014

Performance and markets

During the year to 31 August 2014 the return on the net asset value ("NAV") per ordinary share (on a total return basis) was 9.7%. The Company's return on the ordinary share price (on the same basis) was (0.3)%. The diluted NAV total return per ordinary share, which accounted for the subscription shares in issue until the year end was 10.6%. These returns compare to a total return of 13.7% in the MSCI World ex UK Index (sterling adjusted).

The overall results demonstrate a good total return on net assets despite being 4% behind the MSCI World ex UK Index (sterling adjusted). The lower share price return was largely due to the fall from trading at a premium to trading at a discount over the period.

During the Company's financial year uneven global economic recovery and ongoing geopolitical risks affected market confidence. Some developed markets such as the US, UK and some parts of Europe continued to recover well, whilst there was a weaker recovery for the larger part of Europe and emerging markets.

There are some real signs of recovery from the financial crisis with unemployment falling in the majority of developed countries. International co-operation on monetary policy has stimulated credit growth and maintained oversight of interest rates as a basis for further recovery.

Despite this backdrop the Company has performed well delivering an increased dividend from 4.05p to 4.25p per ordinary share for the year. During the year we increased our issued ordinary share capital by 22,647,538 ordinary shares and a further 3,920,962 ordinary shares were issued on 4 September 2014. The flexible nature of the Company's mandate allows the fund manager to spread investments around the globe to enhance returns to investors. This was achieved most prominently by selling down holdings in Europe for more attractive, yield enhancing assets, in the Asia-Pacific region.

Growth and corporate activity

The board believes it is in the interest of all shareholders that the Company widens its investor base and increases its size as opportunities arise. This should lead to improved liquidity in our shares and also spread fixed costs over a larger base. Progress has been made over the year as the Company took advantage of ongoing demand from investors. 18,268,500 ordinary shares were issued during the financial year and a further 4,379,038 ordinary shares, at the year end, on the expiry of the subscription shares issued at launch. On 4 September 2014 the remaining 3,920,962 subscription share were converted and the resulting number of shares in issue was 76,371,550, up from 49,803,050 at the start of the year.

Your board and the fund manager believe that the unique nature of the Company, the only international income investment trust that invests exclusively outside the UK, should make the Company's shares attractive to a wider audience. In the light of this and the clear economic advantages to shareholders, the board plans to bring forward a further share issue for shareholder approval once market conditions allow.

Earnings and dividend

For the year to 31 August 2014, the Company has paid three interim dividends of 1.05p per ordinary share. The fourth interim dividend of 1.10p per ordinary share was paid on 31 October 2014. Given the earnings growth being produced by the portfolio and in the absence of an adverse change in conditions, the board intends to maintain the quarterly dividend at its new level during the year to 31 August 2015.

The board also intends to return to paying quarterly dividends in line with the Company's year end date. The quarterly dividend in respect of the period ended 30 November 2014 will be paid once again in February 2015, following which, it is expected that dividends will be paid at the end of February, May, August and November each year.

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 utilised its overdraft facility to invest in specific stock opportunities. At 31 August 2014 the Company had an overdraft with HSBC of £6,740,000 (2013: £7,783,000). The gearing at the year end was 2.7%.

Strategic Report: Chairman's Statement (continued)

Discount control

On expiry of the subscription shares, the ordinary shares were trading at a material premium to the subscription share exercise price of 100p per share. As a result, all the subscription shares were exercised.

The board continues to monitor the premium/discount to NAV closely and will consider appropriate action if the relationship between the NAV and share price remains out of line with the Company's peer group. There is a distinct limit to the board's ability to influence the premium or discount to NAV, so we believe it is not in shareholders' interests to have a specific issuance and 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 2014, as calculated in accordance with the Association of Investment Companies (the "AIC") methodology is 1.09% (2013: 1.39%). With effect from 1 November 2013, the management fee was reduced from 0.80% to 0.75% of net assets and the performance fee removed.

Continuation vote

The Company's articles of association give shareholders the opportunity every three years to vote on whether they wish to continue the life of the Company, or to wind it up. Such a resolution will therefore be put to shareholders at this year's annual general meeting.

The Company is well positioned to take advantage of increased demand for its shares and to build on the strong portfolio of investments our fund manager has built since the Company was incorporated. The board recommends that all shareholders vote in favour of continuing the Company. All directors intend to do so in respect of their own beneficial holdings.

Annual general meeting

The fourth annual general meeting of the Company will be held at 2:30 pm on Friday, 12 December 2014 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.

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. Ben Lofthouse, the fund manager, will give a presentation to the meeting which will be followed by light refreshments.

Outlook

The Company's portfolio is invested across the main markets of the globe and specifically excludes stocks listed in London. This provides investors with diversity between markets and removes much of the local UK impact from our share price.

With a gradual return to global growth and increasing employment the outlook continues to improve, although with some hesitation. Globally more needs to be done to reduce country level deficits; failure to make real progress on that will eventually cause another serious disruption. There is the ever present risk of one or more of the points of international political tension escalating quite suddenly with the almost inevitable downward pressure that would place on markets.

Your board maintains a strategic watch over investment policy in order to take advantage of the overall outlook, while trying to limit the impact of more negative events. This involves attention to opportunities in the main markets across the globe; the relative level of sterling; policy on financial gearing; an investment process that builds a safety margin into the price paid for a stock to protect against random market volatility; and more generally, holding a portfolio that can be expected to increase in value over the longer term.

Our portfolio has a broad international spread and our skilled investment team has the ability to select the most attractive markets. We acknowledge that there are shorter term challenges, but we continue to expect to deliver a growing income, and longer term growth in asset value.

Christopher Jonas, CBE
Chairman
5 November 2014

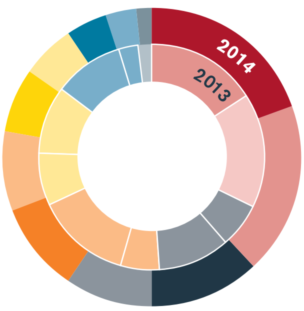
Strategic Report: Portfolio Information

Ten largest investments at 31 August 2014

Ranking 2014	Ranking 2013	Company	Country	Sector	Market value 2014 £'000	% of portfolio
1	1	Reynolds American	US	Consumer goods	2,727	3.1
2	12	SK Telecom	Korea	Telecommunications	2,633	3.0
3	7	Microsoft	US	Technology	2,367	2.7
4	–	PetroChina	China	Oil & gas	2,356	2.7
5	9	Novartis	Switzerland	Health care	2,252	2.6
6	4	Roche	Switzerland	Health care	2,229	2.5
7	49	Bank of China	China	Financials	2,145	2.4
8	20	Zurich Insurance	Switzerland	Financials	2,094	2.4
9	45	Lockheed Martin	US	Industrials	2,064	2.3
10	2	Deutsche Post	Germany	Industrials	2,002	2.3
Top 10 = 26% of the portfolio					**22,869**	**26.0**

Sector exposure at 31 August

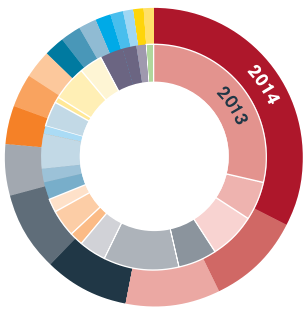
As a percentage of the investment portfolio excluding cash



	2014 %	2013 %
Financials	**19.7**	16.1
Industrials	**18.5**	16.2
Property	**11.8**	6.4
Oil & gas	**9.6**	10.3
Technology	**9.6**	5.6
Consumer services	**8.6**	13.5
Health care	**7.0**	7.7
Consumer goods	**5.8**	9.5
Telecommunications	**4.4**	10.1
Utilities	**3.4**	2.9
Basic materials	**1.6**	1.7

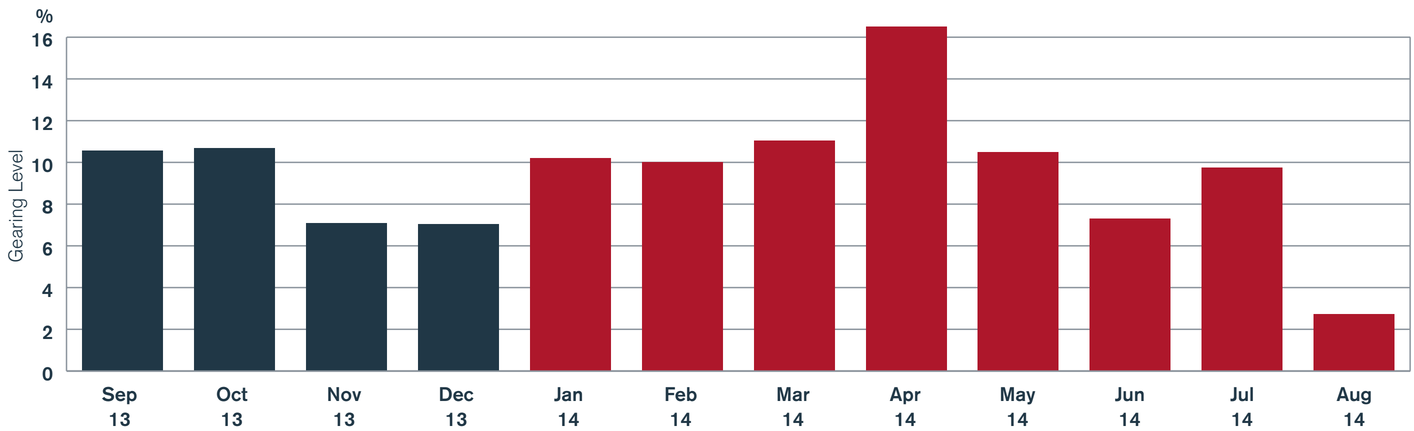
Geographic exposure at 31 August

As a percentage of the investment portfolio excluding cash



	2014 %	2013 %
United States	**32.7**	28.7
France	**10.3**	5.5
Switzerland	**10.2**	6.8
China	**9.1**	5.6
Germany	**8.9**	10.7
Australia	**5.5**	3.9
Hong Kong	**4.2**	2.1
Taiwan	**3.5**	3.8
Korea	**3.0**	2.0
Singapore	**2.3**	2.3
Italy	**2.3**	2.0
Canada	**1.8**	5.1
Japan	**1.7**	–
New Zealand	**1.4**	1.2
Norway	**1.1**	3.4
Thailand	**1.1**	0.8
Netherlands	**0.9**	5.0
Brazil	**–**	3.5
Sweden	**–**	3.3
Luxembourg	**–**	1.9
Malaysia	**–**	1.4
Indonesia	**–**	1.0

