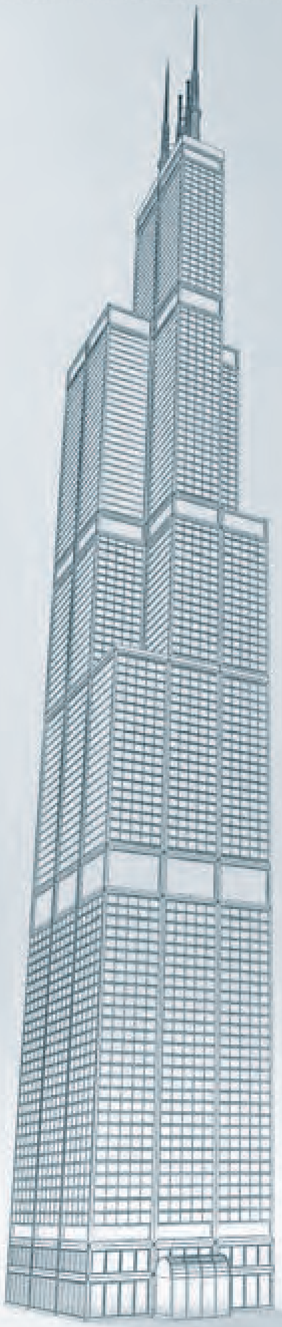
HENDERSON INTERNATIONAL INCOME TRUST PLC

Annual Report 2019



MANAGED BY
Janus Henderson
INVESTORS

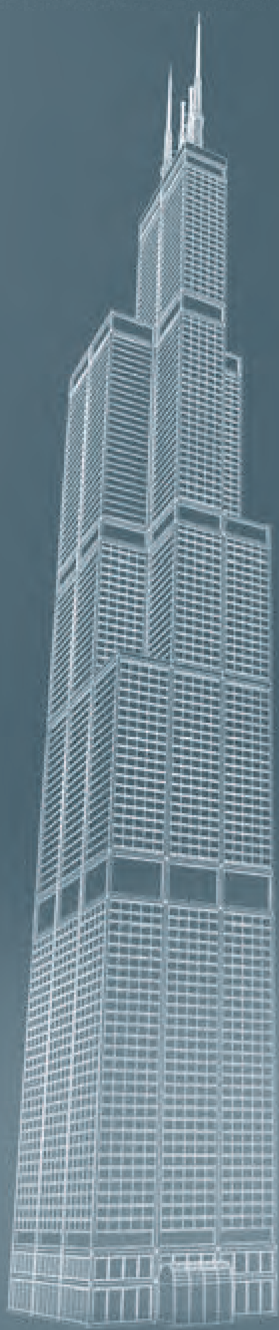
Contents

The image on the front cover is based on the Willis Tower, Chicago.

Strategic Report

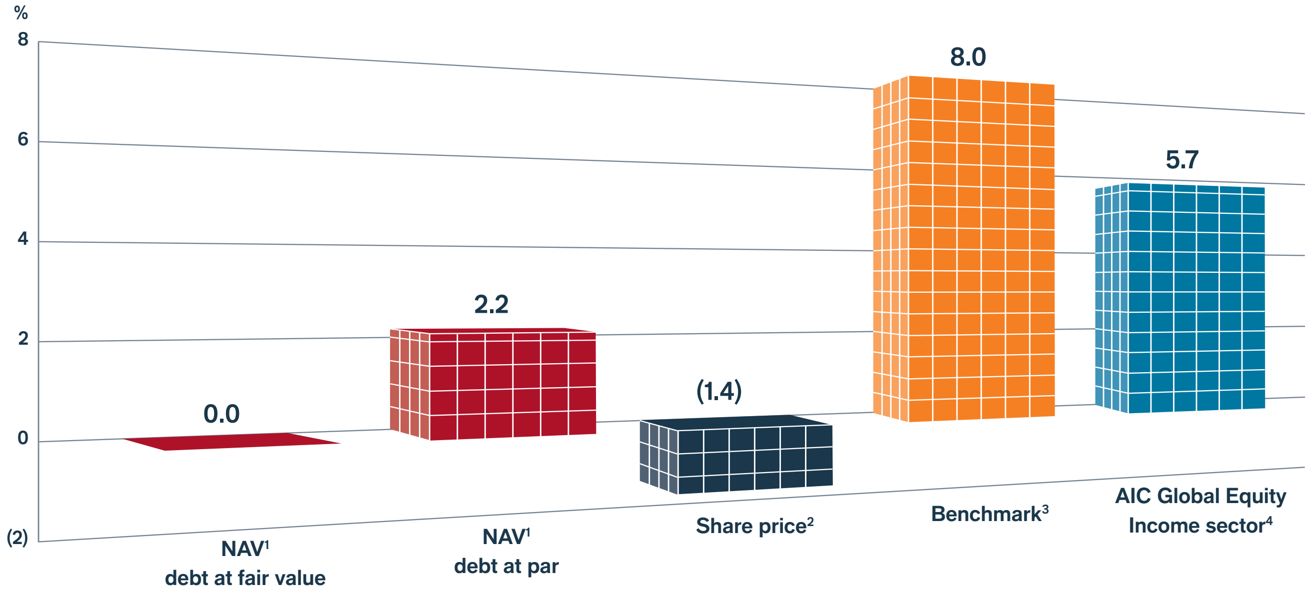
"The Company will continue with its existing strategy of identifying companies that are attractively valued, pay a sustainable dividend and have the capacity to grow their dividends over the medium to long-term."

Simon Jeffreys, Chairman

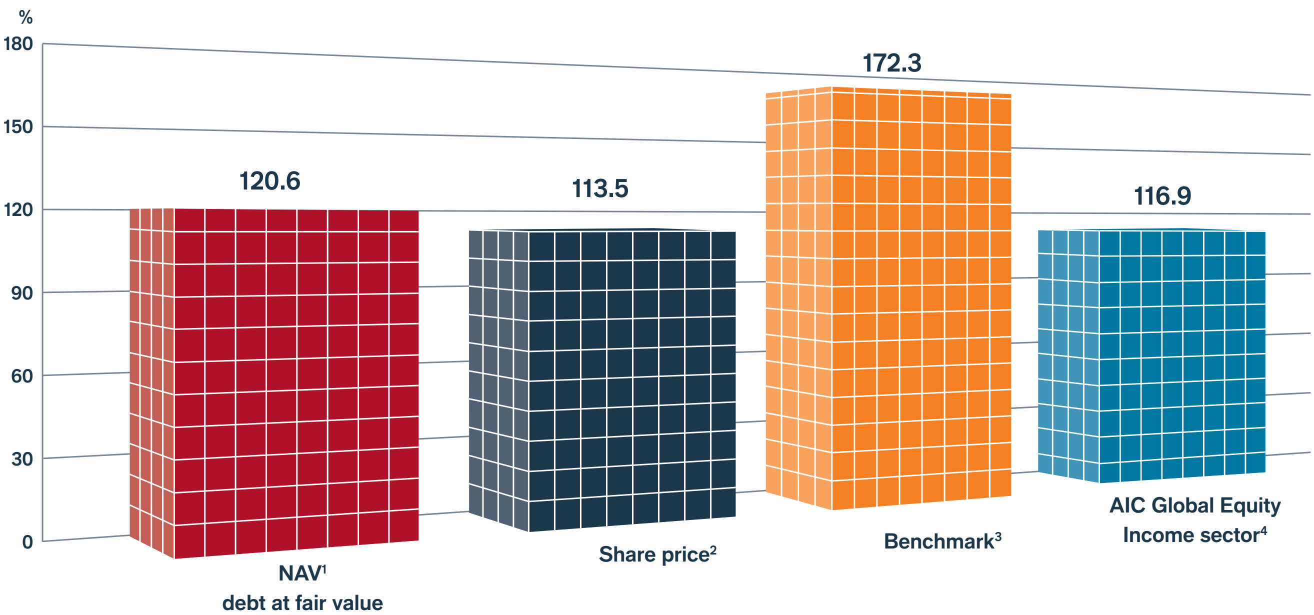


Strategic Report: Performance Highlights

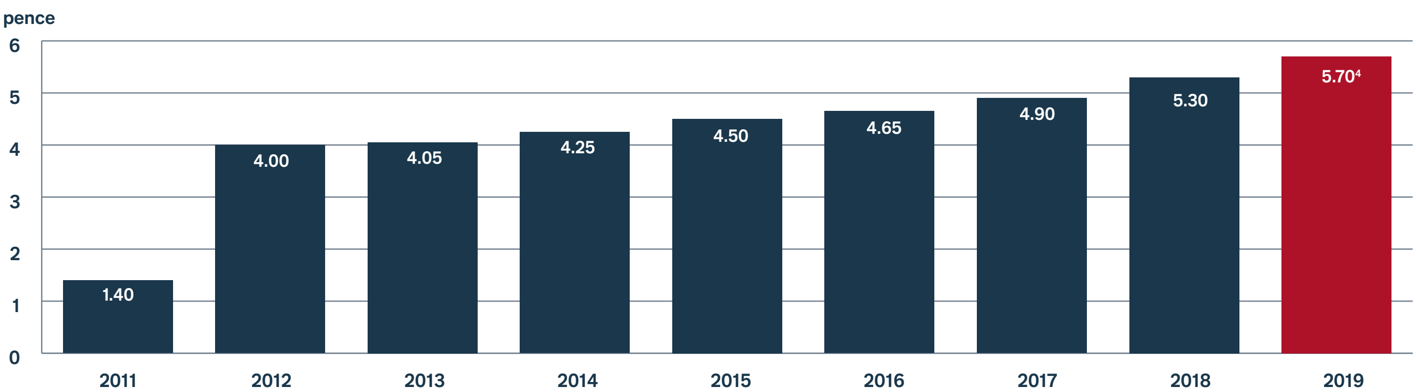
Total return performance for year to 31 August 2019



Total return performance since launch



Dividend growth since launch



Strategic Report: Performance Highlights (continued)

NAV (debt at par) per share at year end

2019 **164.8p**

2018 167.1p

Net assets

2019 **£309,176,000**

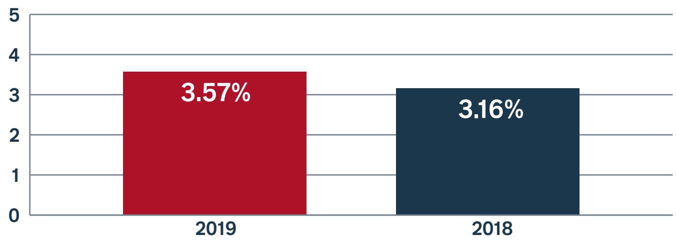
2018 £296,748,000

Dividend in respect of year[4]

2019 **5.70p**

2018 5.30p

Dividend yield for the year end[5]



Ongoing charge for year

2019 **0.84%**

2018 0.83%

Gearing at year end

2019 **3.25%**

2018 1.91%

Share price at year end

2019 **159.50p**

2018 167.50p

Shares in issue at year end

2019 **187,583,716**

2018 177,581,306

1 Net asset value total return per share (including dividends per share reinvested)
2 The Company's share price total return (assuming the reinvestment of all dividends excluding dealing expenses)
3 MSCI World (ex UK) Index (sterling adjusted)
4 Includes the fourth interim dividend in respect of the year ended 31 August 2019 declared on 29 October 2019 to be paid to shareholders on 29 November 2019
5 Calculated on the share price as at year end

A glossary of terms can be found on page 20. Alternative performance measures can be found on pages 57 to 58

Source: Morningstar, Funddata, Janus Henderson, Datastream

Strategic Report: Chairman's Statement

The Chairman of the Company, Simon Jeffreys, reports on the year to 31 August 2019

Performance and markets

The net asset value ("NAV") total return[1] per ordinary share has increased by 2.2% (debt at par) and by 0.0% (debt at fair value). The total return on the ordinary share price was (1.4%), including total dividends of 5.70p per ordinary share, an increase of 7.5% year-on-year. These returns compare to a total return of 8.0% for the MSCI World (ex UK) Index (sterling adjusted) ("MSCI World Index").

The positive total returns achieved by the market this year suggest a relatively benign environment. The reality is that the economic and political backdrops have been rather chaotic, resulting in significant falls in markets from September to December, followed by an almost symmetrical rally for the rest of the Company's financial year as most major areas of the world continue to deliver reasonable GDP growth, albeit at a lower level than anticipated. For equity market investors perhaps the most significant events in the year have been the escalation of the ongoing trade disputes between the US and the rest of the world, and the change in policy by many central banks from tightening to easing measures in the face of slowing economic growth.

As a result of the political and economic turmoil, investor confidence has been falling over the year and interest rate expectations have moderately declined. At a sector level the strongest performance came from information technology, utilities, consumer staples and healthcare while more cyclical areas such as materials, financials and energy underperformed the market. The US equity market outperformed the MSCI World Index, while Japan, Europe and the UK lagged.

Against this backdrop aggregate company earnings are coming in below expectations, but dividend growth has continued to be positive, a fact echoed by the majority of the portfolio's holdings. As a result of the Company's income objective, portfolio composition can differ significantly from the MSCI World Index which can lead to significant variations in performance between the two. Information about the drivers of this period's variation can be found in the fund manager's report on pages 9 to 11. Overall the board is pleased with the Company's performance since inception across the key performance indicators ("KPIs"), as detailed on page 16 of the report.

Strategy, growth and corporate activity

Since your Company's original listing, the board's strategy has been to provide a high and rising level of dividends as well as long-term capital appreciation from a focused and internationally diversified portfolio of securities outside the UK. We remain willing to issue further shares at appropriate times. This is to provide greater liquidity in our shares, to widen demand for them from wealth managers and to lower our costs. We have made good progress on this during the year, having issued 2,175,000 new shares in response to continuing investor demand.

We were delighted to welcome to the Company those shareholders of The Establishment Investment Trust plc ("EIT") who elected to roll over their holdings into the Company's shares following EIT's scheme of reconstruction and voluntary winding up. On 18 July 2019 the Company issued 7,827,410 new ordinary shares to EIT's shareholders on the terms outlined in the prospectus published on 10 June 2019.

At 31 August 2019 there were 187,583,716 shares in issue. No shares have been issued since the year end and therefore the number of shares in issue as at the date of this report is 187,583,716.

Since inception, management fee reductions and changes combined with the increase in the size of the Company have been the two principal factors that have led to a fall in the ongoing charge from 1.38% (as at 31 August 2012) to 0.84% this year.

Earnings and dividends

We are pleased to announce a total dividend increase from 5.30p to 5.70p per ordinary share for the year to 31 August 2019. The year consisted of a first, second and third interim dividend of 1.40p per ordinary share, and a larger than normal fourth interim dividend of 1.50p per ordinary share in the light of our increased earnings. The fourth interim dividend will be paid on 29 November 2019. 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 2020. The board's aim remains to make progressive and steady increases in annual total dividend payments. However, shareholders must recognise that such increases can never be guaranteed or assumed to be repeated in the future.

1 Please refer to the "alternative performance measures" on pages 57 and 58 for more details about total return

Strategic Report: Chairman's Statement (continued)

The dividend is well covered by the income generated by the portfolio. Despite the year-on-year dividend increase, the revenue reserve has increased again, thereby making further provision for the risk of less benign conditions going forward.

Gearing

Well-judged gearing enhances returns to shareholders. The board has reconfirmed its current policy to permit the fund manager to gear up to 25% of net assets at the time of drawdown or investment, as appropriate. Borrowing limits for this purpose include implied gearing through the use of derivatives. To date the Company has used gearing to invest in specific stock opportunities.

In April 2019 your Company took the opportunity to issue €30m fixed rate 25-year senior unsecured notes with an annualised coupon of 2.43%, taking the view that this would secure fixed rate long-dated euro denominated financing at an attractive price. It is also expected to enhance long-term investment performance. The Company's overdraft facility with HSBC Bank plc, which provides short-term gearing, was reduced from £60m to £30m at the same time the senior unsecured notes were issued. More details about the Company's borrowings can be found on page 16.

At 31 August 2019 the Company had a short-term overdraft facility with HSBC of £nil (2018: £6.2m). There was 3.25% gearing in place at the year end (2018: 1.91%).

Liquidity and discount management

The board continues to monitor the premium/discount to NAV and will consider appropriate action if the relationship between the NAV and share price moves and remains out of line with the Company's peer group. Nonetheless there is a distinct limit to the board's ability to influence the premium or discount to NAV. We consider that it is not in shareholders' interests to have a specific issuance or buy-back policy. However, to retain flexibility, we reserve the right to implement share issues or buy-backs within a narrow band relative to NAV, where appropriate, and subject to market conditions.

Ongoing charge

The ongoing charge for the year to 31 August 2019, as calculated in accordance with the Association of Investment Companies ("AIC") methodology was 0.84% (2018: 0.83%).

Annual General Meeting

The ninth annual general meeting of the Company will be held at 2.30pm on Thursday, 5 December 2019 at the Company's registered office, 201 Bishopsgate, London EC2M 3AE. The notice of meeting and the resolutions to be proposed are set out in a separate document which accompanies this annual report. Ben Lofthouse, the fund manager, will give a presentation at the meeting, which will be followed by light refreshments. The directors' welcome shareholders' attendance at the meeting and recommend that shareholders support all the resolutions to be proposed. Those who cannot attend are encouraged to vote on all resolutions by completing their proxy forms.

