Annual Report 2022

Henderson International Income Trust plc

MANAGED BY
Janus Henderson
INVESTORS

Picture: Detroit, USA

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Strategic Report

Objective

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

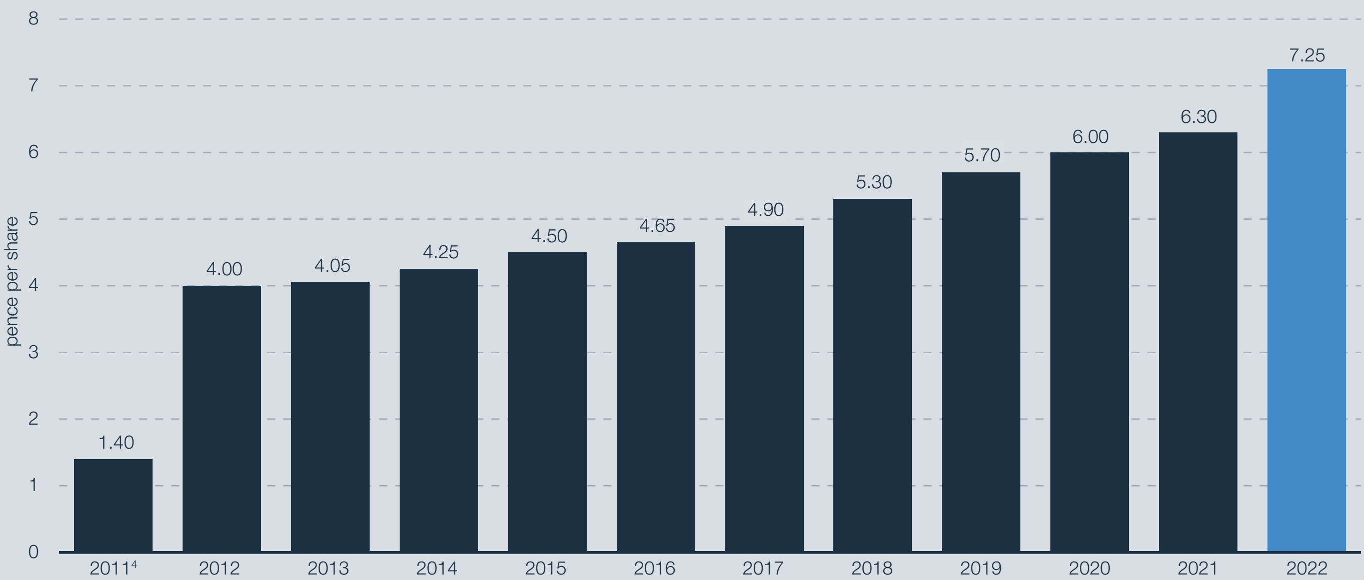
Picture: Milan, Italy

Performance to/at 31 August

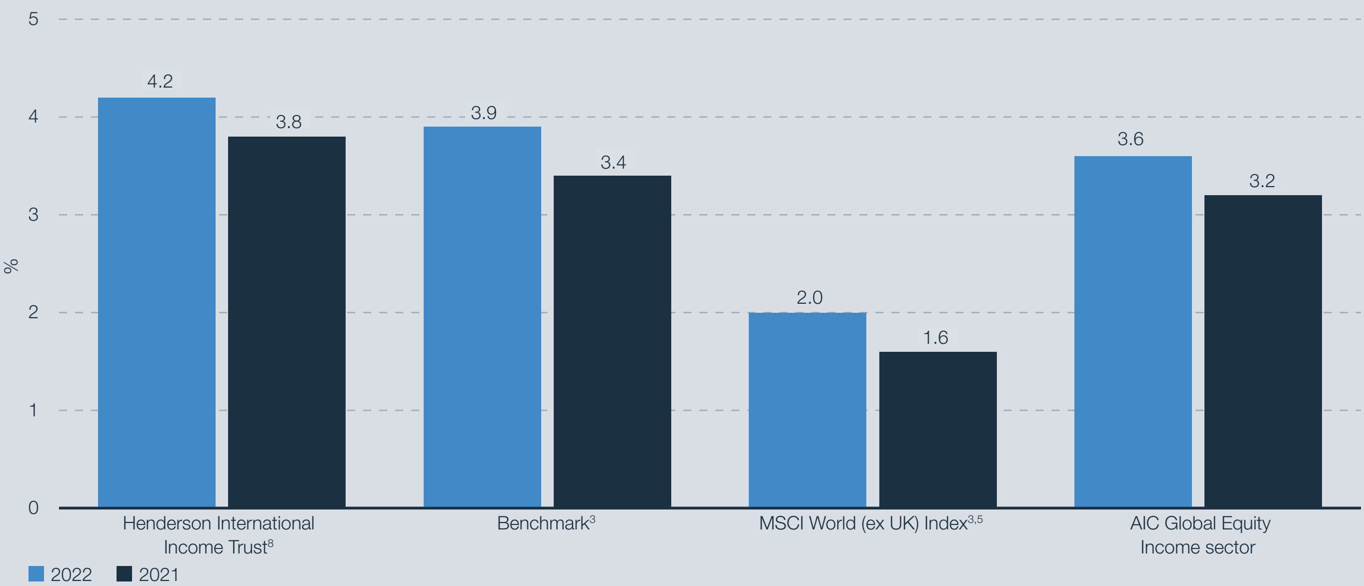
Total return performance for year to 31 August

	2022 %	2021 %
NAV[1] (debt at par)	3.8	22.7
NAV[1] (debt at fair value)	6.3	23.5
Share price[2]	7.8	18.5
MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted)[3]	6.6	21.9
MSCI World (ex UK) Index (sterling adjusted)[3]	0.6	26.9