Gearing levels over the year to 31 August 2014



Source: Henderson

Strategic Report: Investment Portfolio as at 31 August 2014

Company	Country	Market value £'000	% of portfolio
Basic materials			
BASF	Germany	1,451	1.6
		1,451	**1.6**
Consumer goods			
Reynolds American	US	2,727	3.1
Nestlé	Switzerland	1,444	1.6
Charoen Pokphand Foods	Thailand	945	1.1
		5,116	**5.8**
Consumer services			
RTL Group	Germany	1,693	1.9
Six Flags Entertainment	US	1,574	1.8
Aimia	Canada	1,559	1.8
Las Vegas Sands	US	1,481	1.7
SJM	Hong Kong	1,229	1.4
		7,536	**8.6**
Financials			
Bank of China	China	2,145	2.4
Zurich Insurance	Switzerland	2,094	2.4
National Australia Bank	Australia	1,776	2.0
AXA	France	1,672	1.9
PNC Financial Services	US	1,633	1.9
Och-Ziff Capital Management	US	1,628	1.9
Mizuho Financial	Japan	1,540	1.7
Deutsche Boerse	Germany	1,511	1.7
Ares Capital	US	1,342	1.5
Scor Se	France	1,086	1.2
Cembra Money Bank	Switzerland	1,006	1.1
		17,433	**19.7**
Health care			
Novartis	Switzerland	2,252	2.6
Roche	Switzerland	2,229	2.5
Pfizer	US	1,682	1.9
		6,163	**7.0**
Industrials			
Lockheed Martin	US	2,064	2.3
Deutsche Post	Germany	2,002	2.3
Eaton	US	1,681	1.9
Rexel	France	1,571	1.8
United Parcel Services	US	1,565	1.8
General Electric	US	1,548	1.8
Amcor	Australia	1,495	1.7
NWS Holdings	China	1,153	1.3
Taiwan Cement	Taiwan	1,139	1.3
Shanghai Industrial	China	1,040	1.2
Covanta	US	1,011	1.1
		16,269	**18.5**

Company	Country	Market value £'000	% of portfolio
Oil & gas			
PetroChina	China	2,356	2.7
ENI	Italy	2,000	2.3
Total	France	1,914	2.2
Sembcorp Marine	Singapore	1,194	1.3
Seadrill	Norway	984	1.1
		8,448	**9.6**
Property			
Corrections Corp of America	US	1,825	2.1
Wharf	Hong Kong	1,669	1.9
Nexity	France	1,577	1.8
Scentre	Australia	1,573	1.8
Icade	France	1,260	1.4
Mapletree Greater China	Singapore	907	1.0
Cheung Kong	Hong Kong	822	0.9
Eurocommercial	Netherlands	803	0.9
		10,436	**11.8**
Technology			
Microsoft	US	2,367	2.7
Seagate Technology	US	1,639	1.9
NetEase	China	1,351	1.5
Taiwan Semiconductor Manufacturing	Taiwan	1,304	1.5
Garmin	US	1,112	1.3
Tong Hsing Electronic Industries	Taiwan	653	0.7
		8,426	**9.6**
Telecommunications			
SK Telecom	Korea	2,633	3.0
Spark New Zealand	New Zealand	1,270	1.4
		3,903	**4.4**
Utilities			
Dominion Resources	US	1,734	2.0
RWE	Germany	1,211	1.4
		2,945	**3.4**
Total Investments		**88,126**	**100.0**

Strategic Report: Fund Manager's Report

The Fund Manager of the portfolio, Ben Lofthouse, reports on the year to 31 August 2014

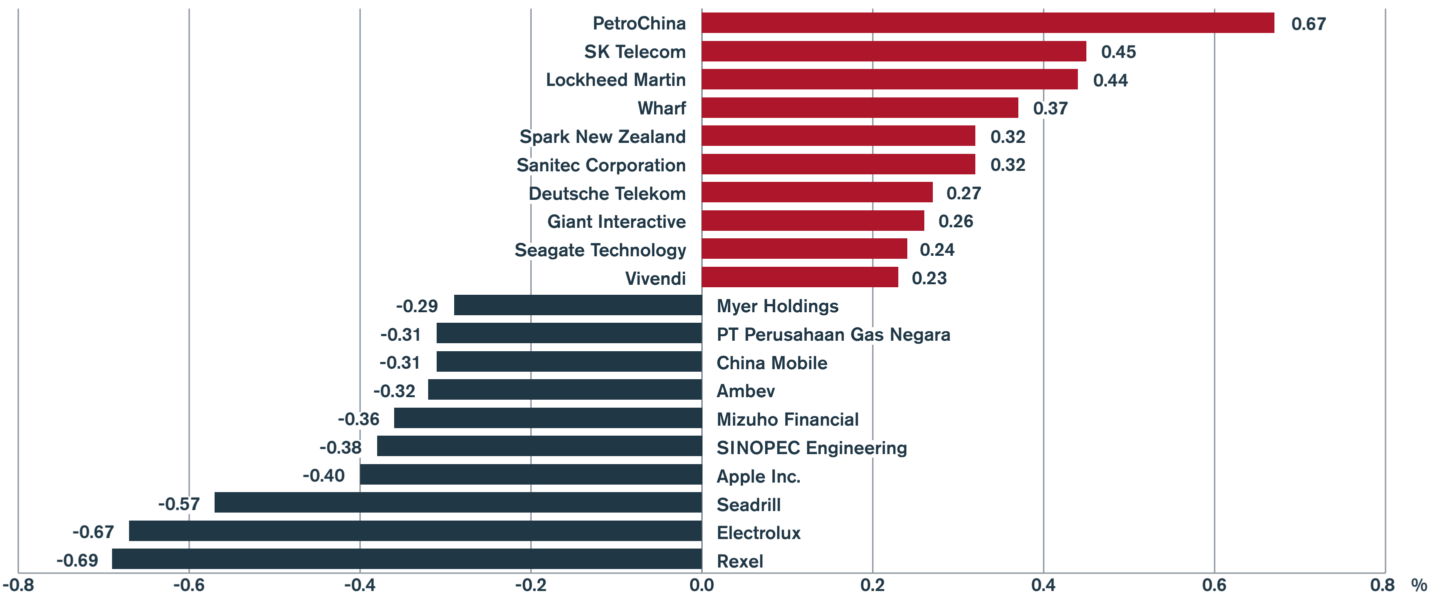
Introduction

The portfolio delivered good returns over the period, generating a total return of 9.7% (NAV per ordinary share (basic)) including a dividend of 4.25p, an increase of 4.9% year on year.

Across the portfolio dividend growth has generally been strong, and has come from a variety of different sectors and geographies. In the United States the gradual economic recovery has translated into healthy dividend growth from holdings including General Electric (16% increase in quarterly dividend), United Parcel Services (8%) and US retail bank PNC Financial (9%). Despite the slower than expected economic recovery across Europe a number of holdings increased their dividends including pharmaceutical companies Novartis (7%) and Roche (6%), and German logistics and mail operator Deutsche Post (14%). Whilst European companies with overseas sales have continued to grow, some domestic European companies have struggled against a background of slow growth and overcapacity, and there were some holdings that cut dividends, notably telecommunication companies Deutsche Telekom and Vivendi. Although these cuts were not surprises as they were either announced last year or anticipated as these are both restructuring stories. We have taken advantage of the strong performance in these companies' share prices over the last twelve months as a result of their restructuring activity to close the positions in order to fund new investments which have stronger dividend growth potential. On a more positive note a number of the portfolio's Asia-Pacific holdings have seen a strong pick up in dividend growth, including Bank of China (12%), Hong Kong conglomerate Cheung Kong (10% plus a special dividend), and Australian packaging company Amcor (8%). Sterling was generally strong against many other currencies around the world, which has reduced the underlying income growth in sterling terms over the year, but strong underlying dividend growth has enabled the Company to pay an increased dividend year on year whilst continuing to add to revenue reserves.