The Company's annual general meeting will be broadcast live on the internet. If you are unable to attend in person you can watch the meeting in real time by visiting **https://www.janushenderson.com/en-gb/investor/investment-trusts-live/**.

Board composition

The board has agreed to deliberately phase the introduction of new directors, and the retirement of current directors, over the next three years. This will allow sufficient time for new directors to familiarise themselves with the Company whilst retaining the right balance of knowledge, skills, experience and corporate knowledge on the board.

Our succession plan is for Bill Eason to retire at the conclusion of the 2020 annual general meeting with a replacement director to be recruited in the second half of next year, and that I stand down as chairman of the board at the conclusion of the annual general meeting in 2022. This will conclude four years' service as chairman of the board, following six years' service as audit committee chairman. Our plan complies with the new AIC Code of Corporate Governance ("AIC Code").

The board has considered the "division of responsibilities" provisions of the AIC Code, in particular the advantages of appointing a senior independent director to provide a sounding board for the chair and to act as intermediary for the other directors and shareholders. To this end the board has appointed Bill Eason as the Company's senior independent director with effect from 29 October 2019.

Outlook

There is no denying that we are living in unusual times. In the past, low unemployment has been associated with inflation, strong economic growth and rising interest rates. At the moment a record proportion of the global bond market is trading at negative yields, whilst at the same time unemployment remains low in most major economies. Central banks have not managed to exit the accommodative monetary policies introduced over the last decade yet look like they are preparing to act to stimulate growth again. The uncertainty surrounding the outcome of Brexit continues however the board are comfortable that the manager has detailed plans in place to continue in operation regardless of the final position. Importantly, the portfolio is well-diversified and will be relatively unaffected by Brexit in the short-term given the nature of the investment objective.

Despite the relatively strong performance of equity markets since the 2008 financial crisis overall valuations remain reasonable in an historical context and very attractive on a yield basis relative to bonds. We do not see signs of irrational exuberance, in fact risk aversion is dominating sector relative returns, but there are definitely wide variations in valuations and expectations within different areas of the equity market itself.

It is notoriously difficult to predict market returns, particularly in the short-term. What we can say is that investors around the world are facing an unprecedented challenge to continue to achieve general positive real returns given the low bond yields available in many markets. Against this backdrop the Company's objective of delivering an appealing income from a diversified portfolio of holdings remains highly relevant. The Company will continue with its existing strategy of identifying companies that are attractively valued, pay a sustainable dividend and have the capacity to grow their dividends over the medium to long-term.

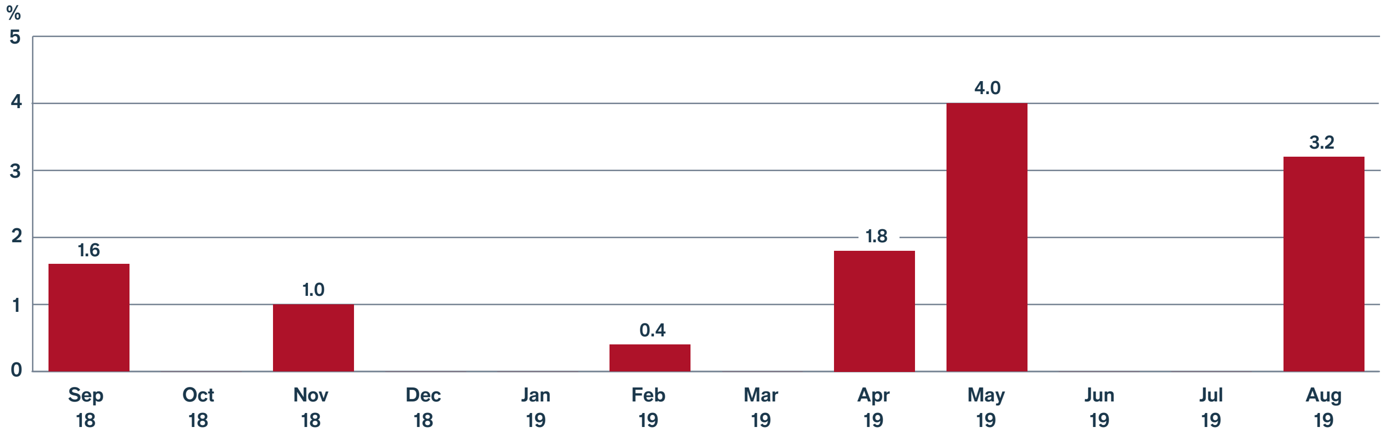
Simon Jeffreys
Chairman
29 October 2019

Strategic Report: Portfolio Information

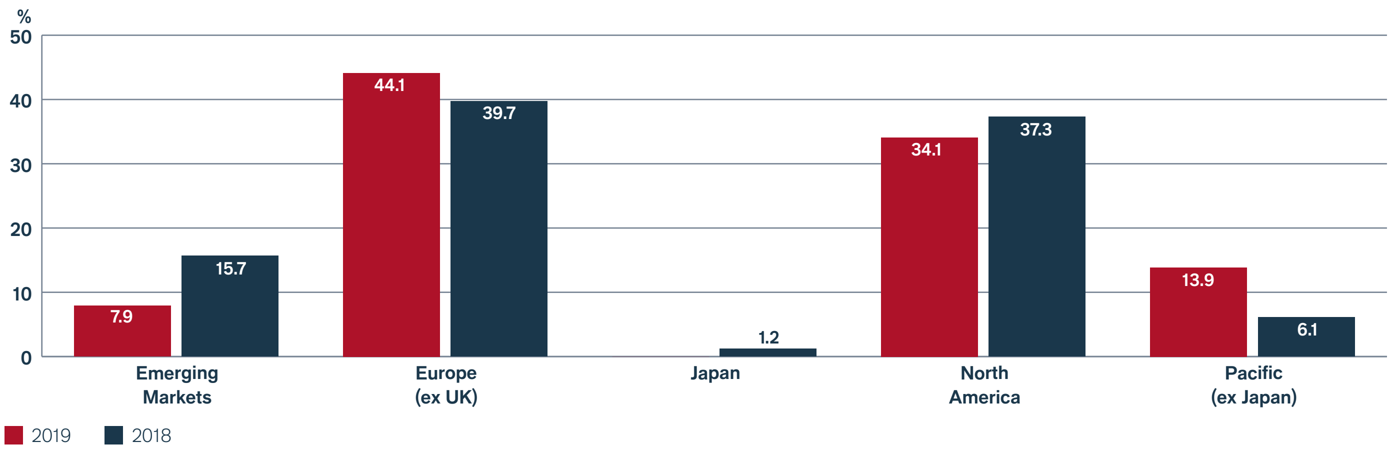
Ten largest investments at 31 August

Ranking 2019	Ranking 2018	Company	Country	Sector	Market value 2019 £'000	Market value (cost) at time of investment 2019 £'000	% of portfolio
1	3	Nestlé	Switzerland	Consumer goods	12,034	7,427	3.8
2	1	Microsoft	US	Technology	11,378	2,916	3.6
3	6	Coca-Cola	US	Consumer goods	9,116	6,578	2.9
4	11	Novartis	Switzerland	Healthcare	7,765	5,333	2.4
5	–	Sanofi	France	Healthcare	7,754	7,159	2.4
6	4	Chevron	US	Oil & gas	7,705	5,201	2.4
7	14	Roche	Switzerland	Healthcare	7,533	5,856	2.4
8	42	Verizon Communications	US	Telecommunications	7,047	5,499	2.2
9	5	Cisco Systems	US	Technology	6,641	3,421	2.1
10	8	BASF	Germany	Basic materials	6,538	8,598	2.0
Top 10					**83,511**	**57,988**	**26.2**

Gearing levels over the year to 31 August



Regional asset allocation weighting of portfolio at 31 August

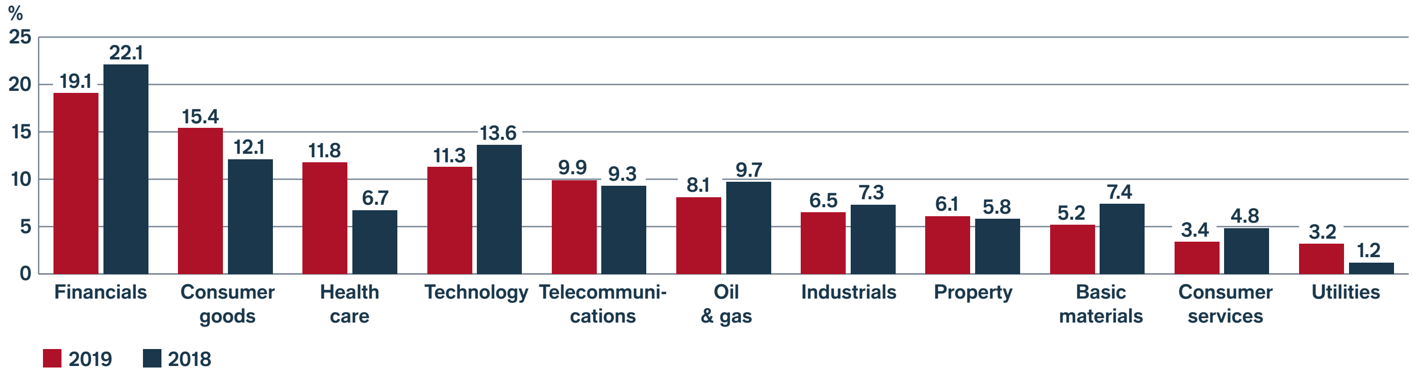


Source: Janus Henderson

Strategic Report: Portfolio Information (continued)

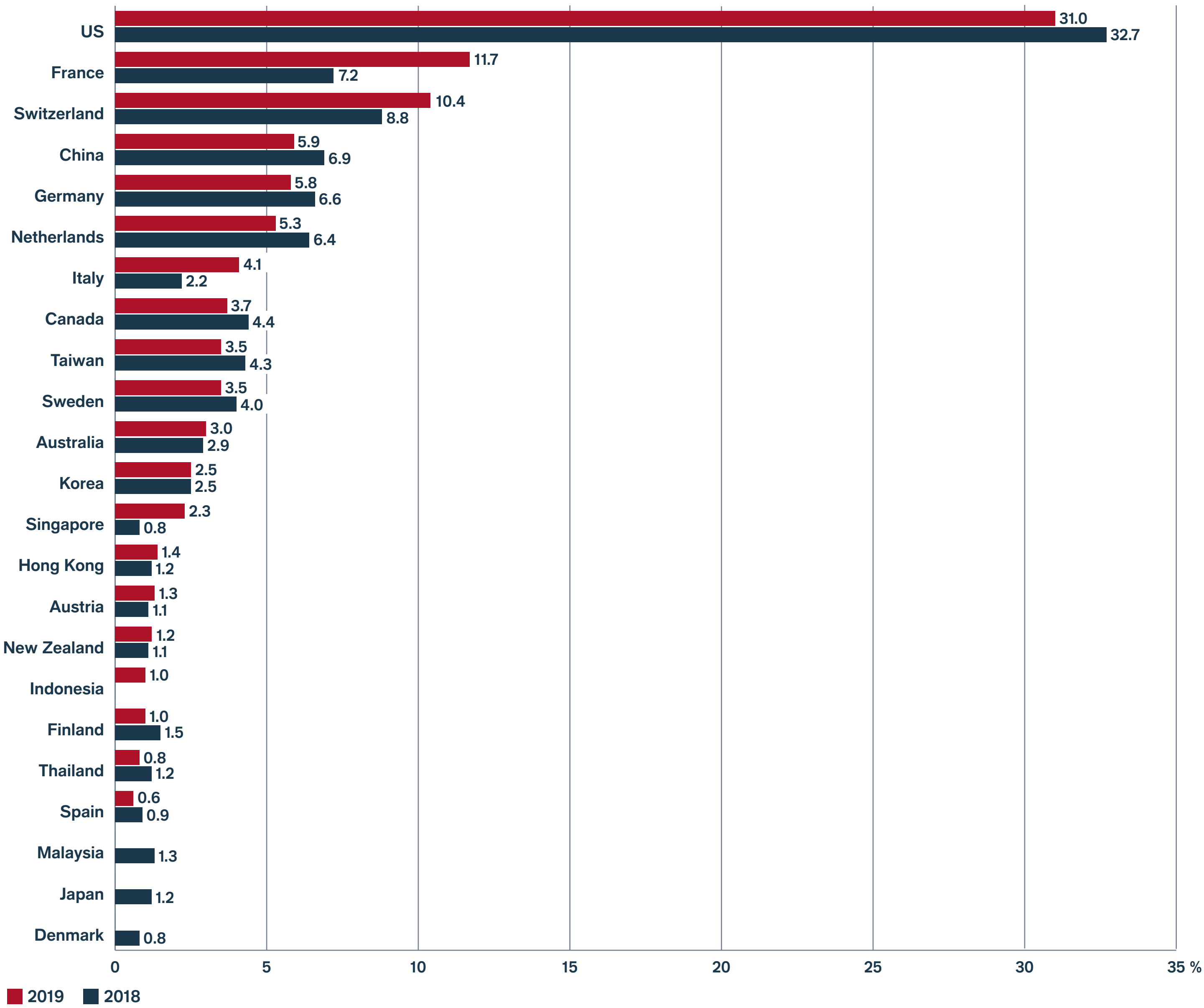
Sector exposure at 31 August

As a percentage of the investment portfolio excluding cash



Geographic exposure at 31 August

As a percentage of the investment portfolio excluding cash



Source: Janus Henderson

Strategic Report: Investment Portfolio

Investment portfolio as at 31 August 2019

Company	Country	Market value £'000	% of portfolio
Basic materials			
BASF	Germany	6,538	2.0
DuPont De Nemours	US	3,179	1.0
UPM-Kymmene	Finland	3,130	1.0
Indorama Ventures	Thailand	2,617	0.8
Dow	US	1,159	0.4
		16,623	**5.2**
Consumer goods			
Nestlé	Switzerland	12,034	3.8
Coca-Cola	US	9,116	2.9
Treasury Wine Estates	Australia	5,405	1.7
Samsung	Korea	4,497	1.4
Anta Sports	China	4,166	1.3
Henkel	Germany	3,838	1.2
Mondelez	US	3,422	1.1
Michelin	France	3,222	1.0
Danone	France	3,072	1.0
		48,772	**15.4**
Consumer services			
Royal Caribbean	US	4,619	1.4
Sabre	US	3,144	1.0
Las Vegas Sands	US	3,096	1.0
		10,859	**3.4**
Financials			
AXA	France	5,590	1.7
BNP Paribas	France	5,236	1.6
E.Sun	Taiwan	4,835	1.5
United Overseas	Singapore	4,432	1.4
Allianz	Germany	4,391	1.4
Macquarie	Australia	4,015	1.3
Bawag	Austria	3,996	1.3
Van Lanschot	Netherlands	3,731	1.2
Manulife	Canada	3,702	1.2
Banca Negara Indonesia	Indonesia	3,189	1.0
ING	Netherlands	3,099	1.0
NN Group	Netherlands	3,078	1.0
Nordea	Sweden	3,051	1.0
Banca Farmafactoring	Italy	2,768	0.9
JP Morgan Chase	US	2,507	0.8
Swedbank	Sweden	2,412	0.8
		60,032	**19.1**
Healthcare			
Novartis	Switzerland	7,765	2.4
Sanofi	France	7,754	2.4
Roche	Switzerland	7,533	2.4
Pfizer	US	6,160	1.9
Bristol-Myers Squibb	US	4,355	1.4
Medtronic	US	4,270	1.3
		37,837	**11.8**

Company	Country	Market value £'000	% of portfolio
Industrials			
ABB	Switzerland	5,784	1.8
Jiangsu Expressway	China	4,102	1.3
Siemens	Germany	3,762	1.2
Anhui Conch	China	3,607	1.1
Prosegur Cash	Spain	1,954	0.6
Sig Combibloc	Canada	1,560	0.5
		20,769	**6.5**
Oil & gas			
Chevron	US	7,705	2.4
Eni	Italy	4,617	1.4
Total	France	4,566	1.4
Occidental Petroleum	US	3,369	1.0
China Petroleum and Chemical	China	3,103	1.0
Vermilion	Canada	3,016	0.9
		26,376	**8.1**
Property			
CyrusOne	US	6,256	2.0
China Vanke	China	3,892	1.2
Crown Castle	US	3,626	1.1
Mapletree North Asia	Singapore	3,024	0.9
Eurocommercial	Netherlands	2,838	0.9
		19,636	**6.1**
Technology			
Microsoft	US	11,378	3.6
Cisco Systems	US	6,641	2.1
Taiwan Semiconductor Manufacturing	Taiwan	6,501	2.0
LAM Research	US	4,376	1.4
BE Semiconductor	Netherlands	3,722	1.2
Maxim	US	3,113	1.0
		35,731	**11.3**
Telecommunications			
Verizon Communications	US	7,047	2.2
Tele2	Sweden	5,558	1.7
HKT Trust and HKT Ltd	Hong Kong	4,573	1.4
Orange	France	3,966	1.2
Spark NZ	New Zealand	3,853	1.2
SK Telecom	Korea	3,647	1.1
Telus	Canada	3,611	1.1
		32,255	**9.9**
Utilities			
ENEL	Italy	5,745	1.8
Veolia	France	4,575	1.4
		10,320	**3.2**
Total investments		**319,210**	**100.0**

Strategic Report: Fund Manager's Report

The Fund Manager of the portfolio, Ben Lofthouse, reports on the year to 31 August 2019

Performance review

The portfolio produced positive returns over the period, generating a total return of 2.2% NAV per share with debt at par value, (0.0% debt at fair value) including total dividends of 5.70p per ordinary share, an increase of 7.5% year-on-year.