AIC Global Equity Income sector (NAV)	3.6	26.1

Dividend growth since launch to 31 August 2022



Dividend yields at 31 August



Performance to/at 31 August

NAV per share at year end (debt at par)

2022	2021
181.5p	181.7p

Discount (debt at par)

2022	2021
(5.3)%	(8.7)%

NAV per share at year end (debt at fair value)[6]

2022	2021
183.4p	179.4p

Discount (debt at fair value)

2022	2021
(6.3)%	(7.5)%

Share price at year end

2022	2021
171.8p	166.0p

Net assets

2022	2021
£355.7m	£356.2m

Dividend in respect of year[7]

2022	2021
7.25p	6.30p

Dividend yield at the year end[8]

2022	2021
4.2%	3.8%

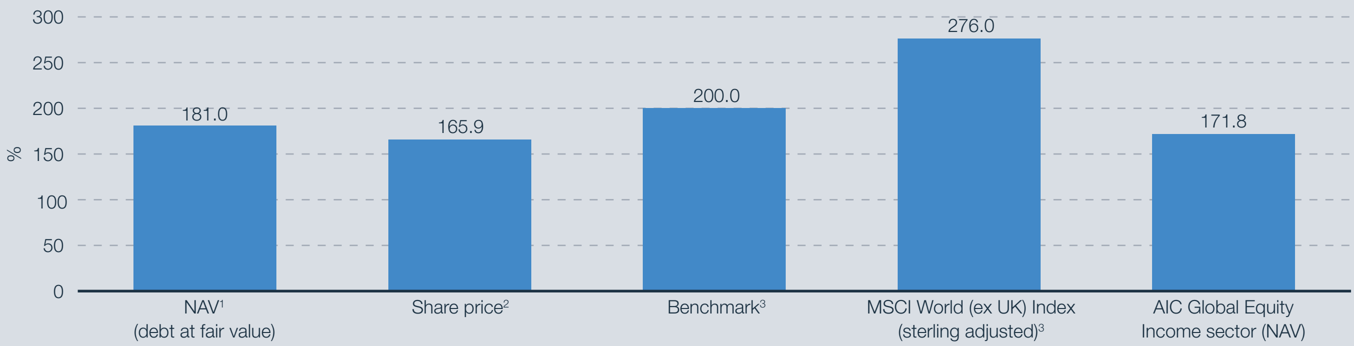
Ongoing charge for year[9]