In terms of the outlook for dividend growth, whilst economic growth feels subdued for both investors and the man on the street, and geopolitical issues dominate the headlines, global economic growth has actually increased year on year (the IMF forecasts GDP growth of 3.3% in 2014 compared to 3% in 2013), which has given many boards of directors of companies more confidence to commit to increased dividend payments despite ongoing geopolitical issues. In addition to a more supportive growth environment, interest rates remain very low, both at the short and long ends of the interest rate curve, which is reducing many companies' refinancing costs. Against this background our expectations are for further dividend growth from the portfolio, and one of the key investment criteria for the Company's investments is the ability to sustain, and preferably to grow dividends in what is likely to be a relatively low economic growth environment for the foreseeable future.

Top ten contributors to and bottom ten detractors from relative return



Source: Henderson

Strategic Report: Fund Manager's Report (continued)

Portfolio

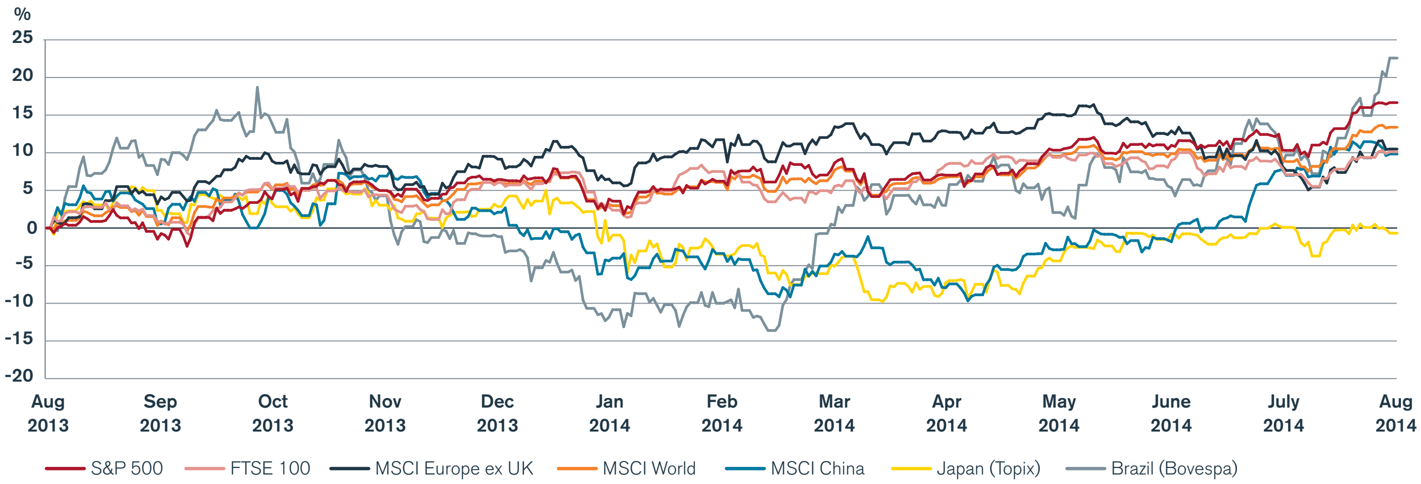
The Company's portfolio is relatively concentrated consisting of on average 60 positions, so performance is impacted by stock specific news and events as well as regional equity market performance and sector news. The principal contributors and detractors to performance are listed on the previous page.

The strongest performing regional portfolio was Asia-Pacific, returning 16% over the period, followed by North America which returned 12.9%, and then Europe which generated a 9% return. The MSCI World ex UK Index (sterling adjusted) returned 13.7% over the period. The portfolio has generated good capital and income returns, but has under-performed the index over the year. Asset allocation was a positive contributor to relative performance as the underweight US position was offset by being underweight Japan, a poor performer over the year, and being significantly overweight Asia, which performed well and where the stock selection was particularly strong. Gearing was also used actively over the year averaging 11%, which generated a positive contribution to performance. Whilst there have been stock specific reasons for some of the portfolio's performance position's, the general pattern amongst a number of under-performers has been that economic growth has either been slower than we expected or has not filtered down to improved sales and/or profitability as quickly as expected at the time of investment.

Holdings that this applies to include electronics appliance manufacturer Electrolux, where better than expected US growth was more than offset by weak European and emerging market demand and currencies, component distributor Rexel, operating well but in an environment that has not improved yet, and Australian department store Myer, which has been impacted by slower growth than anticipated. The positions in Electrolux and Myer Holdings were sold during the year to finance more attractive investment opportunities.

The strongest performers have been those that have either proven the market's expectations to be too pessimistic, or have announced actions to improve profitability. Lockheed Martin, for example, has performed strongly as the investor fears about the severity of cuts to the US defence budget have diminished. Hong Kong property company Wharf was added to the portfolio at a significant discount to the book value of its assets after falling during 2013 on concerns regarding slowing Chinese growth, but has continued to report solid results. Subdued economic growth around the world is driving many companies across different sectors and geographies to address profitability issues themselves rather than relying on sales growth. Chinese integrated oil company PetroChina, Korean telecommunications company SK Telecom and New Zealand telecommunications company Spark have rallied on reforms, either internal or industry wide, that should result in improved future profitability.

Regional indices performance over the year to 31 August 2014

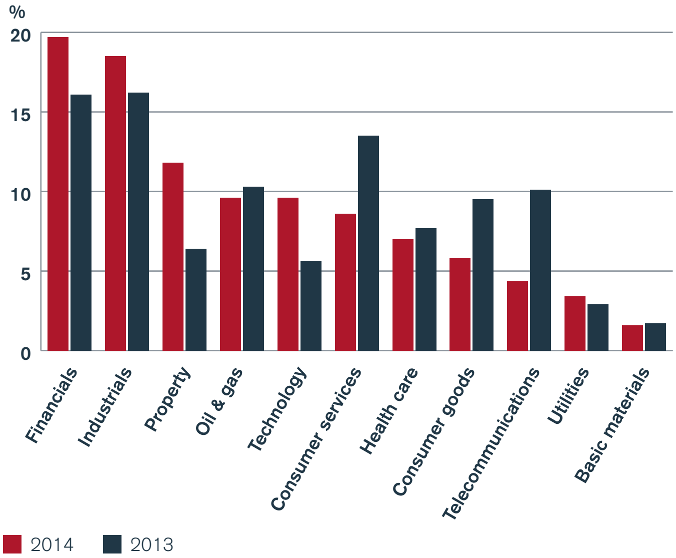


Source: Henderson

Strategic Report: Fund Manager's Report (continued)

Asset allocation weighting of portfolio at 31 August

By sector



By region

Sources: Henderson

Activity

Whilst the Company has a diverse investment portfolio covering many sectors and geographies many of the positions have common characteristics; the investment team favour established, cash generative business models with high barriers to entry, sustainable dividends with a preference for earnings and dividend growth potential over yield alone, and generally an attractive valuation on various financial metrics. The low prevailing interest rates coupled with, and arguably driven by, monetary expansion in many major world economies have caused an increased demand for income generating assets, including higher yielding equities in some parts of the world. Whilst we do not see this demand diminishing until interest rates are considerably higher than they are currently, it has led to demanding valuations in some sectors. The team's valuation discipline has resulted in quite significant asset allocation changes over the year in response to market movements, the main change being the reduction of the portfolio's exposure to Europe from over 44% to 34% of the portfolio between February and the year end. The Asia-Pacific portfolio was increased over the same period from 26% to 32%, with the majority of new money being invested in Chinese companies. The reduction in the European exposure was a product of value realisation in the underlying holdings, many of which had performed very strongly in the last twelve to eighteen months as investor confidence in Europe increased, rather than pessimism about the region. The portfolio retains a significant exposure to European companies. The exposure to Asia, and in particular China, was increased after a period of several years during which the Chinese market had underperformed many developed and emerging markets as the government implemented measures to moderate economic growth and its accompanying inflation pressures. During this period valuations had fallen to the point where the market was trading at a significant discount to many other equity markets, and its own history.

Positions have been added on a selective basis using the methodology mentioned earlier, including PetroChina, Wharf and Chinese online game developer NetEase. The North American exposure was maintained at 35%, over the period. Gearing fell to 2.7% at the year end largely due to the new shares issued to the subscription shareholders.