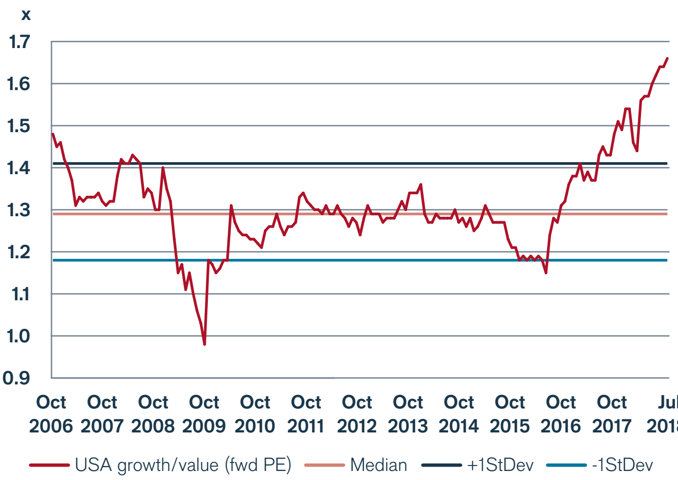
The Company's investment process focuses on companies with attractive dividend yields, strong cash flow generation, and the potential to grow both earnings and distributions in the future. The dividend growth from the portfolio has been excellent over the period. The majority of companies in the portfolio have increased or maintained their dividends and the dividend growth has been widely spread across sectors and regions. Dividend growth has been driven by both earnings growth and increases in the proportion of earnings paid out as dividend. Despite concerns regarding economic growth the majority of companies in the portfolio have increased or maintained their dividends. And a number of the most significant increases continue to come from economically sensitive sectors. The technology holdings, for example, had a number of the largest increases year-on-year, including semiconductor equipment manufacturers LAM Research (43%) and Maxim (12%), Microsoft (10%) and Cisco Systems (10%). The financial services sector also continues to generate strong dividend growth as regulatory guidelines become clearer. Notable increases include JPMorgan Chase (41%), insurers Manulife (16%) and AXA (6%), and bank and infrastructure asset manager Macquarie (10%). Other significant increases included Italian utility ENEL (18%), wine producer Treasury Wine Estates (25%) and paper and pulp company UPM-Kymmene (13%). All of the Company's holdings contribute to income generation and the diversification across sectors and geographies is designed to enhance the portfolio's dividend stability. Based on the underlying trends within the portfolio the outlook for dividend growth remains good.

The Company's portfolio is relatively concentrated consisting typically of 60-80 positions, so performance can be impacted by stock specific news and events as well as regional equity market performances and sector news.

As noted in the chairman's statement, over the year, investors have become increasingly concerned about the outlook for economic growth. Given these concerns it is not surprising to find that companies and sectors with less sensitivity to economic growth have performed well. Having said this, the extent of the divergence between perceived growth and quality stocks versus other parts of the market is extreme versus history. The chart below illustrates this phenomenon, by measuring the price to earnings investors are willing to pay for 'growth' stocks relative to 'value'.

In this environment our investment bias toward value as a factor in stock selection has detracted from performance. Whilst we view the price to earnings paid for a company as an important influence on the long-term total returns an investor will receive, this view seems out of favour at this time.

USA growth vs value



Source: Barclays research

The divergence illustrated above can be seen in portfolio returns. The table overleaf highlights the most significant stock contributors to performance over the year. It shows relative return versus the benchmark, so registers the impact of both stocks held in the portfolio and those not held but which have been significant drivers of the benchmark. The top ten stocks all returned over 20% over the year. They are all industry leaders in their respective fields and are generally growing and/or exposed to structurally growing areas. ENEL, for example has been transitioning from a largely European regulated utility to a renewable energy company. Both Nestlé

Strategic Report: Fund Manager's Report (continued)

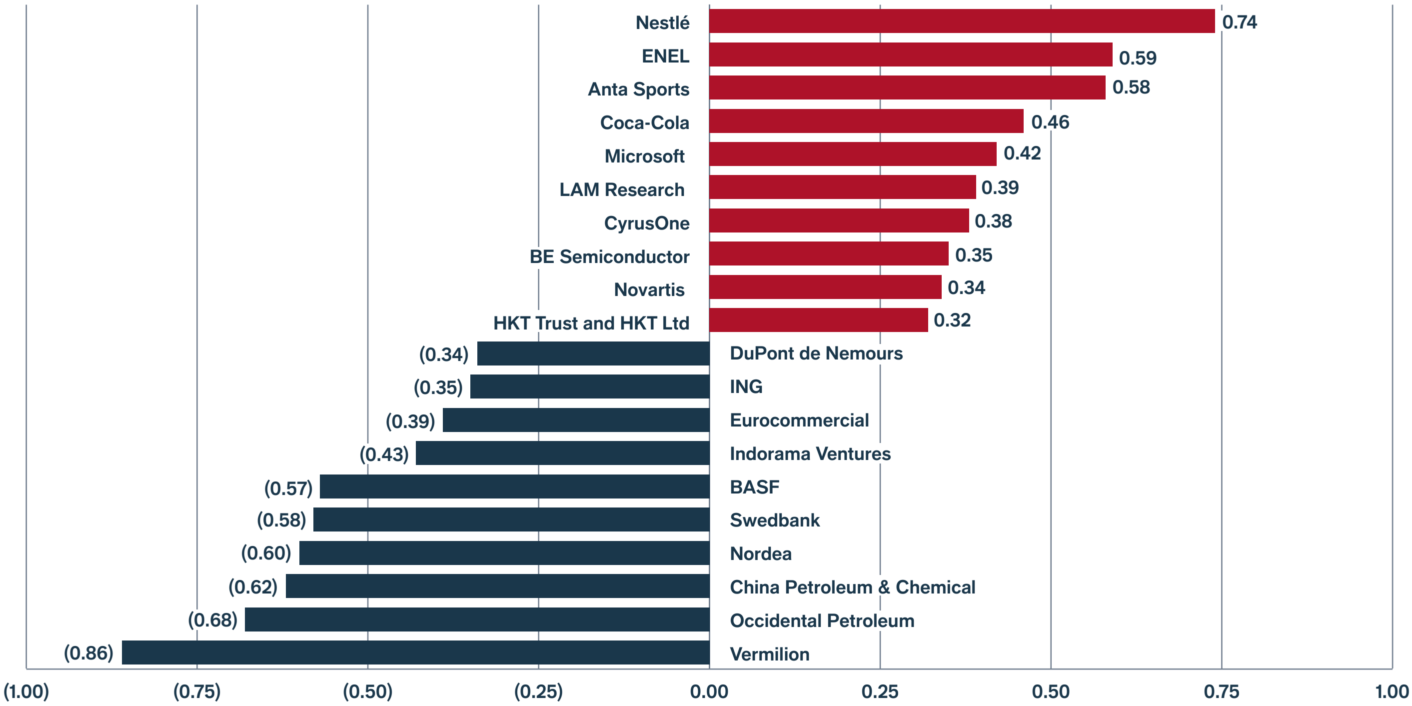
and Coca-Cola are starting to see improved revenue growth after refocusing on new product innovation for several years.

The technology sector is well represented in the portfolio by data centre operator CyrusOne, semiconductor equipment manufacturer LAM Research, and software and data management company Microsoft. These companies have continued to grow revenue and have been rewarded by the market for their future potential.

At the other extreme, the biggest detractors to performance have a cyclical bias. Although they are in different sectors chemical company Indorama Ventures, oil companies Occidental Petroleum and Vermilion, and property company Eurocommercial have all taken advantage of low prices to make acquisitions, to which the market has reacted negatively for now. Whilst the capital performance has been disappointing they have maintained their dividends and are very attractively valued so they continue to be held in the portfolio. Nordea, ING and Swedbank are mainly retail banks with conservative balance sheets, but whilst their loan books have shown very little signs of impairment their valuations have proved to be very sensitive to interest rate expectations and have de-rated as economic growth has slowed in Scandinavia.

Whilst it is disappointing that these stocks have underperformed, it is worth noting that several of the largest, best performing holdings in the portfolio for the last few years were purchased when they were largely being ignored by investors. ENEL, Microsoft, and Cisco Systems were all companies whose futures were being questioned when purchased. The team's investment process is driven by stock selection, based on fundamental qualitative analysis and a strong valuation discipline. Dividends from these companies allow investors to be paid to remain invested until a valuation anomaly corrects. At this time the underperforming holdings have been retained as the valuations are now very attractive with significant dividend yield premiums for each.

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

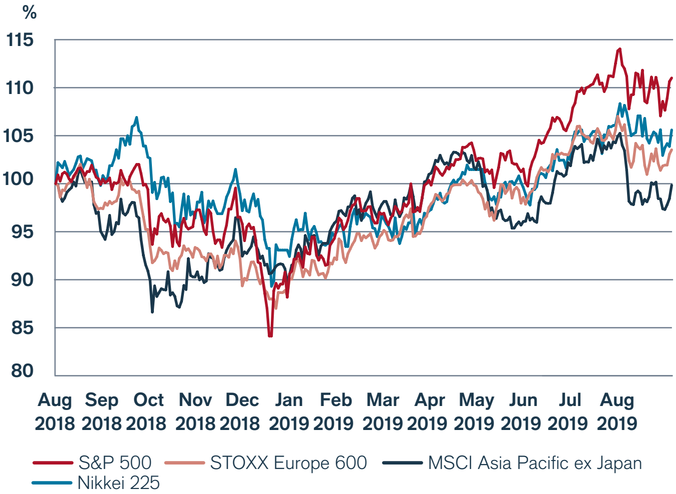


Source: FactSet

Strategic Report: Fund Manager's Report (continued)

Regional equity market performance has also diverged significantly again. The chart below highlights the divergence between the US equity market and the rest of the world (simplified here to Europe, Asia ex Japan and Japan).

Regional equity market performance (£)



Source: Janus Henderson, Bloomberg

Although the strongest absolute performance came from the US portfolio, in line with the strong performance of the markets, the strongest relative regional performance came from the portfolio's Asian holdings which significantly outperformed the region. This was from a mixture of defensive stocks including telecommunication companies HKT Trust and HKT Ltd and Spark NZ, and companies exposed to the emerging Chinese consumer such as Anta Sports and Treasury Wine Estates.

Portfolio positioning

Over the year we have been taking profits in areas that have reached fair value, or where we see increased risk to returns. The financial sector weight has been reduced as a result of the lower expected economic growth, which will make it harder for some of the companies to bear the fruit of their restructuring efforts. Profits have also been taken in a number of companies that have performed strongly in order to invest in new opportunities. Positions closed included asset manager Blackstone, US electronic goods retailer Best Buy, and toy company Hasbro, which have all appreciated considerably since purchase and have potential sensitivity to any economic slowdown. Although there is a general premium for certainty and stable earnings, some interesting situations have appeared in consumer staples and healthcare and exposure to those sectors has therefore increased. New positions initiated in the healthcare area include Sanofi, whose valuation does not reflect its drug portfolio or the potential for management's cost savings efforts and Bristol-Myers Squibb, which has underperformed the market since announcing the acquisition of Celgene and now offers an attractive entry point. In the consumer staples sector Mondelez and Danone were purchased. Both have strong global brands and are expected to improve their rate of organic revenue growth after focusing on innovation for the last few years, while continuing to generate good levels of cashflow. The Company also bought positions in Michelin, Veolia and Henkel during the twelve-month period. Veolia yields almost 4% and is well positioned for growth as an international waste and water company. Henkel, the health & personal products and adhesives company, has a strong balance sheet and should benefit from restructuring and development initiatives to improve top line performance. Michelin is well placed as a leading global tyre company to benefit from the ongoing replacement market for both higher margin SUV tyres and for electric vehicle tyres.

The Company has taken advantage of low interest rates to secure long-term funding at a rate significantly below the dividend yield of the average portfolio holding. The high levels of uncertainty caused by the many geopolitical issues that persist, present an opportunity to purchase companies at attractive valuations, with the expectation that they will generate significantly higher total returns in the medium to long-term than the low cost of this debt (it is worth noting that the cash position at the year end is a product of The Establishment Investment Trust plc transaction rather than a tactical investment decision). The funding has been taken out in euros, partly to access the lower interest rates available, and partly in reflection of the overseas exposure of the Company's portfolio. Whilst Brexit has little direct impact on the portfolio holdings (due to its ex UK strategy), investors' returns can be impacted by short-term fluctuations in sterling and it seems prudent to match some borrowing to the relevant asset base.

Ben Lofthouse
Fund Manager
29 October 2019

Strategic Report: Historical Performance and Financial Information

Total return performance[1]

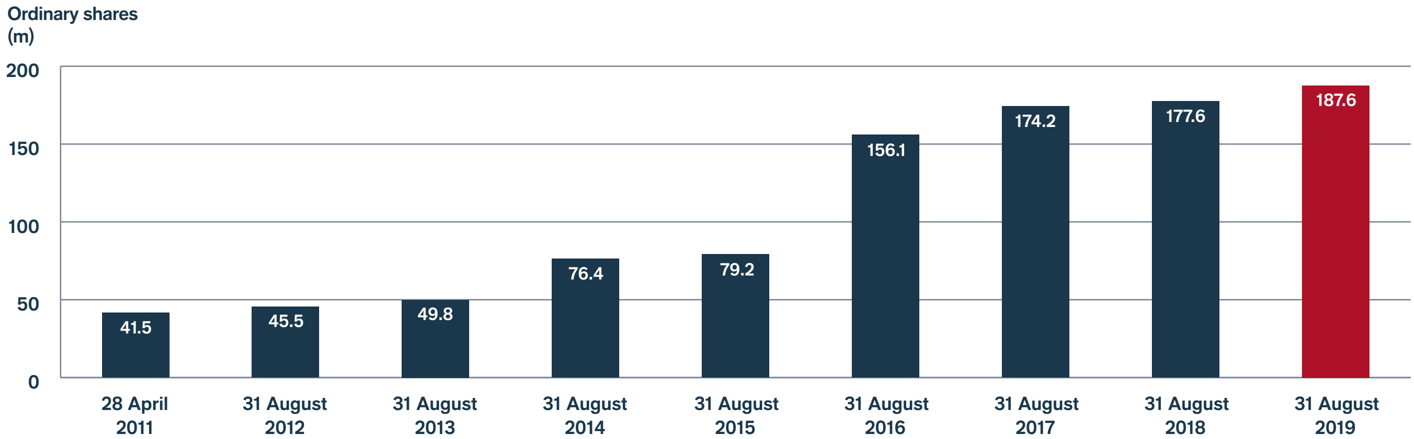
	1 year %	3 years %	Since launch %
Diluted NAV[2] (debt at fair value)	(0.01)	25.84	120.63
Share price[3]	(1.40)	24.17	113.51
Benchmark[4]	7.99	45.81	172.26
Sector average[5]	5.73	33.25	116.93

The undiluted NAV total return performance since launch is 119.66%.

Financial information for the year end 31 August

Date	Net assets £'000	NAV (debt at par) pence	Share price[3] pence	Premium/ (discount) %	Net return for year £'000	Revenue return pence	Capital return pence	Total return pence	Dividends per ordinary share pence	Ongoing charge %
2012[6]	44,268	97.2	100.5	(3.4)	1,655	6.08	(2.23)	3.85	5.40	1.38
2013	55,729	111.9	114.1	2.0	8,630	4.57	13.62	18.19	4.05	1.39
2014	85,787	118.4	109.8	(7.3)	7,077	5.59	5.99	11.58	4.25	1.09
2015	91,594	115.6	118.8	2.8	1,668	5.14	(2.98)	2.16	4.50	1.11
2016	220,904	141.5	141.8	0.2	37,570	6.12	29.14	35.26	4.65	1.01
2017	283,972	163.0	163.8	0.5	42,836	5.76	21.36	27.12	4.90	0.88
2018	296,748	167.1	167.5	0.2	16,386	5.80	3.50	9.30	5.30	0.83
2019	**309,176**	**164.8**	**159.5**	**(3.2)**	**5,951**	**6.29**	**(2.98)**	**3.31**	**5.70**	**0.84**

Issued ordinary share capital since launch



1 Including dividends reinvested and excluding transaction costs
2 Calculated using published daily NAVs including current year revenue
3 Middle market closing price
4 MSCI World (ex UK) Index (sterling adjusted)
5 AIC Global Equity Income sector
6 The first period was from launch on 28 April 2011 to 31 August 2012 and the dividends in this period represented 16 months of revenue

Sources: Morningstar, Janus Henderson and Datastream

Strategic Report: Business Model

Investment strategy

The Company's purpose is to pursue its investment objective and policy. It fulfils this purpose by operating as an investment company enabling a board of directors ("board") to delegate operational matters to specialised third-party service providers. Their performance is monitored and challenged by the board who retain oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for delivering operations whilst allowing the Company to take advantage of the capital gains treatment afforded to investment trusts which are approved under s.1158/9 the Corporation Tax Act 2010 ("s.1158/9"). The closed-ended nature of the Company enables the fund manager to take a longer-term view on investments and supports a fully invested portfolio as the Company has no redemptions to meet. A significant advantage over other investment fund structures is the ability to use gearing to increase returns for shareholders.