Outlook

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

Ben Lofthouse
Fund Manager
5 November 2014

Strategic Report: Historical Performance and Financial Information

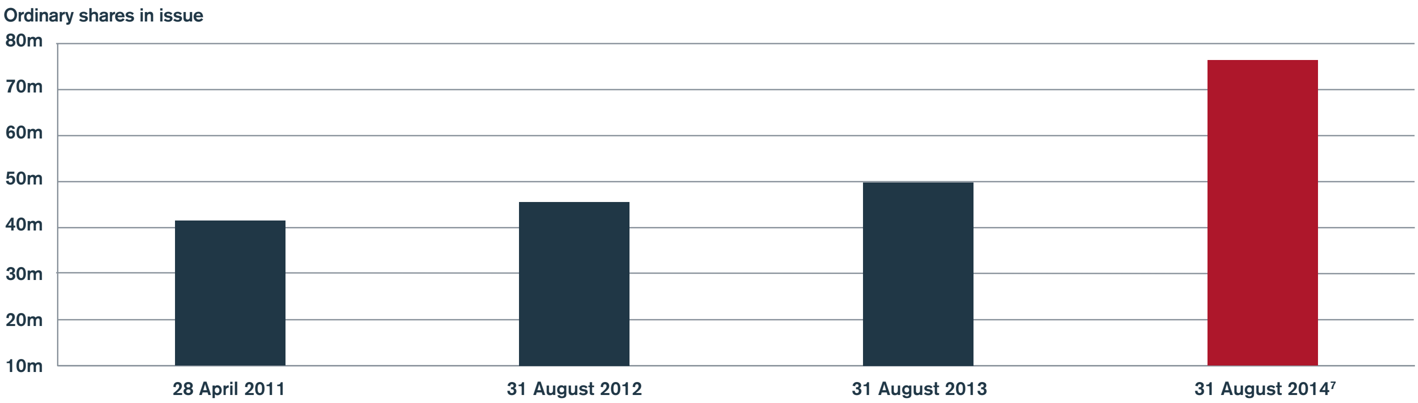
Total return performance[1]

	1 year %	3 years %	Since launch %
Diluted NAV[2]	10.6	47.6	35.4
Undiluted NAV[2]	9.7	48.5	36.1
Share price[3]	(0.3)	31.9	20.2
Benchmark[4]	13.7	54.9	40.0
Sector average[5]	10.4	41.4	31.2

Financial information for the year end

Date	Net assets £'000	NAV[6] pence	Mid-market price per ordinary share pence	Premium/ (Discount) %	Profit for year £'000	Revenue return pence	Capital return pence	Total return pence	Dividends per ordinary share pence	Expenses %
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**

Issued ordinary share capital since launch



1 Including dividends reinvested and excluding transaction costs
2 Net asset value per ordinary share (including current year revenue)
3 Middle market closing price
4 MSCI World (ex UK) Index (sterling adjusted)
5 The sector is the AIC Global Equity Income sector
6 Undiluted NAV
7 This includes 8,300,000 subscription shares that were exercised, issued and allotted on 1 September 2014 (4,379,038) and 4 September 2014 (3,920,962 shares)

Strategic Report: Key Information

Directors

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

Christopher Jonas, CBE

Position: Chairman of the board and of the nominations and management engagement committees

Date of appointment: 16 March 2011 (Chairman March 2011)

Christopher has been a senior adviser at Lazard & Co. Ltd and Lloyds Banking Group, a main board member of British Railways, the Port of London Authority and Canary Wharf Group plc. He is Chairman of the Contemporary Art Society and was Chairman of Goldsmiths University of London and Chairman of the governing body of Rodean. He is a past president of the Royal Institution of Chartered Surveyors. Christopher was Chairman of Henderson Global Property Companies Limited.

Peregrine Banbury, CVO

Position: Director

Date of appointment: 16 March 2011

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. He was a trustee of The Two Moors Festival until May 2014 and is a trustee of The Luke Somerfield Memorial Trust.

William (Bill) Eason

Position: Director

Date of appointment: 16 March 2011

Bill is Head 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. He was Chief Investment Officer at Laing and Cruickshank, and a former Chairman of Henderson High Income Trust plc, as well as acting as trustee to Marshall's Charity and the John Hampden Fund and as a director of The European Investment Trust PLC. Bill is an Associate of the Society of Investment Professionals ("ASIP") and holds a Fellowship of the Chartered Institute for Securities and Investment. He was also a Governor of Henley Management College and is a Fellow of Gray's Inn.

Simon Jeffreys

Position: Chairman of the Audit Committee

Date of appointment: 16 March 2011

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 is now a Senior Advisor to Wellcome Trust. Simon is on the board of directors and chairs the audit committees of St James's Place plc, SimCorp A/S and Aon UK Limited. He 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.

All directors are independent of Henderson and are members of the nominations, management engagement and audit committees.

Strategic Report: Key Information (continued)

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

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

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

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

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0870 707 4033
Email: 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**

Financial calendar

Annual results	November 2014
Dividend record date	10 October 2014
Ex-dividend date	9 October 2014
Annual general meeting[1]	12 December 2014
Half year results	May 2015

Information sources

For more information about Henderson International Income Trust plc, visit the website at **www.hendersoninternationalincometrust.com**

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

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

Follow us on Twitter
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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 holdings shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone on 0845 609 0408, email **Henderson@halifax.co.uk** or visit their website **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.

1 At the Company's registered office at 2.30pm

Strategic Report: Corporate Information

Status

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

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

Principal risks and uncertainties

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

Investment activity and performance

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

Portfolio and market price

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

Tax and regulatory risks

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

Operational risks

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

Borrowing

Where the fund manager believes that gearing will enhance returns to shareholders, the Company may borrow up to 25% of its net assets at the time of drawdown or investment (as appropriate). Borrowings for these purposes would include implied gearing through the use of derivatives.

Future developments

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

Key performance indicators

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

Dividend sustainability and growth

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

Performance measured against the benchmark

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

Strategic Report: Corporate Information (continued)

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

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

The charts and tables on pages 2 and 12 show how the Company has performed against these KPIs.

Corporate responsibility

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

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

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

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

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website **www.henderson.com**.

Employees, social, community, human rights and environmental matters
The Company has no employees and its core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues.

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

The Company's annual report and half year results update are printed on carbon balanced paper, whereby the carbon impact of the production and distribution process has been balanced, or offset, by the World Land Trust, an international conservation charity.

Gender representation
Currently, four of the Company's directors are male. Their appointment to the board was based on their skills and experience. The board believes that diversity is important however, given the small size of the board, it is not considered appropriate for the Company to have set targets in this regard. The Company has no employees and therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the board

Christopher Jonas, CBE
Chairman
5 November 2014

Glossary

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.

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

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This is calculated by taking the difference between quoted investments including written call options and equity shareholders' funds divided by equity shareholders' funds and multiplied by 100.

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.

Glossary (continued)

Net asset value ("NAV") per ordinary share

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

Ongoing charge

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

Premium/discount

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

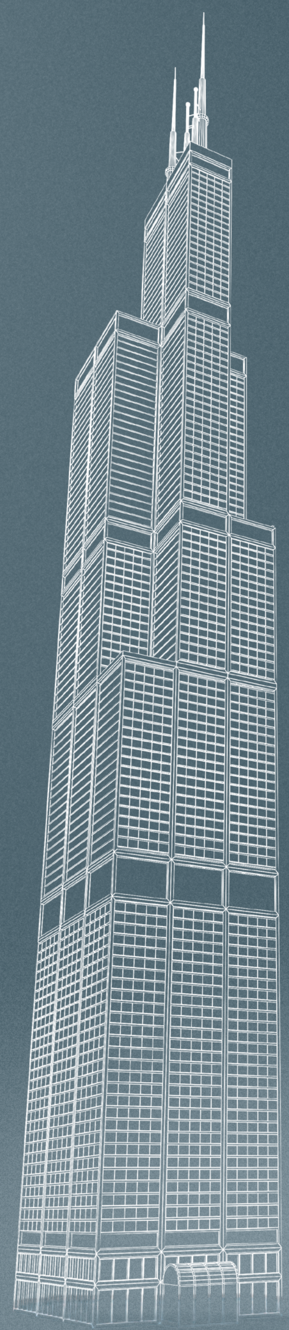
Total return performance

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

Yield

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

Corporate Report



Report of the Directors

The corporate governance statement on pages 25 to 28 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 2013 to 31 August 2014. The Company (registered in England & Wales on 2 March 2011 with company registration number 7549407) was active throughout the year under review and was not dormant.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 23 and 24 provides information on the remuneration and share interests of the directors.

Directors' conflicts of interest

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

Related party transactions

Other than the relationship between the Company and its directors, the provision of services by Henderson is the only related party arrangement currently in place. 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 this related party affecting the financial position or the performance of the Company during the year under review.

Share capital

The Company's share capital comprises ordinary shares with a nominal value of 1p each and up until the year end date, subscription shares, with a nominal value of 1p each. The voting rights of the shares on a poll are one vote for every ordinary share held; the subscription shares did not carry voting rights. 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.

Over the year the Company issued 18,268,500 ordinary shares comprised of 17,818,500 ordinary shares as a result of the C share conversion on 22 January 2014 and 450,000 ordinary shares through utilising the Company's block listing facility. A further 8,300,000 ordinary shares were issued upon expiry of the subscription shares which lapsed on 31 August 2014 on which date 4,379,038 were converted to ordinary shares and listed on the London Stock Exchange main market, resulting in issued ordinary share capital as at 31 August 2014 of 72,450,588 shares.

On 4 September 2014 the remaining, 3,920,962 subscription shares were converted to ordinary shares and listed on the London Stock Exchange main market. As a result the Company's issued ordinary share capital as at 4 September 2014 was 76,371,550 shares. As at 5 November 2014 the Company's issued ordinary share capital remains at 76,371,550 ordinary shares.

Subject to annual shareholder approval the Company may purchase its own ordinary shares at a discount to NAV per share. At the AGM in December 2013 shareholders gave the board authority to buy-back 6,907,017 ordinary shares during the following 15 months for cancellation. To date this authority has not been used.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2014 in accordance with the FCA Disclosure and Transparency Rules were as follows:

	% of voting rights
Quilter Cheviot Limited	12.9
Brewin Dolphin Limited	8.8
Smith & Williamson Holdings Limited	5.0

No changes have been notified in the period 1 September 2014 to 5 November 2014.

At 31 August 2014, 6% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Henderson, historically the participants in this scheme were given the opportunity to instruct the relevant nominee company to exercise voting rights appertaining to their shares in respect of all general meetings of the Company. In July, following a review of voting arrangements in place between HSDL and Henderson, the board resolved that they be given complete discretion to vote on every occasion. However, the board's decision shall be clearly communicated to its shareholders at HSDL when the report and accounts and voting instruction forms are issued (either proportional voting, one vote per share or votes in favour or against).

Report of the Directors (continued)

Duration of the Company and going concern

The Company's articles of association require that at every third AGM of the Company an ordinary resolution be put to shareholders asking them to approve the continuation of the Company. This is the first year that shareholders will be asked to continue the life of the Company. The directors therefore propose an ordinary resolution to the shareholders that the Company continues in existence as an investment trust at this year's AGM and the directors are recommending that shareholders should vote in favour of the resolution, as they shall do in respect of their own shareholdings. The directors have no reason to believe that the resolution will not be passed however if such resolution is not passed, proposals for the Company's liquidation or reconstruction will be put to shareholders.

The ongoing viability of the Company and the validity of the going concern basis depends on the outcome of the continuation vote, on which the board is recommending that shareholders vote in favour. In particular, no provision has been made for the costs of winding-up the Company or liquidating its investments in the event that the resolution is not passed.

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

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the board has considered "Going Concern and Liquidity Risk: Guidance for directors of UK Companies 2009" published by the Financial Reporting Council.

Annual general meeting

The annual general meeting ("AGM") will be held on Friday 12 December 2014 at 2.30 pm at the Company's registered office. The notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

Regulations implementing the Alternative Investment Fund Managers Directive ("AIFM UK Regulations") came into force in the UK on 22 July 2013. The board is proposing to make amendments to the Company's existing articles of association in response to the AIFM UK Regulations coming into force.

The principal changes to be introduced in the proposed articles of association, and their effect, are as follows.

Net asset value

The proposed articles of association will provide that the net asset value of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM UK Regulations.

Valuation

The proposed articles of association provide that valuation of the Company's assets shall be performed in accordance with prevailing accounting standards. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM UK Regulations.

Liability for loss of financial assets held in custody

The AIFM UK Regulations require that the Company has a depositary. Under the AIFM UK Regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties.

The board is cognisant that situations may arise where allowing the depositary to discharge its strict liability will be commercially necessary. An amendment to the existing articles of association is therefore proposed with the effect of enabling the board, should the need arise and subject to applicable laws, to allow a depositary to discharge its strict liability for loss of certain of the Company's assets. This proposed amendment provides the Company with commercial flexibility, and the board will exercise its discretion in the usual way in determining whether or not to provide such a discharge.

Copies of the proposed new articles of association of the Company, including a version showing tracked changes of the alterations from the existing articles of association, will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to and including the date of the AGM.

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

By order of the board

Henderson Secretarial Services Limited
Corporate Secretary
5 November 2014

Statement of Directors' Responsibilities

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

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

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

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

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

Statement under DTR 4.1.12

Each of the directors, who are listed on page 13, 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
5 November 2014

The financial statements are published on **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 financial statements since they were initially presented on the website.

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

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 AGM on 12 December 2014. The Company's remuneration policy will be put to shareholders for approval by ordinary resolution for the first time this year under section 439A of the Act.

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

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

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

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's articles of association the aggregate remuneration of the directors may not exceed £500,000 per annum. Subject to this overall limit, the board's policy is that the fees payable to the directors should be reasonable in relation to market rates, reflect the time spent by the board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. 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 major 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 2014	31 August 2013
Christopher Jonas	139,730	89,988
Peregrine Banbury	28,649	20,164
Bill Eason	81,212	71,212
Simon Jeffreys	102,425	50,000

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. The directors' exercised the following subscription rights on 31 August 2014. These have been included in the table above.

	Subscription shares of 1p
Christopher Jonas	17,081
Peregrine Banbury	–
Bill Eason	10,000
Simon Jeffreys	10,000

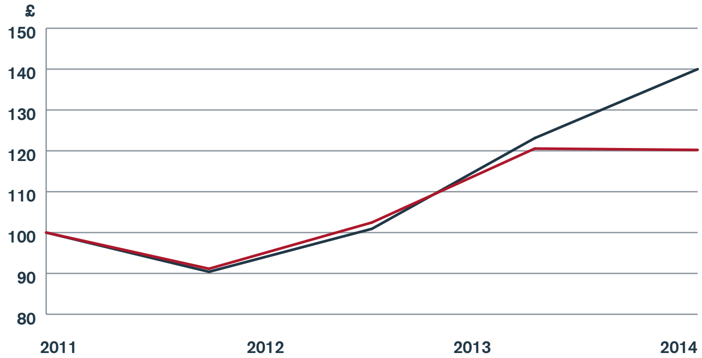
There have been no changes to any of the directors' holdings in the period 1 September 2014 to 5 November 2014.

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 2014 with the return from the MSCI World Index ex UK (sterling adjusted) over the same period.



— Henderson International Income Trust plc share price total return, assuming the investment of £100 on launch (28 April 2011) and movement to each and the reinvestment of all dividends (excluding dealing expenses)

— MSCI World ex UK Index (sterling adjusted) total return, assuming the notional investment of £100 into the Index on launch (28 April 2011) and movement to each and the reinvestment of all income (excluding dealing expenses)

Source: Datastream

Directors' fees and expenses (audited)

The fees and expenses paid to the directors who served during the years ended 31 August 2014 and 31 August 2013 were as follows:

	Year ended 31 August 2014 Total salary and fees £	Year ended 31 August 2013 Total salary and fees £	Year ended 31 August 2014 Taxable benefits £	Year ended 31 August 2013 Taxable benefits £	Year ended 31 August 2014 Total £	Year ended 31 August 2013 Total £
Christopher Jonas	35,000	35,000	51	189	35,051	35,189
Peregrine Banbury	20,000	20,000	–	–	20,000	20,000
Bill Eason	20,000	20,000	–	581	20,000	20,581
Simon Jeffreys	25,000	25,000	183	370	25,183	25,370
Total	**100,000**	**100,000**	**234**	**1,140**	**100,234**	**101,140**

No other remuneration or compensation was paid or payable by the Company during the year to any of the current directors or third parties specified by any of them.

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.

	2014 £	2013 £	Change £
Total remuneration	100,234	101,140	(906)
Ordinary dividend paid	2,483,000	1,913,000	570,000

Statement of voting at annual general meeting

At the 2013 AGM 6,864,281 (89.5%) votes were received for the resolution seeking approval for the Director's Remuneration Report, 97,374 (1.4%) were against, 670,421 (9.8%) were discretionary and 37,237 were withheld. The percentage of votes excludes votes withheld. This will be the first year shareholders will be asked to vote on the Company's remuneration policy.

For and on behalf of the board

Christopher Jonas, CBE
Chairman
5 November 2014

Corporate Governance Statement

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

Applicable corporate governance codes

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

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **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 AGM in accordance with the articles of association. All directors retire at intervals of not more than three years.

In accordance with the articles of association, Bill Eason and Simon Jeffreys have elected to offer themselves for re-election at the 2014 AGM.

The contribution and performance of each of the directors seeking re-election was reviewed by the Nominations Committee in July 2014, which recommended to the board the continuing appointment of each of those directors.

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

Directors' independence

All directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2014, the directors reviewed their independence and confirmed that all directors remain wholly independent of Henderson. The board has determined that all directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

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

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No director has a contract of service with the Company and there are no agreements between the Company and its directors concerning compensation for loss of office.

Directors' professional development

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

Directors' insurance and indemnification

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

Corporate Governance Statement (continued)

The Board

Board composition

The board currently consists of four non-executive directors and the biographies of those holding office at the date of this report are included on page 13. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors. All directors served throughout the year and are all resident in the UK.

Responsibilities of the board and its committees

The board, which is chaired by Christopher Jonas, CBE who is an independent non-executive director, meets formally at least five times a year, with additional board or committee meetings arranged when required. The directors have regular contact with the fund manager and representatives of the Corporate Secretary between formal meetings. The board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, board membership and other appointments, delegation of authority, remuneration, corporate governance matters, policies and other matters.

The board is responsible for the approval of annual and half year results, interim management statements 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 2014, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

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

Committees of the board

The board has three committees: the audit committee, the management engagement committee and the nominations committee. The terms of reference for these committees are available on the website **www.hendersoninternationalincometrust.com** or via the Corporate Secretary.

A separate remuneration committee has not been established as the board consists of only non-executive directors. The whole board is responsible for setting directors' fees in line with the remuneration policy set out on page 23, which is subject to periodic shareholder approval.

Audit Committee

The audit committee comprises all of the directors and is chaired by Simon Jeffreys, who is a chartered accountant. The other audit committee members have a combination of financial, investment and other experience gained throughout their careers and the board is satisfied that at least one of the committee's members has recent and relevant financial experience. All members of the audit committee are independent. The report of the audit committee can be found on pages 29 to 30.

Nominations Committee

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

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

The board believes that diversity is important, however, given the small size of the board, it is not considered appropriate for the company to have set targets in this regard; candidates will be assessed in relation to the relevant needs of the company at the time of appointment. The nominations committee will recommend 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 will use external agencies as and when the requirement to recruit an additional board member becomes necessary.

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

The committee met in July 2014 to carry out its annual review of the board, its composition and size and its committees. The results of the 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 2014 to carry out its annual review of Henderson, the results of which are detailed below.

Board attendance
The table below sets out the number of scheduled board and committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the AGM in December 2013.