The board comprises entirely non-executive directors accountable to shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company.

Status

The Company is an investment company as defined in section 833 of the Companies Act 2006 ("Act") and operates as an investment trust in accordance with s.1158/9 as amended. The directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ("FCA"). The Company is a member of the Association of Investment Companies ("AIC"). The Company, and the board, is governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution.

Investment objective

The Company's investment objective is to provide shareholders with a growing total annual dividend, as well as capital appreciation.

Investment policy

The Company will invest in a focused and internationally diversified portfolio of 50-80 companies that are either listed in, registered in, or whose principal business is in countries that are outside the UK and will be made up of shares (equity securities) and fixed interest asset classes that are diversified by factors such as geography, industry and investment size. A maximum of 25% of gross assets may be invested in fixed interest securities. The Company does not hold investments in unlisted companies unless it is through subsequent delisting of a listed security.

Investment in any single company (including any derivative instruments) will not, in gross terms, exceed 5% of net assets at the time of investment and no more than 15% of gross assets may be invested in other listed investment companies (including investment trusts) or collective investment schemes. No more than 10% of gross assets may be invested in companies that themselves invest more than 15% of their gross assets in UK listed investment companies or collective investment schemes.

The Company may use financial instruments known as derivatives for the purpose of efficient portfolio management, for investment purposes or to generate additional income while maintaining a level of risk consistent with the risk profile of the Company. The Company may hedge exposure to foreign currencies up to a maximum of 20% of gross assets and may generate up to a maximum of 20% of gross income through investment in traded options.

The Company can borrow to make additional investments with the aim of achieving a return that is greater than the cost of borrowing. The Company's articles of association allow borrowings up to 100% of net asset value. In normal circumstances, the manager may only utilise gearing up to 25% of net assets at the time of drawdown or investment (as appropriate) in accordance with the board's policy and for these purposes 'gearing' includes implied gearing through the use of derivatives.

Investing

The Company sets out to be an attractive and straightforward long-term investment vehicle for private investors. As well as investing directly, shares can be purchased through various dealing platforms and held in share plans, ISAs or pensions. Links to some of these dealing platforms can be found on our website, **www.hendersoninternationalincometrust.com**.

Promoting the Company's success

The directors' overarching duty is promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests, as set out in section 172 of the Act. The board regards a well governed business model as essential for the successful delivery of its investment proposition.

To this end, the board secures the Company's success by engaging reputable third-party suppliers with established track records to deliver the day-to-day operations. The most important of these is the manager; and in particular the fund manager, who is responsible for the management of the Company's assets in line with the investment objective. The board maintains a close working relationship with the manager and holds it to account for the smooth running of the Company's day-to-day business. The board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions for the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

The fund manager promotes the Company with the support of the manager's dedicated investment trust sales team and the board makes additional spend available to support marketing activities aimed at raising the profile of the Company amongst retail investors in the UK.

Strategic Report: Business Model (continued)

To ensure the chosen service providers continue to deliver the expected level of service, the board receives regular reporting from them, evaluates the control environments in place at each service provider and formally assess their appointment annually. By doing so the board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that we expect from them.

Principal risks and uncertainties

The board, with the assistance of Janus Henderson, has carried out a robust assessment of the principal risks and uncertainties facing the Company that would threaten the business model, future performance, solvency and liquidity. This included consideration of the market uncertainty arising from the United Kingdom's negotiations to leave the European Union ("Brexit") however the board are comfortable that the manager has detailed plans in place to continue in operation regardless of the final position. Importantly, the portfolio is well-diversified and will be relatively unaffected by Brexit in the short-term given the nature of the investment objective.

The board regularly considers the principal risks facing the Company and has drawn up a matrix of risks facing the Company. The board 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 set out in the table below. The board does not consider these to have changed during the course of the reporting period and up to the date of this report with the exception of the risks associated with the senior unsecured notes.

Risk	Mitigation
Investment activity and performance risks An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group.	The board monitors investment performance at each board meeting and regularly reviews the extent of its borrowings when in use.
Portfolio and market price risks Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. Most of the Company's assets, liabilities, income and expenses are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items.	The manager seeks to maintain a diversified portfolio to mitigate against this risk. The board regularly reviews the portfolio, activities and performance. The fund manager monitors the Company's exposure to foreign currencies daily and reports to the board at each meeting. The fund manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rates to which the Company's assets, liabilities, income and expenses are exposed. The board has set an investment limit on currency hedging to a maximum of 25% of gross assets to mitigate against this risk.
Tax and regulatory risks A breach of section s.1158/9 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 Companies Act could lead to criminal proceedings, or financial or reputational damage.	The manager has contracted investment, company secretarial, administration and accounting services to qualified professionals. The board receives internal control reports produced by Janus Henderson on a quarterly basis, which confirm regulatory compliance.
Operational and cyber risks Disruption to, or failure of, Janus 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 and/or cyber risk that one or more of its service providers may not provide the required level of service in the event of a cyber attack.	The board monitors the services provided by the manager and its other third-party suppliers and receives reports on the key elements in place to provide effective internal controls. The board also receives assurances from the manager's chief information security officer that the manager maintains robust cyber and information security policies, processes and procedures. The board also monitors the principal business risks faced by the Company which are recorded in a risk map which 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.

Strategic Report: Business Model (continued)

Risk	Mitigation
Risks associated with the senior unsecured notes A breach of the senior unsecured notes covenants would trigger an "event of default" clause in the note purchase agreement, at which point the outstanding amount may become automatically and immediately repayable.	The manager monitors the Company's compliance with the senior unsecured notes covenants through the Charles River compliance tool (see note 16 to the financial statements for further details). The senior unsecured notes are conservatively coded into this tool so that the manager would be alerted well in advance of a potential breach of covenant conditions. The board monitors compliance with the senior unsecured notes covenants through a monthly investment limits and restrictions schedule that is provided at each board meeting. Other "events of default" not relating to covenant conditions are also monitored.

Viability statement

The 2014 UK Corporate Governance Code introduced a requirement for the board to assess the future prospects for the Company, and report on the assessment within the annual report. The board considered that certain characteristics of the Company's business model and strategy were relevant to this assessment:

- the board looks to ensure the Company seeks to deliver long-term performance
- the Company's investment objective, strategy and policy, which are subject to regular board monitoring, mean that the Company is invested mainly in readily realisable listed securities and that the level of borrowings is restricted
- the Company is a closed-end investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions
- the Company has an ongoing charge of 0.84%.

Also relevant were a number of aspects of the Company's operational agreements:

- the Company retains title to all assets held by the custodian under the terms of formal agreements with the custodian and depositary
- long-term borrowing is in place being the 2.43% senior unsecured notes 2044 which is also subject to a formal agreement, including financial covenants with which the Company complied in full during the period since issuance. The value of long-term borrowing is relatively small in comparison to the value of net assets, being 8.72%
- revenue and expenditure forecasts are reviewed by the directors at each board meeting
- cash is held with an approved bank.

In addition, the directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's business model, including future performance, liquidity and solvency.

The principal risks identified as relevant to the viability assessment were those relating to investment activity and performance, portfolio and market price risks. The board took into account the liquidity of the Company's portfolio, the existence of the long-term fixed rate borrowings, the effects of any significant future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings, grow dividend payments and retain investors and the potential need for share buy-backs to maintain a narrow share price discount. The directors assess viability over three year rolling periods, taking account of foreseeable severe but plausible scenarios. The directors believe that a rolling three year period best balances the Company's long-term objective, its financial flexibility and scope with the difficulty in forecasting economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 August 2022.

Fee arrangements with the manager

The board 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 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority, and form part of the Janus Henderson group of companies. References to "Janus Henderson" or the "manager" refer to the services provided to the Company by the manager's group.

The management fee is 0.65% per annum of net assets equal to or below £250m. The fee reduces to 0.60% per annum of the net assets in excess of £250m. The aggregate amount of fees charged by Janus Henderson on any assets in the portfolio that are invested in in-house funds and connected investment trusts is deducted from any fees charged. The fees are payable quarterly in arrears. There is no performance fee arrangement in place.

Janus 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 the manager, by BNP Paribas Securities Services. Henderson Secretarial Services Limited acts as the Corporate Secretary.

Strategic Report: Business Model (continued)

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.

Borrowings

Where the fund manager believes that gearing will enhance returns to shareholders, the Company may borrow up to 25% of its gross assets at the time of drawdown or investment (as appropriate). Borrowings for these purposes would include implied gearing through the use of derivatives. The Company's short-term gearing facility allows borrowing in sterling and other currencies by way of an overdraft facility with HSBC Bank plc. Under this facility the Company borrowed in both sterling and euros in the year under review.

In addition, on 30 April 2019 the Company issued €30m fixed rate 25-year senior unsecured notes at an annualised coupon of 2.43%. This long-term fixed rate euro denominated financing was obtained at a price that the board considered attractive. The senior unsecured notes are expected to enhance long-term investment performance.

At the same time the long-term senior unsecured notes were issued the Company's short-term overdraft facility was simultaneously reduced from £60m to £30m, to maintain the gearing level.

Within the terms of the senior unsecured notes are clauses that would be enacted in certain scenarios should the notes be prepaid by the Company before maturity. These clauses could impact the total amount repayable. The directors have assessed these and have concluded these clauses are highly unlikely to occur.

Key performance indicators

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

KPI	Action
Performance measured against the benchmark	At each meeting the board reviews and compares the performance of both the NAV per share and share price for the Company and its benchmark.
Dividend sustainability and growth	At each board meeting, the board reviews the dividend income generating ability of the Company's portfolio, and monitors the dividend income received as the year progresses.
Discount/premium to NAV	At each board meeting, the board monitors the level of the Company's discount/premium to NAV per share (including income) and reviews the average discount/premium for the AIC Global Equity Income sector. The Company publishes its 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 compare the Company 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 data on pages 2, 3 and 12 show how the Company has performed against these KPIs.

Approach to environmental, social and governance matters

Responsible ownership and the Stewardship Code

Responsible investment is the term used to cover the manager's work on environmental, social and corporate governance ("ESG") issues in the Company's investee companies. Janus Henderson supports the UK Stewardship Code and seeks to protect and enhance value for the Company's shareholders through active management, integration of ESG factors into investment decision making, voting and company engagement.

The board believes 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. The board have chosen to delegate responsibility to the manager for voting the rights attached to the shares held in the Company's portfolio as the manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the fund manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the manager's Responsible Investment Policy ("RI Policy"), which is made publicly available, so investee companies have the ability to make themselves aware of our expectations in this respect. In order to retain oversight of the process, the board regularly receive reporting on how the manager has voted the shares held in the Company's portfolio and review, at least annually, the RI Policy, which sets out the manager's approach to corporate governance, corporate responsibility and its compliance with the UK Stewardship Code. The RI Policy can be found on the manager's website at **www.janushenderson.com**.

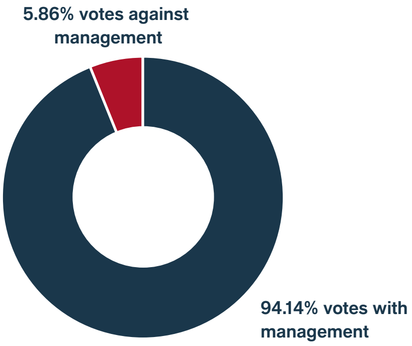
In the period under review, investee companies held 78 general meetings. The shares held in the Company's portfolio were voted in respect of 75 of these meetings. The level of governance in leading global companies is generally of a high standard in terms of best practice which meant support in favour of the resolutions proposed by management was warranted. However, in respect of 5.86% of the resolutions proposed, support was not warranted and, following discussion between the fund manager and Janus Henderson's governance team, the shares were voted against the passing of

Strategic Report: Business Model (continued)

the resolution. The manager may take voting decisions after consultation with the chairman on behalf of the board.

In terms of the resolutions not supported, these covered four predominant themes relating to compensation, the re-election of directors, anti-takeover mechanisms and equity issuance. In terms of shareholder proposals support, these covered proposals regarding reporting under the Paris Agreement goals, as well as further disclosure around gender pay gap, lobbying payments and political contributions.

The Company's shares in one jurisdiction were instructed as "do not vote" due to operational issues that might lead to a position where the fund manager was unable to transact in the shares once they had been voted until after the relevant meeting.



The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Business ethics

As the Company's operations are delegated to third-party service providers, the board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the **UK Modern Slavery Act 2015** and maintain adequate safeguards in keeping with the provisions of the **Bribery Act 2010** and **Criminal Finances Act 2017**.

Communicating with shareholders

The board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. Unlike trading companies, the board appreciate that this often takes the form of meeting with the fund manager rather than members of the board. Shareholders are able to meet with the fund manager throughout the year and the manager provides information on the Company and videos of the fund manager on the Company's website, via various social medial channels and through its HGI platform. Feedback from all meetings between the fund manager and shareholders is shared with the board. The chairman or other members of the board are available, and have offered, to meet with shareholders where they wish to do so.

The annual report and half-year results are circulated to shareholders wishing to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly fact sheet which is available on the website. The fund manager provides presentations to shareholders and analysts following the publication of the annual financial results.

The fund manager attends the annual general meeting and provides a presentation on the Company's performance and the future outlook. The board encourages shareholders to attend and participate in the annual general meeting, which is available to watch live by visiting **https://www.janushenderson.com/en-gb/investor/investment-trusts-live/**. Shareholders have the opportunity to address questions to the chairman, the fund manager and the other members of the board.

In the event shareholders wish to raise issues or concerns with the directors, they are welcome to do so at any time by writing to the chairman at the registered office.

Board diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The nominations and remuneration committee considers diversity generally when making recommendations for appointments to the board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. Our prime responsibility, however, is the strength of the board and our overriding aim in making any new appointments must always be to select the best candidate based on objective criteria and merit. Currently the board comprises five directors, four male and one female. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

The board however recognises the benefits of diversity and therefore takes an interest in the diversity initiatives in place at the manager. Janus Henderson fosters and maintains an environment that values the unique talents and contributions of every individual. The manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients, investors and shareholders.

For and on behalf of the board

Simon Jeffreys
Chairman
29 October 2019

Strategic Report: Directors

Directors

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

Simon Jeffreys

Position: Chairman of the board and chairman of the management engagement committee and the nominations and remuneration committee
Date of appointment: 9 March 2011
(Chairman from 7 December 2017)

Simon is chairman of Aon UK Limited, a director and chair of the audit committees of St James's Place plc, SimCorp A/S and Templeton Emerging Markets Trust plc. He is also chair of the audit and risk committee of the Crown Prosecution Service. Simon was chief operating officer of the Wellcome Trust where he was responsible for a wide range of business services including finance, legal, human resources, information technology and operations. He was previously chief administrative officer for Fidelity International. For most of his professional life he was a partner in PricewaterhouseCoopers, where he was the global leader of the firm's investment management and real estate practice.

William (Bill) Eason

Position: Senior Independent Director
Date of appointment: 9 March 2011 (Senior Independent Director from 29 October 2019)

Bill is a director of Regional REIT Limited and Institutional Protection Services Limited and recently retired from the board of The European Investment Trust PLC. He is a trustee to The Gordon Foundation and is also a business fellow of Gray's Inn. Bill is a former chairman of Henderson High Income Trust plc and was chief investment officer at Laing and Cruickshank as well as acting as trustee to Marshall's Charity and the John Hampden Fund. He was also a director of the Charities & Trust Fund Department at Quilter Cheviot. He has been managing charitable and high net worth portfolios since 1973, and became a member of the London Stock Exchange in 1976. Bill holds a Fellowship of the Chartered Institute for Securities and Investment. He was also a governor of Henley Management College.

Richard Hills

Position: Director
Date of appointment: 25 April 2016

Richard's career has been in the investment management industry where he has held senior executive positions at two major houses. More recently he has been a non-executive director of a number of investment companies, both listed and private. He is currently Chairman of Strategic Equity Capital plc and a director of EQT Services (UK) Limited.

Aidan Lisser

Position: Director
Date of appointment: 25 April 2016

Aidan has had many years' experience at a senior level, across international consumer and financial services organisations. He is Head of Strategy at Investec Wealth & Investment, having previously been the firm's Chief Marketing Officer. Prior to that he was employed by Allianz Global Investors AG, Standard Chartered Bank plc and Unilever plc. He is also a director of JP Morgan Emerging Markets Investment Trust plc and was previously a director of Henderson Global Trust plc.

Katarzyna (Kasia) Robinski

Position: Director and chair of the audit committee
Date of appointment: Appointed 1 November 2017 (chair of the audit committee from 7 December 2017)

Kasia has over 25 years' experience in private equity and investment banking including with Hanover Investors, Prospect Investment Management, the Sutton Company (now Sutton Trust) and Goldman Sachs. She has served on numerous international boards and has undertaken various operating roles, including CFO and CEO, in a broad range of sectors from media through to oil and gas. She is currently a director and audit committee chair of Gabelli Value Plus+ Trust PLC. She holds an MSc degree in Engineering/Economics from Cambridge University and an MBA from the Stanford Business School.

All directors are independent of Janus Henderson and are members of the audit committee, management engagement committee, nominations and remuneration committee and insider committee.

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 19.