	Board	AC	MEC	NC
Number of meetings	**5**	**2**	**1**	**1**
Christopher Jonas, CBE	5	2	1	1
Peregrine Banbury	5	2	1	1
Bill Eason	5	2	1	1
Simon Jeffreys	5	2	1	1

AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee

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

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

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 2014. 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 22, the Independent Auditors' Report on pages 31 to 32 and the statement of going concern on page 21.

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.

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.

Corporate Governance Statement (continued)

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 sought 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.

Continued appointment of Henderson

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

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

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

Share capital

Please see the report of the directors on page 20.

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 periodic interim management statements and 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.

The board considers that shareholders should be encouraged to attend and participate at the AGM. 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 AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the 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 Corporate Secretary at the registered office address given on page 14 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
5 November 2014

Report of The Audit Committee

Meetings

The audit committee met twice during the year under review. The Company's auditors are invited to attend meetings as necessary. Representatives of Henderson and BNP Paribas Securities Services may also be invited.

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 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:

- a review of the half year results and the annual report, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- 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 27, and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- 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 27;
- consideration of the appointment of the auditors and its performance and remuneration (see page 30);
- consideration of the auditors' independence and objectivity and the provision of any non-audit services (as explained further on page 30); and
- 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 policy includes the necessary arrangements for independent investigation and follow up action.

Audit for the year ended 31 August 2014

In relation to the annual report for the year ended 31 August 2014 the following significant issues were considered by the committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	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.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 37) and is reviewed by the committee at each meeting.

Report of The Audit Committee (continued)

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:

- 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.

Auditors' appointment

Grant Thornton UK LLP have been the Company's auditors since the Company was launched. The appointment of the auditors is not regularly put out to tender and as the Company is not in the FTSE 350 it is not required to do so on a regular basis. However, performance is regularly reviewed by the audit committee. The audit committee is satisfied that the auditors are independent of the Company.

The audit committee remains satisfied with the effectiveness of the audit provided by Grant Thornton UK LLP. At the audit committee meeting in October 2014, the committee assessed the performance of Grant Thornton UK LLP through discussions both with the auditor present and privately, with the fund manager and company secretary to provide feedback on the audit process. On the basis of the auditors' performance the audit committee recommended their continuing appointment to the board with no tender necessary. The auditors have indicated their willingness to continue in office. Accordingly, resolutions to confirm the 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 AGM.

Fees paid or payable to the auditors are detailed in note 6 on page 39.

For and on behalf of the board
Simon Jeffreys
Audit Committee Chairman
5 November 2014

Independent Auditor's Report to the Members of Henderson International Income Trust plc

We have audited the financial statements of Henderson International Income Trust plc for the year ended 31 August 2014 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

Auditor commentary

An overview of the scope of our audit

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 is outsourced to third party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at relevant third party service providers. We undertook substantive testing on significant transactions, account 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.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £927,000 which is 1% of the Company's total assets. For the revenue column of the Income Statement we determined that misstatements of a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by a misstatement or omission. Accordingly, we established materiality for the revenue column of the Income Statement to be £232,000.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £46,350. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Investments

The Company's business is investing in a focussed and internationally diversified portfolio of securities outside the United Kingdom to provide a high and rising level of dividends as well as capital appreciation over the long-term. Accordingly, the investment portfolio is a significant, material item in the financial statements. We therefore identified the recognition, existence and measurement of the investment portfolio as a risk that requires particular audit attention.

Our audit work included, but was not restricted to, obtaining an understanding of management's processes to recognise and measure investments, including ownership of those investments; obtaining a confirmation of investments held at the year end directly from the independent custodian; testing the reconciliation of the custodian records to the records maintained by the Company's administrator; testing a selection of investment additions and disposals shown in the Company's records to supporting documentation; and agreeing the valuation of quoted investments to an independent source of market prices.

The Company's accounting policy on the valuation of quoted investments is included in note 1, and its disclosures about investments held at the year end are included in note 11.

Independent Auditor's Report to the Members of Henderson International Income Trust plc (continued)

Investment income

Investment income is the Company's major source of revenue and is a significant, material item in the Income Statement. Accordingly, we identified the recognition of revenue from investments as a risk that requires particular audit attention.

Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition is in accordance with the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'; obtaining an understanding of management's processes to recognise revenue in accordance with the stated accounting policy; testing whether a sample of revenue transactions has been recognised in accordance with the policy; and for a sample of investments held in the period, confirming that income that should have been received has been received and recorded, and assessing whether any of the dividends receivable should have been treated as capital receipts.

The Company's accounting policy on the recognition of revenue from investments is shown in note 1 and the components of that revenue are included in note 3.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2014 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other reporting responsibilities

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

In particular, we are required to consider whether 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 and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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

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

Under the Listing Rules, we are required to review:

- the directors' statement, set out on page 21, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 November 2014

Income Statement

Notes		Year ended 31 August 2014 Revenue return £'000	Year ended 31 August 2014 Capital return £'000	Year ended 31 August 2014 Total £'000	Year ended 31 August 2013 Revenue return £'000	Year ended 31 August 2013 Capital return £'000	Year ended 31 August 2013 Total £'000
2	Gains from investments held at fair value through profit or loss	–	4,058	4,058	–	6,705	6,705
3	Income from investments held at fair value through profit or loss	4,276	–	4,276	2,846	–	2,846
	Profit on foreign exchange	–	147	147	–	133	133
4	Other income	76	–	76	37	–	37
	Gross revenue and capital gains	**4,352**	**4,205**	**8,557**	**2,883**	**6,838**	**9,721**
5	Management fees	(146)	(437)	(583)	(104)	(314)	(418)
6	Other administrative expenses	(302)	–	(302)	(302)	–	(302)
	Net return on ordinary activities before finance charges and taxation	**3,904**	**3,768**	**7,672**	**2,477**	**6,524**	**9,001**
7	Finance charges	(35)	(104)	(139)	(22)	(64)	(86)
	Net return on ordinary activities before taxation	**3,869**	**3,664**	**7,533**	**2,455**	**6,460**	**8,915**
8	Taxation on net return on ordinary activities	(456)	–	(456)	(285)	–	(285)
	Net return on ordinary activities after taxation	**3,413**	**3,664**	**7,077**	**2,170**	**6,460**	**8,630**
9	Basic return per ordinary share	5.59p	5.99p	11.58p	4.57p	13.62p	18.19p
9	Diluted return per ordinary share	5.55p	5.95p	11.50p	4.50p	13.38p	17.88p

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.

The notes on pages 37 to 51 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

Notes	Year ended 31 August 2014	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
16	At 31 August 2013	581	2,958	45,732	5,504	954	55,729
	New shares allotted	5	510	–	–	–	515
	Issue costs	–	(5)	–	–	–	(5)
	Ordinary shares to be issued following conversion of subscription shares	–	4,379	–	–	–	4,379
	Issue costs	–	(5)	–	–	–	(5)
16	Issue of ordinary shares from C share conversion	178	20,822	–	–	–	21,000
	Issue costs	–	(420)	–	–	–	(420)
	Net return for the year	–	–	–	3,664	3,413	7,077
10	Dividends paid	–	–	–	–	(2,483)	(2,483)
	At 31 August 2014	**764**	**28,239**	**45,732**	**9,168**	**1,884**	**85,787**
	Year ended 31 August 2013	**Called up share capital £'000**	**Share premium account £'000**	**Special reserve £'000**	**Other capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
	At 31 August 2012	539	43,988	–	(956)	697	44,268
16	New shares allotted in the year	42	4,739	–	–	–	4,781
	Issue costs	–	(37)	–	–	–	(37)
	Cancellation of share premium account	–	(45,732)	45,732	–	–	–
	Net return for the year	–	–	–	6,460	2,170	8,630
10	Dividends paid	–	–	–	–	(1,913)	(1,913)
	At 31 August 2013	**581**	**2,958**	**45,732**	**5,504**	**954**	**55,729**

The notes on pages 37 to 51 form part of these financial statements

Balance Sheet

Notes		At 31 August 2014 £'000	At 31 August 2013 £'000
11	**Fixed asset investments held at fair value through profit or loss**	88,126	61,959
	Current assets		
12	Debtors	4,621	2,153
		4,621	**2,153**
13	**Creditors: amounts falling due within one year**	(6,960)	(8,383)
	Net current liabilities	**(2,339)**	**(6,230)**
	Total net assets	**85,787**	**55,729**
	Capital and reserves		
16	Called up share capital	764	581
17	Share premium account	28,239	2,958
18	Special reserve	45,732	45,732
18	Other capital reserves	9,168	5,504
18	Revenue reserve	1,884	954
	Total shareholders' funds	**85,787**	**55,729**
14	Net asset value per ordinary share (basic)	118.4p	111.9p
14	Net asset value per ordinary share (diluted)	117.5p	110.2p

The financial statements on pages 33 to 36 were approved and authorised for issue by the board of directors on 5 November 2014.