Strategic Report: Corporate Information

Registered office

201 Bishopsgate
London
EC2M 3AE
Email: support@janushenderson.com

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

Stockbroker

Panmure Gordon & Co
1 New Change
London
EC4M 9AF

Registrar

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

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

Independent auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Information sources

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

Financial calendar

Senior unsecured notes interest payment	30 October 2019
4th interim ex-dividend date	7 November 2019
4th interim dividend record date	8 November 2019
4th interim dividend payable on	29 November 2019
Annual general meeting[1]	5 December 2019
1st interim dividend payable on	28 February 2020
Half year results	April 2020
Senior unsecured notes interest payment	30 April 2020
2nd interim dividend payable on	29 May 2020
3rd interim dividend payable on	28 August 2020

1 At the Company's registered office at 2.30pm

HGi

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

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

Follow us on Twitter, YouTube and Facebook

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

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone on 03457 22 55 25, email **Customercare.HSDL@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.

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.

Strategic Report: 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.

Alternative Performance Measures

Alternative performance measures can be found on pages 57 to 58.

Association of Investment Companies ("AIC")

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

Benchmark

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

Custodian

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

Depositary

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

Derivative

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

Dividend dates

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

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.

Key Information Document

Information in relation to the Company's disclosures in accordance with the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation is contained in the "Key Information Document" which can be found on the Company's website.

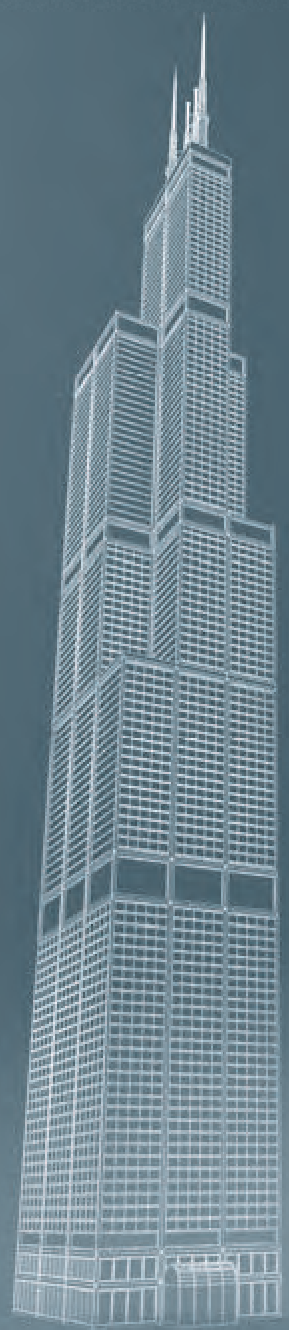
Liquidity

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.

Corporate Report



Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 August 2019.

The Corporate Governance Statement and Report of the Audit Committee (pages 26 to 32) and the Alternative Performance Measures and General Shareholder Information (pages 57 to 59) form part of the Report of the Directors.

Share capital

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company.

The Company's share capital comprises ordinary shares of 1p nominal value. The voting rights of the shares on a poll are one vote for every share held. At the beginning of the year, there were 177,581,306 ordinary shares in issue. During the year, 2,175,000 shares (representing 1.2% of the number of shares in issue at the beginning of the year) were issued to Panmure Gordon & Co for total proceeds (net of commissions) of £3,482,000.

On 18 July 2019 the Company issued 7,827,410 ordinary shares following its participation in the scheme of reconstruction and voluntary winding up of The Establishment Investment Trust plc. The total proceeds for the scheme amounted to £12,994,000 net of costs.

At 31 August 2019 the number of ordinary shares in issue (with voting rights) was 187,583,716.

Since 1 September 2019 and up to the date of this report, no further ordinary shares have been issued. The number of shares in issue at the date of this report is therefore 187,583,716.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2019 in accordance with the FCA Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Rathbone Investment Management Ltd	10.6
Smith & Williamson Holdings Ltd	7.2
Brewin Dolphin Ltd	5.9
Quilter plc	4.1

No changes have been notified in the period 1 September 2019 to 29 October 2019.

Duration of the Company

The Company's articles of association require that at every third annual general meeting of the Company an ordinary resolution be put to shareholders asking them to approve the continuation of the Company; the next such resolution will be proposed at the annual general meeting in 2020.

Related party transactions

The Company's transactions with related parties in the year were with the directors and the manager. There have been no material transactions between the Company and its directors during the year. The only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 25.

In relation to the provision of services by the manager (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 the manager affecting the financial position or performance of the Company during the year under review. More details on transactions with the manager, including amounts outstanding at the year end, are given in note 20 on page 56.

Annual General Meeting

The annual general meeting will be held on Thursday, 5 December 2019 at 2.30pm at the Company's registered office. The notice of meeting and details of the resolutions to be put at the annual general meeting are contained in the separate letter being sent to shareholders with this report.

Directors' statement as to disclosure of information to auditors

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

Listing rule 9.8.4

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

By order of the board

Henderson Secretarial Services Limited
Corporate Secretary
29 October 2019

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 for the next twelve months.

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

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

Directors' responsibility statement

Each of the directors, who are listed on page 18, confirms that, to the best of their 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

Simon Jeffreys
Chairman
29 October 2019

The financial statements are published on **www.hendersoninternationalincometrust.com** which is a website maintained by the manager.

The maintenance and integrity of the website is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the annual report since it was initially presented on the website.

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

Directors' Remuneration Report

Remuneration policy

The remuneration policy ("policy") sets out the principles applied in the remuneration of the Company's directors. The policy was last approved by shareholders at the annual general meeting on 7 December 2017. The Company's approach is that directors fees should:

- reflect the time spent on the Company's affairs;
- reflect the responsibilities borne by the directors; and
- be sufficient to promote the long-term success of the Company.

Directors are remunerated in the form of fees payable, to the director personally, quarterly in arrears.

The chairman of the board is paid a higher fee in recognition of his additional responsibilities, as is the chair of the audit committee. The directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. The level of fees paid to each director is reviewed annually, although such a review may not necessarily result in any change to the rates. The level of fees paid to the directors of other investment companies of a similar size and nature is taken into account when carrying out the review. The board may amend the level of remuneration paid to individual directors within the parameters of the policy.

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

The policy, irrespective of any changes, will be put to shareholders at intervals of not more than three years with the next approval due to be sought at the annual general meeting in 2020.

Letters of appointment

All directors are non-executive and are appointed under a letter of appointment. No director has a service contract with the Company. There are no set notice periods. A director may resign by notice in writing to the board at any time and no compensation is payable for loss of office.

Recruitment principles

All directors, including any new appointments to the board, are paid at the same rate.

Annual report on remuneration

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 ("regulations"). The report also meets the relevant requirements of the Companies Act 2006 ("Act") and the Listing Rules of the Financial Conduct Authority and describes how the board has applied the principles relating to directors' remuneration.

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.

Statement from the chairman

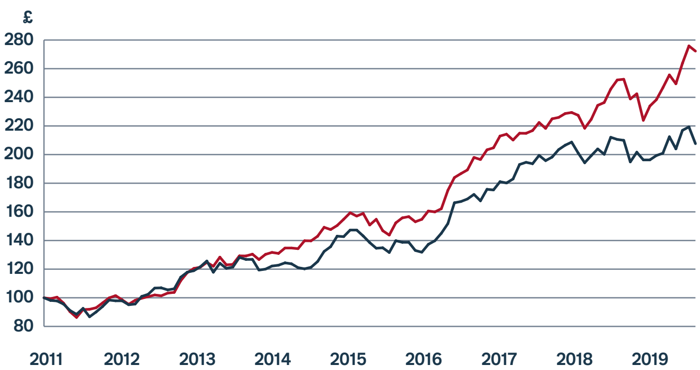
As the Company has no employees and the board comprises entirely non-executive directors, the board has not established a separate remuneration committee in the year under review. Recognising the increasing focus on remuneration, the board agreed to delegate remuneration matters to the nominations committee and the committee was subsequently renamed the nominations and remuneration committee with effect from 1 September 2019 onwards. Directors' remuneration in the year under review has been determined by the board as a whole within the parameters approved by shareholders. Following consideration of the fees paid to other investment companies in the peer group, the fees paid in other sectors and the other Janus Henderson managed investment trusts, the directors' fees were increased with effect from 1 September 2019. The increases were to ensure that the directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new directors.

The board has appointed a senior independent director, Bill Eason, with effect from 29 October 2019. The board determined that it was appropriate to pay him an additional fee of £2,000 per annum to reflect his increased responsibilities.

There have been no other major decisions on directors' remuneration or any other changes to the remuneration paid to each individual director in the year under review.

Performance

The Directors' Remuneration Report Regulations require the Company to measure its performance against a "broad equity market index" on a total return basis. In this report the MSCI World (ex UK) Index (sterling adjusted) has been selected as the most appropriate market index for the Company's portfolio.



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

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

Directors' Remuneration Report (continued)

Directors' fees and expenses (audited)

The fees and expenses paid to the directors who served during the years ended 31 August 2019 and 31 August 2018 were as follows:

	Year ended 31 August 2019 Total salary and fees £	Year ended 31 August 2018 Total salary and fees £	Year ended 31 August 2019 Taxable benefits £	Year ended 31 August 2018 Taxable benefits £	Year ended 31 August 2019 Total £	Year ended 31 August 2018 Total £
Christopher Jonas[1]	–	10,536	–	–	–	10,536
Simon Jeffreys[2]	39,000	36,319	67	–	39,067	36,319
Kasia Robinski[3]	29,000	23,637	–	–	29,000	23,637
Bill Eason	24,000	24,000	–	–	24,000	24,000
Richard Hills	24,000	24,000	1,184	318	25,184	24,318
Aidan Lisser	24,000	24,000	9	43	24,009	24,043
Total	**140,000**	**142,492**	**1,260**	**361**	**141,260**	**142,853**

[1] Chairman of the board, management engagement and nominations committees – retired on 7 December 2017
[2] Chairman of the audit committee until 7 December 2017 and subsequently appointed chairman of the board, management engagement and nominations and remuneration committees
[3] Appointed as a director on 1 November 2017 and subsequently appointed chair of the audit committee from 7 December 2017

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

From 1 September 2019 the fees increased as follows (previous rates are shown in brackets): chairman £41,000 (£39,000) per annum, chair of the audit committee £32,500 (£29,000) per annum and other directors £25,500 (£24,000) per annum.

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

Directors' interests in shares (audited)

	Ordinary shares of 1p	
	31 August 2019	1 September 2018
Simon Jeffreys	168,150	168,150
Bill Eason	156,990	156,990
Richard Hills	39,604	39,604
Aidan Lisser	26,148	26,148
Kasia Robinski	60,000	60,000

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. There have been no changes to any of the directors' holdings in the period 1 September 2019 to the date of this report.

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

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.

	2019 £	2018 £	Change £	Change %
Total remuneration	141,260	142,853	(1,593)	(1.1)
Ordinary dividends paid	9,999,153	9,173,128	826,025	9.0

Statement of voting at AGM

A binding ordinary resolution adopting the remuneration policy was approved at the annual general meeting held on 7 December 2017. The votes cast by proxy in favour of the resolution were 22,480,080 (98.7%), votes cast against the resolution were 204,274 (0.9%) and 94,472 (0.4%) were placed at the discretion of the chairman of the meeting or other proxy to vote. A total of 183,908 votes were withheld.

An ordinary resolution adopting the report on directors' remuneration was approved at the annual general meeting held on 7 December 2018. The votes cast by proxy in favour of the resolution were 38,380,064 (99.2%), votes cast against the resolution were 199,165 (0.5%) and 121,789 (0.3%) were placed at the discretion of the chairman of the meeting or other proxy to vote. A total of 237,063 votes were withheld.

The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

For and on behalf of the board

Simon Jeffreys
Chairman
29 October 2019

Corporate Governance Statement

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code ("UK Code") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations. The board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in July 2016 ("AIC Code"). The AIC Code addresses the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ("FRC") has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The FRC published an updated UK Code in July 2018, which was followed by the publication of an updated AIC Code in February 2019. The 2019 AIC Code continues to be endorsed by the FRC and is applicable to financial reporting periods commencing on or after 1 January 2019. Accordingly, the Company reports against its compliance with the AIC Code.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**. The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of compliance

The board has considered the principles and provisions of the AIC Code, which address those set out in the UK Code, as well as additional provisions that are of specific relevance to investment companies. The board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to the Company's shareholders in terms of its governance arrangements.

The Company has complied with the principles and provisions of the AIC Code throughout the period. Given the entirely non-executive nature of the board of directors of investment companies, the AIC Code includes a deviation from the UK Corporate Governance Code permitting the chairman of the board to be a member of the audit committee. The Company has taken advantage of this provision.

As the Company is an investment company, it has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the audit committee considers the need for such a function at least annually (see page 30 for further information).

The board

Role of the board

The board is responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by service providers within the established control framework.

The board meets formally at least five times a year, with additional board or committee meetings arranged when required. The directors have regular contact with the manager between formal meetings. The board has a formal schedule of matters reserved for its decision which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, contracts, communications, board membership and other appointments, delegation of authority, remuneration and corporate governance matters.

At each meeting the board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which the manager has discretion to act. The board has responsibility for the approval of any investments in in-house funds managed or advised by the manager. It also has adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information.

The board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary who in turn appoints the custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a registrar to maintain the register of members and assist shareholders with queries in respect of their holdings. Each of these principal 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 and its committees maintain oversight of the third-party service providers through regular and ad hoc reporting.

The board receives and considers regular reports from the manager 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 Janus Henderson which provide a forum to discuss industry matters which would then be reported to the board.

The manager takes decisions as to the purchase and sale of individual investments. The manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the manager attend each

Corporate Governance Statement (continued)

board meeting enabling the directors to probe further on 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 the manager operate in a supportive, co-operative and open environment. The corporate secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the chairman or the Company received at Janus Henderson's offices is forwarded to the chairman of the Company in line with the audited procedures in place. Any correspondence is submitted to the next board meeting.

Janus Henderson and BNP Paribas Securities Services, which acts for Janus 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.

Committees of the board

The board has three principal committees: the audit committee, the nominations committee and the management engagement committee. In the year under review the board decided to delegate consideration of directors remuneration to a separate committee. Accordingly with effect from 1 September 2019 the nominations committee became the nominations and remuneration committee. The terms of reference for these committees are available on the Company's website. The Company has also constituted an insider committee to assist the board in meeting its obligations under the Market Abuse Regulation.

Audit Committee

The audit committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external auditor.

The report of the audit committee can be found on pages 31 and 32.

Nominations and Remuneration Committee

The nominations and remuneration committee was established on 1 September 2019. The nominations and remuneration committee advises the board on the composition of the board and its committees, in making appointments to the board and ensuring suitable succession plans are in place for the directors and fund manager. It also has responsibility for setting the remuneration policy for the non-executive directors including the chairman of the board, the chair of the audit committee and the senior independent director.

The following report covers the financial year 1 September 2018 to 31 August 2019 and therefore all the matters and decisions referred to were made by the previous nominations committee.

Membership

All directors are members of the committee. The chairman of the board is the chairman of the committee but would not chair meetings when the committee is considering appointments for his successor.

Meetings

The committee met twice during the year. The committee has not engaged any service providers to provide advice to the Company during the period.

Role and responsibilities

In discharging its duties over the course of the period, the committee considered:

- the composition of the board and each of its committees, taking account of the skills, experience and knowledge of each director and whether the diversity of these continued to contribute to the success of the Company;
- the outcomes of the board performance evaluation with a view as to whether adjustments should be made to the number of directors or knowledge and skills represented on the board;
- the tenure of each of the directors, giving consideration as to whether the board retained a sufficient balance of length of service without becoming complacent;
- the independence of the directors taking account of the guidelines established by the AIC Code as well as the directors' other appointments;
- the time commitment of the directors and whether this had been sufficient over the course of the period;
- succession planning for appointments to the board taking account of the provisions of the articles regarding the retirement and rotation of directors, as well as the tenure of the current directors; and
- the performance and contribution of all directors standing for re-election at the 2019 annual general meeting.

The committee recommended to the board that it deliberately phase the introduction of new directors, and the retirement of current directors, over the next three years to allow sufficient time for new directors, to familiarise themselves with the Company whilst retaining the right balance of knowledge, skills, experience and corporate knowledge on the board.

The succession plan is for Bill Eason to retire at the conclusion of the 2020 annual general meeting with a replacement director to be recruited in the second half of next year, and that the chairman of the board stands down at the conclusion of the annual general meeting in 2022. This will be four years' service as chairman of the board, following six years' service as audit committee chairman. This complies with the new AIC Code of Corporate Governance. It is anticipated that the committee will start looking for the chairman's replacement in early 2022.

Performance evaluation

The performance evaluation of the board, its committees and individual directors was conducted through the use of an internal, online questionnaire and the outcomes presented to the committee. The areas considered included board composition, expertise and

Corporate Governance Statement (continued)

dynamics, management and focus of meetings, investment strategy and performance, risk management, external relations, remuneration and fees, priorities for change, a review of the committees of the board and each individual director.

Following completion of the review, the committee concluded that no changes to the composition of the board were required at present and that each director continued to commit sufficient time to fulfilling their duties. Taking account of the performance of individual directors the committee recommended to the board that it should support the re-appointment of all directors at the 2019 annual general meeting.

Arrangements with directors

Board composition

The articles of association provide that the total number of directors shall not be subject to any maximum but shall not be less than two; the board currently consists of five non-executive directors. All served throughout the year under review. The biographies of the directors holding office at the date of this report, which are set out on page 18, demonstrate the breadth of investment, financial and other professional experience relevant to their positions as directors.

Directors' appointment and retirement

The board may appoint directors to the board and any director so appointed must stand for election by the shareholders at the annual general meeting following appointment, in accordance with the articles of association.

In keeping with the provisions of the AIC Code, all directors will offer themselves for re-appointment at the upcoming annual general meeting.

Under the articles of association, shareholders may remove a director before the end of his or her term by passing an ordinary resolution at a general meeting.

Directors' tenure and policy on the tenure of the chairman

Notwithstanding the progressive refreshment of the board, the nominations and remuneration committee considered the independence of the current directors and concluded that all directors continued to be independent of the manager. The chairman took no part in the discussions or decision making associated with his tenure. In particular, the nominations and remuneration committee was satisfied that the chairman remained independent. It is anticipated that the chairman stands down at the conclusion of the annual general meeting in 2022 which means he will have served on the board for a total of eleven years at the end of his tenure. The nominations and remuneration committee believes that directors with more than nine years' service can still form part of an independent majority and in particular their experience is beneficial to investment company boards.

Directors' independence

The independence of the directors is determined with reference to the AIC Code. The nominations and remuneration committee considers the independence of each director at least annually by reviewing the directors' other appointments and commitments, as well as their tenure of service and any connection they may have with the manager.

There were no contracts subsisting during or at the end of the year in which any director 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.

Following evaluation, the nominations and remuneration committee determined that all directors continued to be independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders.

Directors' professional development

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the manager, including the compliance and risk management frameworks, accounting, sales and marketing, and other administration service provided by the manager.

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 also regularly participate in relevant training and industry seminars and may do so at the expense of the Company.

Directors' individual training requirements are considered as part of the annual evaluation process which is led by the chairman of the board.

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 continue to operate effectively.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place in respect of the directors. 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

Corporate Governance Statement (continued)

may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

Board attendance

The table below sets out the number of formal board and committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the 2018 annual general meeting. The insider committee did not meet.

	Board	AC	MEC	NC
Number of meetings	**5**	**2**	**2**	**1**
Simon Jeffreys	5	2	2	1
Bill Eason	5	2	2	1
Richard Hills	5	2	2	1
Aidan Lisser	5	2	2	1
Kasia Robinski	5	2	2	1

AC: audit committee
MEC: management engagement committee
NC: nominations and remuneration committee

The board held an additional three board meetings in the year under review to consider the senior unsecured notes and documentation in connection with The Establishment Investment Trust plc transaction.

Three board committee meetings were also held in the year under review to approve the annual results, and to approve the announcement of the formula asset value and the allotment of new ordinary shares in relation to The Establishment Investment Trust plc transaction.

Management Engagement Committee

The committee is responsible for formally evaluating the overall performance of the manager and other third-party service providers engaged by the Company, to consider whether their continuing appointment is in the interests of shareholders as a whole.

Membership

All directors are members of the committee. The chairman of the board is the chairman of the committee.

Meetings

The committee met once during the year. The committee has not engaged any service providers to provide advice to the Company during the period.

Role and responsibilities

In discharging its duties over the course of the period, the committee considered:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the closed-ended sector, the share price, level of premium/discount and gearing;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its closed-ended competitors and other, similar sized investment companies;
- the key clauses of the investment management agreement, how the manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the brokers, depositary, registrar, marketing and research providers, legal counsel and the Company's accountants.

Continued appointment of the manager

The board monitors investment performance at each meeting, receives updates in respect of professional sales and marketing activities carried out by the manager for the Company twice annually and receives a formal recommendation from the management engagement committee in respect of the continued appropriateness of the terms of the management agreement at least annually.

The committee's evaluation of the manager included consideration of the quality of the team involved in all aspects of servicing the Company, including company secretarial, administration, sales and marketing, the manager's use of gearing and management of the portfolio's risk profile, the stability of the management group and the priorities for change. Following completion of the review, the committee recommended to the board that the continued appointment of the manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Key responsibilities of the board

Internal control

The board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The audit committee supports the board in the continuous monitoring of the internal control and risk management framework.

The board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allow the board to assess the Company's financial position. The management accounts and forecasts are reviewed by the board at each meeting;

Corporate Governance Statement (continued)

- contractual agreements with the manager and other third-party service providers. The board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis through reporting to the board and conducts a formal evaluation of the overall level of service provided at least annually;
- the review of controls at the manager and other third-party service providers. The board receives quarterly reporting from the manager and depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting is provided by:
  - the manager's enterprise risk team on the control environment in operation at the manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the manager's internal audit team on areas of operation which are relevant to the Company.

The board has reviewed the Company's system of internal controls for the year ended 31 August 2019. During the course of its review the board has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant.

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the investment manager, Janus Henderson. The board places reliance on the Company's framework of internal control and the audit committee's view on reporting received from specific second and third line of defence teams at the manager.

The manager's enterprise risk team support the audit committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The manager's internal audit department provides regular reporting to the board on the operations at the manager and presents at least annually to the audit committee. The board has therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

By order of the board

Henderson Secretarial Services Limited
Corporate Secretary
29 October 2019

Report of the Audit Committee

The audit committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external auditor.

Membership

All directors are members of the committee, including the chairman of the board. The committee considered the provisions of the revised AIC Code issued in February 2019, and those of the UK Code issued in July 2018 from which it stems, relating to the membership of the audit committee. Taking account of the size of the board as a whole (five in total), the absence of any executive directors and the collaborative manner in which the board and its committees work, it was not considered practical or constructive to exclude the chairman from the membership of the committee. The chairman of the board was determined to be independent at the time of his appointment. The committee is chaired by Kasia Robinski, who is considered by the board to have recent and relevant financial experience.

Meetings

The committee usually meets twice a year. The Company's auditors, the fund manager and the manager's financial reporting manager for investment trusts are invited to attend meetings of the committee on a regular basis. Other representatives of the manager and BNP Paribas Securities Services ("BNP") may also be invited to attend if deemed necessary by the committee.

Role and responsibilities

The role of the committee is to assist the board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the auditors. The audit committee reports to the board. The committee's responsibilities are set out in formal terms of reference which are reviewed at least annually.

In discharging its duties over the course of the year, the committee considered:

- the half year results and the annual report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the board;
- whether the annual report is fair, balanced and understandable, each director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's auditor, the fund manager and the company secretary;
- the internal controls in place at Janus Henderson and BNP as administrator, as described on pages 29 and 30 including compliance with s.1158/9 and the managers policies in relation to cyber risk and business continuity;
- whether there is a need for an internal audit function in order to make a recommendation to the board, as described on page 30;
- the managers whistleblowing policy and that Janus Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The committee was satisfied that the policy included the necessary arrangements for independent investigation and follow up action;
- the Company's third-party suppliers' confirmations that they had appropriate policies and procedures in place in relation to anti-bribery and corruption and anti-tax evasion. The committee was satisfied that they were in compliance;
- the key risks, risk management systems in place and the Company's risk map;
- the Company's anti-bribery policy and review of the Company's gifts and hospitality register. The committee was satisfied that the Company was in compliance throughout the year under review and up to the date of this report;
- the appropriateness of the Company's accounting policies;
- the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from the manager;
- the appropriate level of dividend to be paid by the Company;
- the annual confirmation from the Company's depositary;
- the appointment of the external auditor and their performance and remuneration (see page 32);
- agreed with the external auditor the level of materiality (see page 33);
- the nature and scope of the external audit and the findings therefrom;
- ensuring that the auditor reported all errors;
- the external auditors' independence and objectivity and the reporting of the external auditor. The committee also considered its policy on non-audit services. The committee was satisfied with the arrangements (as explained further on page 32); and
- the FRC's review of Grant Thornton UK LLP's ("GT's") audits and GT's internal quality reviews and concluded that there were no matters arising of concern for the Company (see overleaf for further details about the FRC's review of GT's audit of the Company for the year ended 31 August 2018).

In the year under review the committee met with representatives of the managers enterprise risk team to discuss internal controls and risk management. The discussion included a detailed overview of the manager's internal controls report and went on to provide a summary of the HSBC Securities Services and BNP Paribas Securities Services (the Company's other main third-party service providers) internal controls reports that had also been reviewed by the managers enterprise risk team. The committee received reassurances and concurred with the managers judgement that the findings from these reports were satisfactory with no material breaches that would affect the Company.

In the year under review the committee also met with a representative of the managers internal audit team to discuss the managers internal audit plan, including an overview of those audits which had a direct or indirect relevance to the Janus Henderson managed investment trusts. The committee recommended to the board that it was appropriate to rely on the managers internal audit function (see page 30).

The chair of the audit committee discussed and agreed the audit plan with the eternal audit partner. The auditors were asked to hold the audit fee at the same level as the previous year. A one-off additional fee for the supplementary audit work that had to be undertaken on the Company's transaction with The Establishment Investment Trust plc and the senior unsecured notes was also agreed. The chair of the audit committee also discussed in detail the FRC's audit quality inspection report findings with both the FRC and the external audit partner to ensure that the matters identified in the findings were appropriately addressed in this year's audit (see page 32).

Report of the Audit Committee (continued)

Appointment and tenure of the auditors

Regulations currently in force require the Company to rotate audit firms after a period of 10 years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. Grant Thornton UK LLP ("GT") have been appointed as auditors since the Company launched. The auditor is required to rotate partners every five years and this is the second year the current audit partner, Andrew Heffron, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the auditors, the committee envisages carrying out an audit tender process in respect of the year ending 31 August 2021 at the latest.

Auditors' independence

The committee monitors the auditors' independence through three aspects of its work: the approval of a policy regulating the non-audit services that may be provided by the auditors to the Company; assessing the appropriateness of the fees paid to the auditors for all work undertaken by them and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards. GT confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's ethical standards.

Policy on non-audit services

The committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditor. The policy sets out that the Company's auditor will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence and objectivity. In addition, the provision of any non-audit services by the auditors is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods proceeding the financial period to which the cap applies. Such services require approval in advance by the audit committee, or the chair of the audit committee, following due consideration of the proposed services.

There were no fees paid or payable to the auditors for non-audit services in the year under review (2018: £nil).

Annual report for the year ended 31 August 2019

The committee is satisfied that the annual report for the year ended 31 August 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In relation to the annual report for the year ended 31 August 2019 the following significant issues were considered by the committee and discussed in depth with the external auditors:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The directors have appointed the manager to perform the valuation of the assets of the Company in accordance with its responsibilities under the Alternative Investment Fund Managers Directive ("AIFMD") rules. As required under the AIFMD rules, Janus 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 in note 1e) on page 42) and is reviewed by the committee at each meeting.
Accounting treatment for senior unsecured notes	The committee reviewed the accounting treatment and disclosures for the senior unsecured notes in line with relevant accounting standards and industry practice, including fair value calculation models presented by the manager for the fair value disclosures and the fair value NAV.

Effectiveness of the external audit and the FRC's review of Grant Thornton's 2018 audit of the Company

The committee's process for evaluating the effectiveness of the external audit comprises two components: consideration is given to the findings of the FRC's audit quality inspection report and a post-audit assessment is carried out and led by the committee chair. The auditors are able to present and discuss the findings of the latest audit quality inspection report and report on the progress made by the firm in terms of addressing the areas identified for improvement in the prior year's report. In assessing the effectiveness of the audit process, the committee chair invites views from the directors, fund managers and other members of the manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the committee.

In addition to issuing their annual report on audit firm quality, the FRC also review individual audit engagements. During the current year, the FRC's audit quality review ("AQR") team reviewed GT's audit of the 31 August 2018 year end. The AQR team reviews the process of the audit by examining the auditor's files and working papers and discusses any issues arising from their review with the audit team as well as with me, the chair of the audit committee. At the end of the review, the FRC write to both the audit partner and the chair of the audit committee, giving their observations on the audit. The audit committee is satisfied with the outcome of the review. One comment on disclosure has been addressed and appropriate clarification has been provided in this year's annual report.

Following completion of the assessment, the committee remained satisfied with the effectiveness of the audit provided by GT and therefore recommended their continuing appointment to the board. The auditors have indicated their willingness to continue in office. Accordingly, resolutions re-appointing GT as auditors to the Company and authorising the directors' to determine their remuneration will be proposed at the upcoming annual general meeting.

Kasia Robinski
Chair of the Audit Committee
29 October 2019

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Henderson International Income Trust plc (the 'company') for the year ended 31 August 2019, which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 14 to 15 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 15 of the annual report, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 23 of the financial statements, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 15 of the annual report, as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Grant Thornton

- Overall materiality: £3,092,000, which represents 1% of the company's net assets;
- Key audit matters were identified as existence, ownership and valuation of investments; accuracy and valuation of senior unsecured notes; and completeness and occurrence of investment income; and
- Our audit approach was a risk based substantive audit focused on investments at the year end, investment income recognised during the year and senior unsecured notes accuracy on recognition and valuation at the year. The only change from last year was inclusion of senior unsecured notes in our audit focus due to issuance of €30m 2.43% senior unsecured notes during the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter	How the matter was addressed in the audit
Existence, ownership and valuation of investments The company's investment objective is to provide shareholders with a growing total annual dividend as well as capital appreciation. The investment portfolio at the year-end had a carrying value of £319,210,000. Due to the nature of the company's business there is an inherent risk that the investments shown in the Statement of Financial Position may not be owned by the company, do not exist or are incorrectly valued. We therefore identified existence, ownership and valuation of investments as a significant risk, which was one of the most significant risks of material misstatement.	Our audit work included, but was not restricted to: • agreeing the valuation of investments to an independent source of market prices; • confirming the ownership and existence of the investment by agreeing the nominal holding to the custodian confirmation; • substantively testing a sample of additions and disposals of investments during the year by agreeing to the underlying third party supporting documentation and bank statements; and • assessing whether the company's accounting policy for investments is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice (SORP) issued by Association of Investment Companies (AIC) and testing its consistent application during the year. The company's accounting policy on fixed asset investments held at fair value through profit or loss is shown in note 1(c) to the financial statements and related disclosures are included in notes 2 and 11. The Audit Committee identified valuation and ownership of the company's investments as a significant issue in its report on page 32, where the Committee has also described the actions that it has taken to address this issue. **Key observations** Our audit testing did not identify any material misstatements in the valuation of the company's investment portfolio as at the year end nor were any issues noted with regards to the existence or the company's ownership of the underlying investments at the year end.
Completeness and occurrence of investment income The company measures performance on a total return basis and investment income is one of the significant components of this performance measure. Under International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in revenue recognition. Due to the significance of revenue to the company's performance evaluation we have determined that there is a risk that revenue might not have occurred or is not recognised in the correct accounting period. We therefore identified completeness and occurrence of investment income as a significant risk, which was one of the most significant risks of material misstatement.	Our audit work included, but was not restricted to: • for a sample of investments held during the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Income Statement and agreeing a sample of dividend income recognised by the company to an independent source; • checking the categorisation of corporate actions and special dividends to identify whether the treatment is correct; and • assessing whether the company's accounting policy for revenue recognition is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the AIC SORP and testing its consistent application on revenue recognised during the year. The company's accounting policy on income, including its recognition, is shown in note 1(e) to the financial statements and related disclosures are included in note 3. The Audit Committee identified recognition of income as a significant issue in its report on page 32, where the Committee also described the action that it has taken to address this issue. **Key observations** Our audit testing did not identify any material misstatements in the completeness or occurrence of investment income recognised during the year.

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

Key Audit Matter	How the matter was addressed in the audit
Accuracy and valuation of senior unsecured notes On 30 April 2019, the company issued €30m nominal value 2.43% fixed rate senior unsecured notes with a maturity date of 29 April 2044. At the year end the balance recognised in the statement of financial position is £26,952,000. There is a risk that the senior unsecured notes and any associated embedded derivatives are not appropriately valued. Upon adoption of IFRS 9 as a policy choice within FRS 102 there is also a risk that other balances affected by the change in accounting policy are not appropriately treated. We therefore identified accuracy and valuation as a significant risk, which was one of the most significant risk of material misstatement.	Our audit work included, but was not restricted to: • a challenge of management on the classification of the loans notes and whether they should be treated as basic or non-basic; • enlisted the assistance of our financial instruments experts to obtain a thorough understanding of the appropriate treatment of the senior unsecured notes; • performed recalculations of both the amortised cost and fair value of the senior unsecured notes; • upon adoption of IFRS 9 within FRS 102, reviewed management's assessment of the valuation of the embedded derivative as at 31 August 2019; • reviewed the accounting policies for any potential changes in accounting treatment from the prior year following the adoption of IFRS 9 within FRS 102 during the year. The company's accounting policy on senior unsecured notes is shown in notes 1(a) and 1(i) within the financial statements and related disclosures are included in notes 7,14 and 16. **Key observations** A non-basic financial instrument can be valued in one of two ways – either in line with sections 11 and 12 of FRS 102, or in line with IFRS 9 and or/IAS 39 within FRS 102. Management has chosen to adopt IFRS 9 on the basis that this allows only the embedded derivative to be included at fair value, rather than the whole debt instrument – this has the advantage of reducing volatility in value year on year, however, it requires that all other financial instruments also be treated in line with IFRS 9. We have not identified any material departures in terms of the accuracy and valuation of the senior unsecured notes or the changes to accounting policies.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

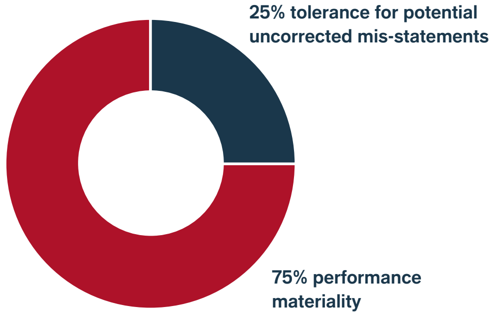
We determined materiality for the audit of the financial statements as a whole to be £3,092,000, which is 1% of the company's net assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the company's investment portfolio, are considered to be the key driver of the company's total return performance and form part of the net asset value calculation being the performance measure investors use to assess the company's performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 August 2018 to reflect the increased value of the company's investment portfolio at the year end.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We also determine a lower level of specific materiality for certain areas such as investment income, management fee and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £154,600. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- understanding management's process to value quoted investments, investment income recognition and journal entries posting through discussions with management and obtaining an understanding of relevant internal controls at both the company and third-party service providers. This included obtaining and reading internal control reports prepared by the third-party service providers on the description, design, and operating effectiveness of the internal controls at the investment manager, custodian and administrator; and

- performing substantive audit procedures on specific transactions, which included journal entries, individual material balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant audit risk.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which it operates. We determined that the following laws and regulations were most significant: FRS102, Companies Act 2006, UK Corporate governance code, taxation laws and AIC SORP.