Christopher Jonas, CBE
Chairman

The notes on pages 37 to 51 form part of these financial statements

Cash Flow Statement

Notes		For the year ended 31 August 2014 £'000	For the year ended 31 August 2014 £'000	For the year ended 31 August 2013 £'000	For the year ended 31 August 2013 £'000
19	**Net cash inflow from operating activities**		**2,942**		**1,900**
	Servicing of finance				
	Interest paid	(141)		(73)	
	Net cash outflow from servicing of finance		**(141)**		**(73)**
	Net tax recovered		58		29
	Financial investment				
	Purchases of investments	(63,689)		(40,259)	
	Sales of investments	43,127		27,618	
	Net cash outflow from financial investment		**(20,562)**		**(12,641)**
	Equity dividends paid		(2,483)		(1,913)
	Net cash outflow before financing		**(20,186)**		**(12,698)**
	Financing				
	Proceeds from issue of ordinary shares	515		4,781	
	Proceed from issue of ordinary shares from C share conversion	21,000		–	
	Issue costs from C share conversion	(456)		–	
	Expenses paid in respect of shares issued	(5)		(42)	
	Net cash inflow from financing		21,054		4,739
	Increase/(decrease) in cash		**868**		**(7,959)**
	Reconciliation of net cash flow to movement in net debt				
20	Increase/(decrease) in cash as above		868		(7,959)
20	Exchange movements		175		174
	Net (debt)/funds at start of the year		(7,783)		2
20	**Net debt at 31 August**		**(6,740)**		**(7,783)**
	Represented by:				
	Bank overdraft		(6,740)		(7,783)
			(6,740)		**(7,783)**

The notes on pages 37 to 51 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The Company's shareholders are asked every three years to vote for the continuation of the Company. An ordinary resolution to this effect will be put to shareholders at the AGM to be held on 12 December 2014 and the board has no reason to believe that this resolution will not be passed. Please see the report of the directors on page 21 for more details. Therefore the financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value through profit or loss.

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with those parts of the Companies Act 2006 (the "Act") applicable to companies reporting under the standards and with the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies (the "AIC") in January 2009.

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

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

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

c) Capital gains and losses

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

d) Income

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

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

e) Derivative financial instruments

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

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

f) Expenses and finance charges

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

g) Taxation

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

The current tax is based on the taxable profit for the year. Taxable profit differs from net 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 balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred from the capital return column.

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

h) Foreign currency

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

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

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

i) Dividends payable to shareholders

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

j) Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve arising on investments held

The following are accounted for in this reserve:

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

Notes to the Financial Statements (continued)

2 Gains from investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Gains on investments sold in the year	250	3,046
Revaluation of investments held at 31 August	3,808	3,659
	4,058	**6,705**

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

	2014 £'000	2013 £'000
Overseas dividend income	4,276	2,846

4 Other income

	2014 £'000	2013 £'000
Stock lending income	8	5
Option premium income	68	32
	76	**37**

5 Management fees

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	146	437	583	104	314	418

With effect from 1 November 2013 the performance fee element of the management fee was removed. No performance fee was due in respect of the year ended 31 August 2014.

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)

	2014 £'000	2013 £'000
Directors' fees (see the Directors' Remuneration Report on page 24)	100	100
Auditors' remuneration	27	24
Other administrative expenses	175	178
	302	**302**

7 Finance charges

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Bank interest	35	104	139	22	64	86

Notes to the Financial Statements (continued)

8 Taxation

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Foreign withholding taxes	517	–	517	330	–	330
Overseas tax reclaimable	(61)	–	(61)	(45)	–	(45)
Current tax charge for the year	**456**	**–**	**456**	**285**	**–**	**285**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 22.17% (2013: 23.58%). The differences are explained below:

Factors affecting the tax charge for the year

	2014			2013		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	3,869	3,664	7,533	2,455	6,460	8,915
Corporation tax at 22.17% (2013: 23.58%)	858	812	1,670	579	1,523	2,102
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss and foreign exchange	–	(932)	(932)	–	(1,612)	(1,612)
Non-taxable overseas dividends	(875)	–	(875)	(667)	–	(667)
Overseas tax	456	–	456	285	–	285
Unutilised loan relationships	29	–	29	22	–	22
Expenses charged to capital available to be utilised	(120)	120	–	(89)	89	–
Excess management expenses	108	–	108	155	–	155
Current tax charge	**456**	**–**	**456**	**285**	**–**	**285**

Deferred tax

The Company has unrecognised deferred tax assets of £385,000 at 31 August 2014 (2013: £273,000) 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 for UK corporation tax on disposal of its investments. The Company intends to maintain approval as an investment trust company for the foreseeable future.

Notes to the Financial Statements (continued)

9 Return per ordinary share

	2014		2013	
	£'000	pence	£'000	pence
Basic				
Revenue return	3,413	5.59	2,170	4.57
Capital return	3,664	5.99	6,460	13.62
Total return	**7,077**	**11.58**	**8,630**	**18.19**
Weighted average number of ordinary shares in issue		61,101,252		47,434,946
Diluted				
Revenue return	3,413	5.55	2,170	4.50
Capital return	3,664	5.95	6,460	13.38
Total return	**7,077**	**11.50**	**8,630**	**17.88**
Number of dilutive shares		425,315		822,186
Diluted shares in issue for return per share		61,526,567		48,257,132

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

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

	Register date	Payment date	Ex-dividend date	2014 £'000	2013 £'000
Interim dividend – 1.00p	16 November 2012	30 November 2012	14 November 2012	–	461
1st interim dividend – 1.00p	8 February 2013	28 February 2013	6 February 2013	–	469
2nd interim dividend – 1.00p	10 May 2013	31 May 2013	8 May 2013	–	484
3rd interim dividend – 1.00p	9 August 2013	30 August 2013	7 August 2013	–	499
4th interim dividend – 1.05p	15 November 2013	29 November 2013	13 November 2013	526	–
1st interim dividend – 1.05p	10 January 2014	31 January 2014	8 January 2014	527	–
2nd interim dividend – 1.05p	11 April 2014	30 April 2014	9 April 2014	715	–
3rd interim dividend – 1.05p	11 July 2014	31 July 2014	9 July 2014	715	–
				2,483	**1,913**

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

	2014 £'000	2013 £'000
Revenue available for distribution by way of dividend for the year	3,413	2,170
Interim dividends of 3.15p paid (2013: 3.00p)	(1,957)	(1,452)
Interim dividend for the year ended 31 August 2014 of 1.10p (based on 76,371,550 ordinary shares in issue at 10 October 2014) (2013: 1.05p)	(840)	(526)
Undistributed revenue for section 1158 purposes[1]	**616**	**192**

1 Undistributed revenue comprises 14.4% based on taxable income

Notes to the Financial Statements (continued)

11 Fixed asset investments and derivatives

2014	Listed investments £'000	Derivatives – options[1] £'000	Total £'000
31 August 2013	57,090	–	57,090
Purchases at cost	63,287	–	63,287
Sales at cost	(40,928)	–	(40,928)
Cost of investments at 31 August 2014	**79,449**	**–**	**79,449**
Investment holding gains at 31 August 2014	8,677	–	8,677
Valuation at 31 August 2014	**88,126**	**–**	**88,126**

2013	Listed investments £'000	Derivatives – options[1] £'000	Total £'000
31 August 2012	42,731	(6)	42,725
Purchases at cost	40,232	–	40,232
Sales at cost	(25,873)	6	(25,867)
Cost of investments at 31 August 2013	**57,090**	**–**	**57,090**
Investment holding gains at 31 August 2013	4,869	–	4,869
Valuation at 31 August 2013	**61,959**	**–**	**61,959**

1 The total value of the call options was shown as a creditor

Total transaction costs amounted to £123,000 (2013: £113,000) of which purchase transaction costs for the year ended 31 August 2014 were £67,000 (2013: £64,000) and comprise mainly brokers' commissions. Sale transaction costs for the year ended 31 August 2014 were £56,000 (2013: £49,000).

12 Debtors

	2014 £'000	2013 £'000
Share issue proceeds	4,410	–
Sales for future settlement	–	1,949
Withholding tax recoverable	60	49
Prepayments and accrued income	149	130
VAT recoverable	2	6
Derivatives at fair value – forward foreign exchange	–	19
	4,621	**2,153**

13 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Purchases for future settlement	–	402
Management fee	109	76
Bank overdraft	6,740	7,783
Overdraft interest payable	11	13
Other creditors	91	109
Derivatives at fair value – forward foreign exchange	9	–
	6,960	**8,383**

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:

	2014 £'000	2013 £'000
Basic:		
Net assets attributable	85,787	55,729
Number of ordinary shares in issue	72,450,588	49,803,050
Net assets per ordinary share	118.4p	111.9p

	2014 £'000	2013 £'000
Diluted:		
Net assets attributable assuming exercise of subscription shares	89,708	64,029
Number of potential ordinary shares in issue	76,371,550	58,103,050
Net assets per ordinary share	117.5p	110.2p

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

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

	2014 £'000	2013 £'000
Net assets at start of the year	55,729	44,268
Total net return on ordinary activities after taxation	7,077	8,630
Dividends paid on ordinary shares in the year	(2,483)	(1,913)
Issue of ordinary shares less issue costs	25,464	4,744
Total net assets attributable to the ordinary shares at 31 August	**85,787**	**55,729**

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 objectives as stated on page 4 and in the strategic report. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks, market risk (comprising other price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the directors' approach to the management of these risks, are set out below. The board of directors and Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third party administrator (currently BNP Paribas Securities Services) which utilises Hiportfolio software; and
- 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.

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

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

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

15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises other price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The fund manager assesses the exposure to market 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 2014 on its investments held at fair value through profit or loss was £88,126,000 (2013: £61,959,000).

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on page 8. There is a concentration of exposure to Continental Europe, Far East, Australasia and the USA, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year, and the equity, to an increase or decrease of 20% in the fair values of the Company's investments. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at the balance sheet date, with all other variables held constant.