- We understood how the company is complying with those legal and regulatory frameworks by, making inquiries to the investment manager, administrators and audit committee. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.

- We assessed the susceptibility of the company financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

  – identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;

  – understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;

  – identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

  – assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 22 – the statement given by the directors that they consider the annual report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or

- Audit committee reporting set out on pages 31 and 32 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on page 26 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in

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

accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. Matters on which we are required to report by exception.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the members on 15 December 2011. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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.

Andrew Heffron
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

29 October 2019

Income Statement

Notes		Year ended 31 August 2019 Revenue return £'000	Year ended 31 August 2019 Capital return £'000	Year ended 31 August 2019 Total £'000	Year ended 31 August 2018 Revenue return £'000	Year ended 31 August 2018 Capital return £'000	Year ended 31 August 2018 Total £'000
2	(Losses)/gains from investments held at fair value through profit or loss	–	(2,432)	(2,432)	–	7,481	7,481
3	Income from investments held at fair value through profit or loss	13,415	–	13,415	12,500	–	12,500
	(Loss)/profit on foreign exchange	–	(1,301)	(1,301)	–	85	85
4	Other income	327	–	327	220	–	220
	Gross revenue and capital (losses)/gains	**13,742**	**(3,733)**	**10,009**	**12,720**	**7,566**	**20,286**
5	Management fee	(462)	(1,385)	(1,847)	(458)	(1,374)	(1,832)
6	Other administrative expenses	(557)	–	(557)	(559)	–	(559)
	Net return before finance costs and taxation	**12,723**	**(5,118)**	**7,605**	**11,703**	**6,192**	**17,895**
7	Finance costs	(76)	(185)	(261)	(25)	(31)	(56)
	Net return before taxation	**12,647**	**(5,303)**	**7,344**	**11,678**	**6,161**	**17,839**
8	Taxation on net return	(1,357)	(36)	(1,393)	(1,456)	3	(1,453)
	Net return after taxation	**11,290**	**(5,339)**	**5,951**	**10,222**	**6,164**	**16,386**
9	Return per ordinary share	6.29p	(2.98p)	3.31p	5.80p	3.50p	9.30p

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 42 to 56 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 31 August 2019	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 August 2018	1,776	164,631	45,732	77,819	6,790	296,748
17,18	New shares allotted	100	16,376	–	–	–	16,476
	Net return for the year	–	–	–	(5,339)	11,290	5,951
10	Dividends paid	–	–	–	–	(9,999)	(9,999)
	At 31 August 2019	**1,876**	**181,007**	**45,732**	**72,480**	**8,081**	**309,176**
Notes	**Year ended 31 August 2018**	**Called up share capital £'000**	**Share premium account £'000**	**Special reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	At 31 August 2017	1,742	159,102	45,732	71,655	5,741	283,972
17,18	New shares allotted	34	5,529	–	–	–	5,563
	Net return for the year	–	–	–	6,164	10,222	16,386
10	Dividends paid	–	–	–	–	(9,173)	(9,173)
	At 31 August 2018	**1,776**	**164,631**	**45,732**	**77,819**	**6,790**	**296,748**

The notes on pages 42 to 56 form part of these financial statements

Statement of Financial Position

Notes		At 31 August 2019 £'000	At 31 August 2018 £'000
11	**Fixed asset investments held at fair value through profit or loss**	319,210	302,416
	Current assets		
12	Debtors	1,621	1,420
	Cash and cash equivalents	23,189	–
		24,810	**1,420**
13	**Creditors: amounts falling due within one year**	(7,892)	(7,088)
	Net current assets/(liabilities)	**16,918**	**(5,668)**
	Total assets less current liabilities	**336,128**	**296,748**
14	**Creditors: amounts falling due after more than one year**	(26,952)	–
	Total net assets	**309,176**	**296,748**
	Capital and reserves		
17	Called up share capital	1,876	1,776
18	Share premium account	181,007	164,631
19	Special reserve	45,732	45,732
19	Other capital reserves	72,480	77,819
19	Revenue reserve	8,081	6,790
	Total shareholders' funds	**309,176**	**296,748**
15	Net asset value per ordinary share	164.8p	167.1p

The financial statements on pages 38 to 56 were approved and authorised for issue by the board of directors on 29 October 2019 and signed on their behalf by:

Simon Jeffreys
Chairman

The notes on pages 42 to 56 form part of these financial statements

Statement of Cash Flows

	Year ended 31 August 2019 £'000	Year ended 31 August 2018 £'000
Cash flows from operating activities		
Net return before taxation	7,344	17,839
Add back: finance costs	261	56
Less: losses/(gains) on investments held at fair value through profit or loss	2,432	(7,481)
Add: losses/(gains) on foreign exchange	1,301	(85)
Withholding tax on dividends deducted at source	(1,965)	(1,617)
Taxation recovered	110	55
(Increase)/decrease in debtors	(60)	386
Increase/(decrease) in creditors	512	(9)
Net cash inflow from operating activities	**9,935**	**9,144**
Cash flows from investing activities		
Purchase of investments	(114,653)	(123,621)
Sale of investments	114,175	107,765
Net cash outflow from investing activities	**(478)**	**(15,856)**
Cash flows from financing activities		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(9,999)	(9,173)
Proceeds from issue of ordinary shares	3,482	5,530
Proceeds from issue of senior unsecured notes	25,921	–
Cash received from EIT	866	–
Senior unsecured notes issue costs	(177)	–
Interest paid	(38)	(56)
Net cash inflow/(outflow) from financing activities	**20,055**	**(3,699)**
Net increase/(decrease) in cash and cash equivalents	29,512	(10,411)
Cash and cash equivalents at start of year	(6,227)	4,099
Effect of foreign exchange rates	(96)	85
Cash and cash equivalents at end of year	**23,189**	**(6,227)**
Comprising:		
Cash at bank	23,189	–
Bank overdraft	–	(6,227)
	23,189	**(6,227)**

The notes on pages 42 to 56 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 19.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued in November 2014 and updated in February 2018 with consequential amendments.

The principal accounting policies applied in the presentation of these financial statements are set out below.

Following the issue of the senior unsecured notes on 30 April 2019 it was determined that the Company would adopt the recognition and measurement provisions of IFRS 9 (Financial Instruments), as permitted by section 11 and 12 of FRS 102. This was determined to better reflect the directors' assessment of the carrying value of the senior unsecured notes and has no impact on the carrying value of the Company's financial assets. This has not resulted in any significant impact to the financial statements in the prior year.

The financial statements are prepared under the historical cost basis except for the measurement at fair value of investments.

The preparation of the Company's financial statements on occasion requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in current and future periods, depending on circumstances. The directors have considered the accounting treatment of the senior unsecured notes as set out in accounting policy 1i) to be an area of judgement, in particular with reference to clauses that would be enacted should the notes be prepaid before maturity and concluded the adoption of IFRS 9 described above is the most appropriate and complies with accounting standards.

The directors do not believe there are any other accounting judgements or estimates that have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

b) Going concern

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

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

Under IFRS 9, the classification and measurement criteria determine if financial instruments are measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Investment assets are classified based on both the business model, and the contractual cash flow characteristics of the financial instruments. This approach determined that all investments are classified and measured at fair value through profit or loss, which is based on their quoted bid price at the Statement of Financial Position date, without deduction of the estimated future selling costs.

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.

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

d) Capital gains and losses

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

e) Income

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

f) Derivative financial instruments

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Janus 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.

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

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

g) Expenses and finance costs

All expenses are accounted for on an accruals basis. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method. On the basis of the board's expected long-term split of returns in the form of capital gains and income of 75% and 25% respectively, the Company charges 75% of its finance costs and management fee to the capital return. The overdraft arrangement fee which is included in finance costs is charged 100% to the revenue return. All other expenses are charged to revenue return. All of these amounts are stated inclusive of any related irrecoverable value added tax.

h) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents have a term of three months or less, are highly liquid investments that are readily convertible to known amounts of cash that are subject to insignificant risks of changes in value.

i) Borrowings

Senior unsecured notes are recorded initially at proceeds received, net of direct issue costs. They are subsequently re-measured at amortised cost. The issue costs will be amortised over the life of the loan notes. Finance costs, including interest payable, are accounted for on an accruals basis in the Income Statement using the effective interest rate method.

Within the terms of the senior unsecured notes are clauses relating to an embedded derivative that would be enacted should the notes be prepaid by the Company before maturity. These clauses could impact the total amount repayable. The directors have assessed these and have concluded these clauses are highly unlikely to occur. The value of such additional payments have therefore been deemed to be immaterial and have not been recognised in the financial statements.

j) Taxation

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

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

k) Foreign currency

The results and financial position of the Company are expressed in pounds sterling which is the functional currency and presentational currency of the Company. The board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be sterling.

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

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue return or capital return, depending on whether the gain or loss is of a revenue or capital nature. Gains or losses arising from a change in exchange rates in respect of investments are included within the gain or loss from investments held at fair value through profit or loss.

l) Dividends payable to shareholders

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by shareholders. Dividends are dealt with in the Statement of Changes in Equity.

m) Capital and reserves

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

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

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

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

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

Capital reserve arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

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

n) Distributable reserves

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

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

	2019 £'000	2018 £'000
Gains on investments sold in the year	5,768	13,100
Revaluation of investments held at 31 August	(8,200)	(6,352)
Movement in appreciation of traded options held	–	733
	(2,432)	**7,481**

Notes to the Financial Statements (continued)

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

	2019 £'000	2018 £'000
Dividend income	13,415	12,500
	13,415	**12,500**

4 Other income

	2019 £'000	2018 £'000
Bank interest	17	2
Option premium income	310	218
	327	**220**

5 Management fee

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	462	1,385	1,847	458	1,374	1,832

A summary of the fee arrangements with the manager are given in the strategic report on page 15.

6 Other administrative expenses (including irrecoverable VAT)

	2019 £'000	2018 £'000
Directors' fees and taxable benefits (see the directors' remuneration report on page 25)	141	143
Auditors' remuneration – for audit services	29	29
Marketing[1]	108	94
Depositary fees	40	48
Custody fees	51	52
Broker fees	39	41
Registrar's fees	23	20
Printing and postage expenses	13	14
Legal and professional fees	20	18
Listing and subscription fees	51	41
Other expenses	42	59
	557	**559**

1 Further information about marketing expenses is given in note 20 on page 56

7 Finance costs

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Bank interest on short-term overdraft facility	20	18	38	25	31	56
Interest on senior unsecured notes	55	165	220	–	–	–
Senior unsecured notes amortisation of issue costs	1	2	3	–	–	–
	76	**185**	**261**	**25**	**31**	**56**

Notes to the Financial Statements (continued)

8 Taxation

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Foreign withholding taxes	1,802	37	1,839	1,703	–	1,703
Overseas tax reclaimable	(446)	–	(446)	(250)	–	(250)
Tax relief to capital	1	(1)	–	3	(3)	–
Current tax charge for the year	**1,357**	**36**	**1,393**	**1,456**	**(3)**	**1,453**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

Factors affecting the tax charge for the year

	2019			2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return before taxation	12,647	(5,303)	7,344	11,677	6,161	17,838
Corporation tax at an effective rate of 19% (2018: 19%)	2,403	(1,008)	1,395	2,219	1,171	3,390
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss and foreign exchange	–	709	709	–	(1,438)	(1,438)
Expenses not deductible for tax purposes	1	1	2	–	–	–
Non-taxable overseas dividends	(2,416)	–	(2,416)	(2,205)	–	(2,205)
Overseas tax	1,356	37	1,393	1,453	–	1,453
Tax relief to capital	1	(1)	–	3	(3)	–
Tax effect of expensed double taxation relief	(5)	–	(5)	(12)	–	(12)
Excess management expenses	17	298	315	(2)	267	265
Current tax charge	**1,357**	**36**	**1,393**	**1,456**	**(3)**	**1,453**

Deferred tax

The Company has unrecognised deferred tax assets of £1,202,000 at 31 August 2019 (2018: £919,000) 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.

9 Return per ordinary share

	2019		2018	
	£'000	pence	£'000	pence
Revenue return	11,290	6.29	10,222	5.80
Capital return	(5,339)	(2.98)	6,164	3.50
Total return	**5,951**	**3.31**	**16,386**	**9.30**
Weighted number of ordinary shares		179,379,411		176,164,731

Notes to the Financial Statements (continued)

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

	Record date	Payment date	Ex-dividend date	2019 £'000	2018 £'000
4th interim dividend – 1.30p	27 October 2017	30 November 2017	26 October 2017	–	2,275
1st interim dividend – 1.30p	9 February 2018	28 February 2018	8 February 2018	–	2,291
2nd interim dividend – 1.30p	4 May 2018	31 May 2018	3 May 2018	–	2,298
3rd interim dividend – 1.30p	10 August 2018	31 August 2018	9 August 2018	–	2,309
4th interim dividend – 1.40p	9 November 2018	30 November 2018	8 November 2018	2,486	–
1st interim dividend – 1.40p	8 February 2019	28 February 2019	7 February 2019	2,492	–
2nd interim dividend – 1.40p	3 May 2019	31 May 2019	2 May 2019	2,508	–
3rd interim dividend – 1.40p	12 July 2019	30 August 2019	11 July 2019	2,513	–
				9,999	**9,173**

A fourth interim dividend in respect of the year ended 31 August 2019 of 1.50p per ordinary share was announced on 29 October 2019 and will be paid to shareholders on 29 November 2019 with record date 8 November 2019. The Company's shares will go ex-dividend on 7 November 2019.

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

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

	2019 £'000	2018 £'000
Revenue available for distribution by way of dividend for the year	11,290	10,222
Interim dividends of 4.20p paid (2018: 3.90p)	(7,513)	(6,898)
Fourth interim dividend for the year ended 31 August 2019 of 1.50p (based on 187,583,716 ordinary shares in issue as at 29 October 2019) (2018: 1.40p)	(2,814)	(2,486)
Undistributed revenue for section 1158 purposes[1]	**963**	**838**

[1] Comprises 7.8% based on taxable income (2018: 7.2%)

11 Fixed asset investments

2019	£'000
31 August 2018	253,901
Purchases at cost	120,952
Investments acquired from EIT	12,128
Sales at cost	(108,086)
Cost of investments at 31 August 2019	**278,895**
Investment holding gains at 31 August 2019	40,315
Valuation at 31 August 2019	**319,210**

2018	£'000
31 August 2017	230,052
Purchases at cost	118,835
Sales at cost	(94,986)
Cost of investments at 31 August 2018	**253,901**
Investment holding gains at 31 August 2018	48,515
Valuation at 31 August 2018	**302,416**

Total transaction costs amounted to £224,000 (2018: £175,000) of which purchase transaction costs for the year ended 31 August 2019 were £144,000 (2018: £94,000) and comprise mainly brokers' commissions. Sales transaction costs for the year ended 31 August 2019 were £80,000 (2018: £81,000).

Notes to the Financial Statements (continued)

12 Debtors

	2019 £'000	2018 £'000
Sales for future settlement	–	321
Withholding tax recoverable	997	535
Prepayments and accrued income	480	554
VAT recoverable	28	10
Other debtors	116	–
	1,621	**1,420**

13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Purchases for future settlement	6,736	437
Management fee	812	324
Bank overdraft	–	6,227
Other creditors	344	100
	7,892	**7,088**

14 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
2.43% senior unsecured notes 2044	26,952	–
	26,952	**–**

On 30 April 2019 the Company issued €30m (nominal) 2.43% senior unsecured notes due 2044, net of issue costs totalling £177,000. The issue costs will be amortised on a straight line basis over the life of the senior unsecured notes.

The senior unsecured notes are redeemable at par on 29 April 2044.

The interest rate on the senior unsecured notes is a fixed interest rate.

The Company has to comply with the following covenant conditions:

- total borrowings must not exceed 40% of adjusted net assets (as defined in the senior unsecured notes agreement)
- the Company's adjusted net assets shall not be less than £150m.

Within the terms of the senior unsecured notes are clauses that would be enacted in certain scenarios should the notes be prepaid by the Company before maturity. These clauses could impact the total amount repayable. The directors have assessed these and have concluded these clauses are highly unlikely to occur. The value of such additional payments have therefore been deemed to be immaterial and have not been recognised in the financial statements.

15 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:

	2019	2018
Net assets attributable (£'000)	309,176	296,748
Number of ordinary shares in issue	187,583,716	177,581,306
Net assets per ordinary share	164.8p	167.1p

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

	2019 £'000	2018 £'000
Net assets at start of the year	296,748	283,972
Total net return after taxation	5,951	16,386
Dividends paid on ordinary shares in the period	(9,999)	(9,173)
Issue of ordinary shares less issue costs	16,476	5,563
Total net assets attributable to the ordinary shares at 31 August	**309,176**	**296,748**

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures

As an investment trust company the Company invests in equities and other investments for the long-term so as to secure its investment objective as stated on page 13. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

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

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

  – Charles River Compliance module for investment restrictions monitoring;
  – OneSumX (formerly ArcLogics) operational risk database;
  – Riskmetrics for VaR statistics, stress-testing and back-testing;
  – UBS Delta, Style Research, Cognity and Barra for market risk measurement;
  – Bloomberg for market data and price-checking; and
  – Hiportfolio for portfolio holdings and valuations.

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

  The board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk category.

  The Company has a diversified portfolio which by its nature is 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.

16.1 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 16.1.1), currency risk (see note 16.1.2) and interest rate risk (see note 16.1.3). The fund manager assesses the exposure to market price risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

16.1.1 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 Janus 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 2019 on its investments held at fair value through profit or loss was £319,210,000 (2018: £302,416,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on page 8. 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.

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.1 Other price risk (continued)

Other price risk sensitivity

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

	2019		2018	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Impact statement – return after tax				
Revenue return	(96)	96	(98)	98
Capital return	63,555	(63,555)	60,188	(60,188)
Total return after tax for the period	**63,459**	**(63,459)**	**60,090**	**(60,090)**
Impact on net assets	**63,459**	**(63,459)**	**60,090**	**(60,090)**

16.1.2 Currency risk

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

Management of the risk

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

Foreign currency borrowings may be used to hedge the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited by the board to 25% of 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 2019 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

	2019				2018			
Currency	Current assets £'000	Current liabilities £'000	Non-current liabilities £'000	Equity investments £'000	Current assets £'000	Current liabilities £'000	Non-current liabilities £'000	Equity investments £'000
Australian Dollar	–	–	–	13,273	–	–	–	12,228
Canadian Dollar	63	(344)	–	10,329	–	–	–	8,722
Euro	436	(2,747)	(26,952)	95,188	455	(437)	–	78,071
Hong Kong Dollar	112	–	–	23,443	102	–	–	21,967
US Dollar	191	(2,685)	–	108,686	175	(1)	–	118,571
Swedish Krona	–	–	–	11,021	–	–	–	12,093
Swiss Francs	424	(1,179)	–	34,676	328	–	–	26,506
Other (non sterling)	224	–	–	22,594	325	8	–	24,258
	1,450	**(6,955)**	**(26,952)**	**319,210**	**1,385**	**(430)**	**–**	**302,416**

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

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.2 Currency risk (continued)

Foreign currency sensitivity

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

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

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

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

Impact on total returns year ended 2019	Swiss Franc £'000	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Swedish Krona £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	50	41	432	67	56	263	189	1,098
Capital return	3,451	1,321	6,776	2,333	1,098	10,820	3,277	29,076
Change in total return after taxation for the year and shareholders' funds	**3,501**	**1,362**	**7,208**	**2,400**	**1,154**	**11,083**	**3,466**	**30,174**

Impact on total returns year ended 2018	Swiss Franc £'000	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Swedish Krona £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	46	63	335	72	32	297	221	1,066
Capital return	2,638	1,217	7,769	2,186	1,203	11,799	3,283	30,095
Change in total return after taxation for the year and shareholders' funds	**2,684**	**1,280**	**8,104**	**2,258**	**1,235**	**12,096**	**3,504**	**31,161**

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

Impact on total returns year ended 2019	Swiss Franc £'000	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Swedish Krona £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	(50)	(41)	(432)	(67)	(56)	(263)	(189)	(1,098)
Capital return	(3,451)	(1,321)	(6,776)	(2,333)	(1,098)	(10,820)	(3,277)	(29,076)
Change in total return after taxation for the year and shareholders' funds	**(3,501)**	**(1,362)**	**(7,208)**	**(2,400)**	**(1,154)**	**(11,083)**	**(3,466)**	**(30,174)**

Impact on total returns year ended 2018	Swiss Franc £'000	Australian Dollar £'000	Euro £'000	Hong Kong Dollar £'000	Swedish Krona £'000	US Dollar £'000	Other £'000	Total £'000
Revenue return	(46)	(63)	(335)	(72)	(32)	(297)	(221)	(1,066)
Capital return	(2,638)	(1,217)	(7,769)	(2,186)	(1,203)	(11,799)	(3,283)	(30,095)
Change in total return after taxation for the year and shareholders' funds	**(2,684)**	**(1,280)**	**(8,104)**	**(2,258)**	**(1,235)**	**(12,096)**	**(3,504)**	**(31,161)**

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.

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.3 Interest rate risk

Management of the risk

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

Interest rate exposure

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

	2019 Total £'000	2018 Total £'000
Exposure to floating interest rates:		
Net cash at bank/(short term bank overdraft)	23,189	(6,227)

The table below analyses the Company's contractual liabilities:

	2019			2018		
	Within one year £'000	Between one and five years £'000	More than five years £'000	Within one year £'000	Between one and five years £'000	More than five years £'000
Senior unsecured notes[1]	659	2,637	40,311	–	–	–

[1] Within the terms of the senior unsecured notes are clauses that would be enacted should the notes be prepaid before maturity and could impact the total amount repayable, although the directors have assessed these and have concluded these are highly unlikely to occur. Therefore no provision for early repayment has been included in the table above.

The above figures show interest payable over the remaining term of the senior unsecured notes. The figures in the "more than 5 years" column also include the capital to be repaid. Details of repayment are set out on page 48 and interest payment dates on page 19.

Interest rate risk sensitivity

The Company is not materially exposed to changes in interest rates.

16.2 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 has available a short-term multi-currency overdraft facility with HSBC Bank plc of the lesser of £30m or 25% of custody assets. The overdraft facility that was simultaneously reduced from £60m to £30m when the long-term senior unsecured notes were issued. The short-term overdraft facility has no expiry date but is reviewed annually by the board to ensure it remains appropriate.

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.

Liquidity risk exposure

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

	2019 Due within one month £'000	2018 Due within one month £'000
Other creditors and accruals	7,892	861
Bank overdraft[1]	–	6,227
	7,892	**7,088**

The contractual maturities of the senior unsecured notes are included in note 16.1.3 above.

1 By virtue of the nature of the short-term overdraft facility with HSBC Bank plc it is repayable on demand. Any amount drawdown for gearing purposes is repayable not later than 90 days after drawdown

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- investment transactions are carried out with a large number of approved brokers, whose credit standard is reviewed periodically by Janus 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.

None of the Company's financial assets or liabilities are secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year.

16.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value or the Statement of Financial Position amount is a reasonable approximation of fair value (debtors and creditors falling due within one year). The senior unsecured notes are carried in the Statement of Financial Position at amortised cost.

At 31 August 2019, the fair value of the senior unsecured notes was estimated to be £33,549,000.

The fair value of the senior unsecured notes is calculated using a discount rate which reflects the yield of a euro swap of similar maturity plus a suitable credit spread. Within the terms of the senior unsecured notes are clauses that would be enacted in certain scenarios should the notes be prepaid by the Company before maturity. These clauses could impact the total amount repayable. The directors have assessed these and have concluded these clauses are highly unlikely to occur. The value of such additional payments have therefore been deemed to be immaterial and have not been recognised in the financial statements.

16.5 Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss at 31 August 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	319,210	–	–	319,210
	319,210	**–**	**–**	**319,210**

Financial assets at fair value through profit or loss at 31 August 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	302,416	–	–	302,416
	302,416	**–**	**–**	**302,416**

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)

16 Financial risk management policies and procedures (continued)

16.6 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 total capital at 31 August 2019 was £336,128,000 (2018: £296,748,000) comprising £26,952,000 (2018: £nil) of senior unsecured notes and £309,176,000 (2018: £296,748,000) of equity share capital and reserves.

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 ordinary share and the share price (the level of share discount or premium); and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company 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.

The Company's covenant conditions are set out in note 14 on page 48.

17 Called up share capital

2019	Number of shares	Number of shares entitled to dividend	£'000
Ordinary shares of 1p each			
At 31 August 2018	177,581,306	177,581,306	1,776
New shares allotted in year	10,002,410	10,002,410	100
At 31 August 2019	**187,583,716**	**187,583,716**	**1,876**

During the year, the Company issued 10,002,410 ordinary shares for a total consideration of £16,476,000 after deduction of issue costs of £20,000.

Included in the issue of 10,002,410 ordinary shares during the year was 7,827,410 ordinary shares issued following the scheme of reconstruction and voluntary winding up of The Establishment Investment Trust plc ("EIT") whereby investors in EIT were given the option of receiving shares in the Company. The net proceeds received from this transaction comprised £12,128,000 investments and £866,000 cash. Since the year end no shares have been issued.

2018	Number of shares	Number of shares entitled to dividend	£'000
Ordinary shares of 1p each			
At 31 August 2017	174,206,306	174,206,306	1,742
New shares allotted in year	3,375,000	3,375,000	34
At 31 August 2018	**177,581,306**	**177,581,306**	**1,776**

During 2018, the Company issued 3,375,000 ordinary shares for a total consideration of £5,530,000 after deduction of issue costs of £22,000. In addition, £33,000 was written back following the non-utilisation of prior year issue costs relating to the issue of C shares.

Notes to the Financial Statements (continued)

18 Share premium account

	2019 £'000	2018 £'000
At the start of the year	164,631	159,102
Ordinary shares allotted in year	16,396	5,518
Issue costs	(20)	(22)
Issue costs from C share issue	–	33
At 31 August	**181,007**	**164,631**

19 Reserves

2019	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 2018	45,732	29,304	48,515	77,819	6,790
Net movement on investments held at fair value through profit or loss	–	5,768	(8,200)	(2,432)	–
Net movement on foreign exchange	–	(1,301)	–	(1,301)	–
Expenses, finance costs and taxation charged to capital	–	(1,606)	–	(1,606)	–
Net revenue return after taxation for the year	–	–	–	–	11,290
Dividends paid	–	–	–	–	(9,999)
At 31 August 2019	**45,732**	**32,165**	**40,315**	**72,480**	**8,081**

2018	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 2017	45,732	17,521	54,134	71,655	5,741
Net movement on investments held at fair value through profit or loss	–	13,100	(6,352)	6,748	–
Net movement on traded options	–	–	733	733	–
Net movement on foreign exchange	–	85	–	85	–
Expenses, finance costs and taxation charged to capital	–	(1,402)	–	(1,402)	–
Net revenue return after taxation for the year	–	–	–	–	10,222
Dividends paid	–	–	–	–	(9,173)
At 31 August 2018	**45,732**	**29,304**	**48,515**	**77,819**	**6,790**

Notes to the Financial Statements (continued)

20 Transactions with the management company and related parties

Under the terms of an agreement effective from 22 July 2014, the Company has appointed wholly owned subsidiaries of Janus Henderson to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Securities Services to provide accounting and administration services.

Details of the fee arrangements are given in the strategic report on page 15. The total of the management fees paid or payable under the management agreement to Janus Henderson in respect of the year ended 31 August 2019 was £1,847,000 (2018: £1,832,000), of which £812,000 (2018: £324,000) (per note 13) was outstanding at 31 August 2019. The amount outstanding will be offset by £116,000 (2018: £nil) due from Janus Henderson (per note 12) which relates to expenses incurred in The Establishment Investment Trust plc transaction that will be reimbursed by Janus Henderson.

In addition to the above services, Janus Henderson facilitates marketing activities with third-parties which are recharged to the Company. Janus Henderson also provides sales and marketing services which until 31 December 2017 were charged to the Company at an annual cost of £20,000 (excluding VAT). Since 1 January 2018 there has been no separate charge for these services. The total fees paid or payable for these services for the year ended 31 August 2019 amounted to £104,000 (2018: £94,000) (excluding VAT) of which £38,000 was outstanding at 31 August 2019 (2018: £19,000).

The marketing fees in note 6 include fees paid to other entities of £4,000.

Fees paid to directors are considered to be a related party transaction. Details of the amounts paid are included in the directors' remuneration report on page 25 and in note 6 on page 45. These amounts do not include National Insurance contributions on directors' fees of £14,000 (2018: £10,000), which are included in other expenses.

21 Subsequent events

The board have evaluated the period since the year end and have not noted any subsequent events.

Alternative Performance Measures

The Company uses the following alternative performance measures ("APMs") throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or premium

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

	NAV with debt at fair value Pence	NAV with debt at par Pence	Share price Pence	Premium/ (discount) to fair value NAV %	Premium/ (discount) to par value NAV %
At 31 August 2018	167.1	167.1	167.5	0.2	0.2
At 31 August 2019	161.3	164.8	159.5	(1.1)	(3.2)

Gearing/(net cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings the Company has used to invest in the market, if the amount calculated is negative, this is a "net cash" position and no gearing. The Company can also use synthetic gearing through derivatives and foreign exchange hedging – none has been used during the year. The Company's gearing is calculated as follows:

		2019	2018
Investment held at fair value through profit or loss (page 40) (£'000)	(A)	319,210	302,416
Total net assets (page 40) (£'000)	(B)	309,176	296,748
Gearing (C = A / B -1) (%)	(C)	3.25	1.91

Net Asset Value (NAV) per ordinary share

The value of the Company's assets (i.e. investments (see note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. bank overdraft and senior unsecured notes (see notes 13 and 14)) for which the Company is responsible divided by the number of ordinary shares in issue (see note 17). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. The NAV per ordinary share is published daily and the year end NAV can be found on page 3 and further information is available on page 48 in note 15 within the notes to the financial statements.

Net Asset Value (NAV) with debt at fair value

The Company's debt (bank overdraft and senior unsecured notes (further details can be found in notes 13 and 14 on page 48) is valued in the Statement of Financial Position at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as "debt at par". The fair value of the debt, which assumes it is repaid under current market conditions, is referred to as "debt at fair value". The fair value methodology is detailed in note 16.4 on page 53. The difference between fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV with debt at fair value.

Ongoing charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total management fee and administrative expenses, expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2019	2018
Management fee (note 5) (£'000)	1,847	1,832
Other administrative expenses (note 6) (£'000)	557	559
Ongoing charges	**2,404**	**2,391**
Average net assets[1] (£'000)	**284,993**	**286,748**
Ongoing charges ratio (%)	**0.84**	**0.83**

1 Calculated using the average daily net asset value with debt at fair value

Alternative Performance Measures (continued)

The ongoing charges calculated above is different from ongoing costs provided in the Company's Key Information Document ("KID") which are calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs and costs of holding other investment companies or funds within the Company's investment portfolio.

Revenue return per ordinary share

The revenue return per ordinary share, is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year.

Total return

The return on the share price or NAV with debt at fair value taking into account both the rise and fall of NAVs/share prices and dividends 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 with debt at fair value total return). Dividends paid and payable are set out in note 10 on page 47.

	NAV per share (debt at fair value)	Share price
NAV/share price per ordinary share at 31 August 2019 (pence)	161.3	159.5
NAV/share price per ordinary share at 31 August 2018 (pence)	167.1	167.5
Change in the year (%)	(3.5)	(4.8)
Impact of dividends reinvested (%)	3.6	3.5
Total return for the year (%)	**0.0**	**(1.4)**

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		31 August 2019	31 August 2018
Annual dividend (pence)	(A)	5.70	5.30
Share price (pence)	(B)	159.50	167.50
Yield (C = A / B) (%)	(C)	3.57	3.16

General Shareholder Information

AIFMD disclosures

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

BACS

Dividends and interest can be paid to shareholders by means of BACS ("Bankers' Automated Clearing Services"); mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar (the address is given on page 19) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

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

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the corporate secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate. You can contact the registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

Foreign Account Tax Compliance Act ("FATCA")

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

General Data Protection Regulation ("GDPR")

GDPR came into force on 25 May 2018. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

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

Non-Mainstream Pooled Investments ("NMPI") status

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

Packaged Retail and Insurance-based Investment Products Regulation ("PRIIPs")/ Key Information Document ("KID")

Investors should be aware that the PRIIPs regulation requires the manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Performance details/share price information

Details of the Company's share price and net asset value 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 website you will need the holder reference number shown on your share certificate.

Share price listings

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

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

SEDOL/ISIN number: Ordinary Shares B3PHCS8/GB00B3PHCS86
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Global Intermediary Identification Number (GIIN): WRGF5X.99999.SL.826
Legal Entity Identifier (LEI): 2138006N35XWGK2YUK38

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