	2014		2013	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after tax				
Revenue return	(33)	33	(25)	25
Capital return	17,526	(17,526)	12,318	(12,318)
Total return after tax for the period	**17,493**	**(17,493)**	**12,293**	**(12,293)**
Impact on net assets	**17,493**	**(17,493)**	**12,293**	**(12,293)**

15.1.2 Currency risk

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

Management of the risk

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

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

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

Foreign currency exposure

The carrying values of the Company's monetary items that have foreign currency exposure at 31 August 2014 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

	2014			2013		
Currency	Current assets £'000	Current liabilities £'000	Equity investments £'000	Current assets £'000	Current liabilities £'000	Equity investments £'000
Australian Dollar	43	(2,801)	6,114	993	(2,292)	3,174
Euro	21	–	19,750	1,036	(257)	15,572
Hong Kong Dollar	–	–	10,415	–	–	4,698
Norwegian Krona	–	–	984	8	–	2,133
US Dollar	84	–	33,901	67	–	22,932
Other (non sterling)	48	–	16,962	23	(145)	13,450
	196	**(2,801)**	**88,126**	**2,127**	**(2,694)**	**61,959**

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 throughout 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 assumes that all exchange rates move by +/- 10% against sterling:

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

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

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

Impact on total returns year ended 2013	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krona £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	24	67	16	5	92	59	263
Capital return	351	1,720	519	236	2,533	1,485	6,844
Change in total return after taxation for the year and shareholders' funds	**375**	**1,787**	**535**	**241**	**2,625**	**1,544**	**7,107**

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

If sterling had appreciated against the currencies shown, this would have had the following effect:

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

Impact on total returns year ended 2013	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Norwegian Krona £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	(20)	(55)	(13)	(4)	(75)	(48)	(215)
Capital return	(287)	(1,407)	(425)	(193)	(2,072)	(1,215)	(5,599)
Change in total return after taxation for the year and shareholders' funds	**(307)**	**(1,462)**	**(438)**	**(197)**	**(2,147)**	**(1,263)**	**(5,814)**

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

The Company had a sterling denominated overdraft of £6,740,000 at HSBC Bank plc at 31 August 2014 (2013: £7,783,000).

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 interest rates is shown below:

	2014 Total £'000	2013 Total £'000
Exposure to floating interest rates:		
Net overdraft/cash at bank	(6,740)	(7,783)

Interest rate sensitivity

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

15.2 Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company had available a multi-currency overdraft facility with HSBC Bank plc of the lesser of £25 million or 20% of custody assets. The facility has no expiry date but is reviewed annually.

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

Liquidity risk exposure

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

	2014 Due within one month £'000	2013 Due within one month £'000
Other creditors and accruals	220	600
Bank overdraft	6,740	7,783
	6,960	**8,383**

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

15.4 Fair values of financial assets and financial liabilities

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

15.5 Fair value hierarchy disclosures

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

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

Financial assets at fair value through profit or loss at 31 August 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	61,959	–	–	61,959
Forward foreign exchange contracts	–	19	–	19
	61,959	**19**	**–**	**61,978**

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

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

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

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.6 Capital management policies and procedures

The Company's capital management objectives are:

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

The Company's capital at 31 August 2014 comprised its equity share capital, subscription shares and reserves that are shown in the balance sheet at a total of £85,787,000 (2013: £55,729,000).

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 price 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

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

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

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

At launch the Company issued subscription shares to all subscribers on the basis of one subscription share for every five ordinary shares subscribed. Each subscription share conferred the right to subscribe for one ordinary share on payment of the subscription price of 100p. Notice to exercise the subscription rights was given by subscription shareholders during the 30 days prior to the subscription date of 31 August 2014 after which the subscription rights lapsed.

On 31 August 2014 the Company received requests from subscription shareholders to exercise 4,379,038 subscription shares. The remaining 3,920,962 shares were exercised by Equiniti Financial Services Limited, the Company's appointed Trustee, on 4 September 2014.

Notes to the Financial Statements (continued)

16 Called up share capital (continued)

2013	Number of shares	Number of shares entitled to dividend	£'000
Ordinary shares of 1p each			
At 31 August 2012	45,550,000	45,550,000	456
New shares allotted in the year	4,253,050	4,253,050	42
At 31 August 2013	**49,803,050**	**49,803,050**	**498**
Subscription shares of 1p each			
At 31 August 2012	8,300,000	–	83
At 31 August 2013	**8,300,000**	**–**	**83**

During the year, 4,253,050 ordinary shares were allotted for a total consideration of £4,744,000.

17 Share premium account

	2014 £'000	2013 £'000
At the start of the year	2,958	43,988
Ordinary shares allotted in year	510	4,739
Issue costs	(5)	(37)
Ordinary shares allotted from C share issue	20,822	–
Issue costs – C share issue	(420)	–
Ordinary shares to be allotted from exercise of subscription shares	4,379	–
Issue costs	(5)	–
Cancellation of share premium on 28 February 2013	–	(45,732)
At 31 August	**28,239**	**2,958**

At the annual general meeting of the Company held on 12 December 2012, a special resolution was passed approving the cancellation of the amount standing to the credit of the Company's share premium account. On 28 February 2013, following approval of the Court order with the Registrar of Companies, the cancellation became effective. Approximately £45.7 million, held in the share premium account was transferred to the distributable reserves of the Company.

Notes to the Financial Statements (continued)

18 Reserves

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

2013	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 2012	–	(2,226)	1,270	(956)	697
Cancellation of share premium account	45,732	–	–	–	–
Net movement on investments held at fair value through profit or loss	–	3,046	3,659	6,705	–
Net movement on foreign exchange	–	174	(41)	133	–
Expenses and finance costs charged to capital	–	(378)	–	(378)	–
Net revenue return after taxation for the year	–	–	–	–	2,170
Dividends paid	–	–	–	–	(1,913)
At 31 August 2013	**45,732**	**616**	**4,888**	**5,504**	**954**

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

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

	2014 £'000	2013 £'000
Net return before finance charges and taxation	7,672	9,001
Capital return before finance charges and taxation	(3,768)	(6,524)
Revenue return before finance charges and taxation	**3,904**	**2,477**
Increase/(decrease) in creditors	15	(31)
(Increase)/decrease in debtors	(15)	92
Tax on overseas investment income deducted at source	(525)	(324)
Expenses allocated to capital	(437)	(314)
Net cash inflow from operating activities	**2,942**	**1,900**

Notes to the Financial Statements (continued)

20 Analysis of changes in net funds/(debt)

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

At 31 August 2014 there was a sterling denominated overdraft at HSBC Bank plc of £6,740,000 (2013: £7,783,000).

	At 1 September 2012 £'000	Cash flow £'000	Exchange movements £'000	At 31 August 2013 £'000
Net cash at bank/(overdraft)	2	(7,959)	174	(7,783)

21 Transactions with the management company

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

Details of the management fee arrangements for these services are given in the strategic report on page 4. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 August 2014 was £583,000 (2013: £418,000), of which £109,000 (2013: £76,000) (per note 13) was outstanding at 31 August 2014.

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 2014 amounted to £20,000 (2013: £25,000) of which £3,000 (2013: £8,000) was outstanding at 31 August 2014.

General Shareholder Information

BACS

Dividends and interest can be paid to shareholders and stockholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 14) 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.

Disability Act

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 0870 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.

FCA restrictions

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

ISA

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

Share Price Listings

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

Performance Details/Share Price Information

Details of the Company's share price and NAV can be found on the website. The address is **www.hendersoninternationalincometrust.com** 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**. 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.

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 receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Alternative Investment Fund Managers Directive Disclosures

Henderson and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Manager's Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a Key Investor Information Document ("KIID") which can be found on the website. There have been no material changes to the disclosures contained within the KIID since publication in July 2014.

The periodic disclosures to investors are made below:

Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the strategic report. A full list of portfolio holdings is included on page 8.

- None of the Company's assets are subject to special arrangements arising from their illiquid nature;
- The strategic report and note 15 to the accounts set out the risk profile and risk management systems in place. There have been no breaches of any of the risk limits set and no breach is expected;
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson; and
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. It is therefore anticipated that the Henderson Remuneration Policy and associated financial disclosures will be made with the Company's Annual Report from 2016.

Leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. It defines two types of leverage, the gross method and the commitment method. These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect "netting" or "hedging arrangements". Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed below. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

General Shareholder Information (continued)

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities.

Leverage is considered in terms of the Company's overall "exposure" to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Henderson is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its net asset value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;
- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- derivative instruments are converted into the equivalent position in their underlying assets;
- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The calculation of leverage assumes that a leverage percentage of 100% equates to zero leverage. A percentage below 100% would mean that the portfolio included uninvested cash whilst a percentage above 100% would mean that the portfolio had leverage equal to the percentage amount above 100%.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	As a percentage of net assets	
	Gross method	Commitment method
Maximum level of leverage	275%	275%
Actual level as at 31 August 2014	106%	108%

There have been no breaches of the maximum level during the period, no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this annual report or the KIID in relation to any special arrangements in place, the maximum level of leverage which Henderson may employ on behalf of the Company; the right of reuse of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Keeping up to date with Henderson International Income Trust plc

Website

For more information about Henderson International Income Trust plc, visit the website at **www.hendersoninternationalincometrust.com**.

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 14.

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

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