2022	2021
0.83%	0.83%

Gearing at year end

2022	2021
6.5%	4.5%

Total return performance since launch



1 Net asset value ("NAV") total return per share (including dividends per share reinvested). See note 16.4 for details of the fair value calculation
2 The Company's share price total return (assuming the reinvestment of all dividends excluding dealing expenses). Since inception share price return – launch price including discount (97.25p)
3 On 26 April 2022, the benchmark index was changed from the MSCI World (ex UK) Index to the MSCI ACWI (ex UK) High Dividend Yield Index. See page 7 for details
4 Four-month period from launch on 28 April 2011 to 31 August 2011
5 MSCI World (ex UK) Index in US$
6 See note 16.4 for details of the fair value calculation
7 Includes the fourth interim dividend in respect of the year ended 31 August 2022 declared on 27 October 2022 to be paid to shareholders on 30 November 2022
8 Calculated based on the closing share price at 31 August
9 Calculated using the methodology prescribed by the Association of Investment Companies ("AIC")

A glossary of terms can be found on pages 84 and 85. Alternative performance measures can be found on pages 82 and 83

Source: Morningstar Direct, Funddata, Janus Henderson, Refinitiv Datastream

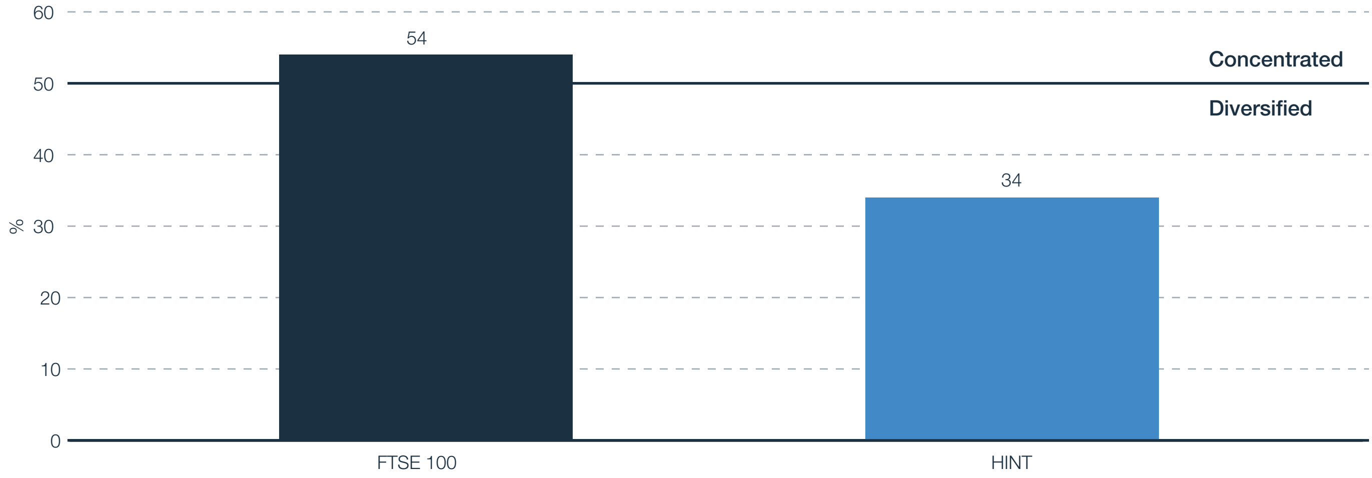
Introduction to Henderson International Income Trust plc

In 2011, Henderson International Income Trust ("HINT") was launched to provide an investment solution for investors seeking attractive income and capital growth opportunities.

HINT's investment objective is to provide shareholders with a growing total annual dividend, as well as capital appreciation. This is achieved through a focused and internationally diversified portfolio of securities outside the UK.

The ex-UK aspect of the portfolio was designed to allow investors to be confident of true stock specific diversification as many UK investors' income portfolios are often overweight the UK FTSE dividend payers. As shown in the chart below, the dividends paid by UK companies (represented here by the FTSE 100) are highly reliant on a small number of companies. The same is not the case for a global index or for the HINT portfolio.

Contribution to dividend income for the top 10 dividend-paying stocks

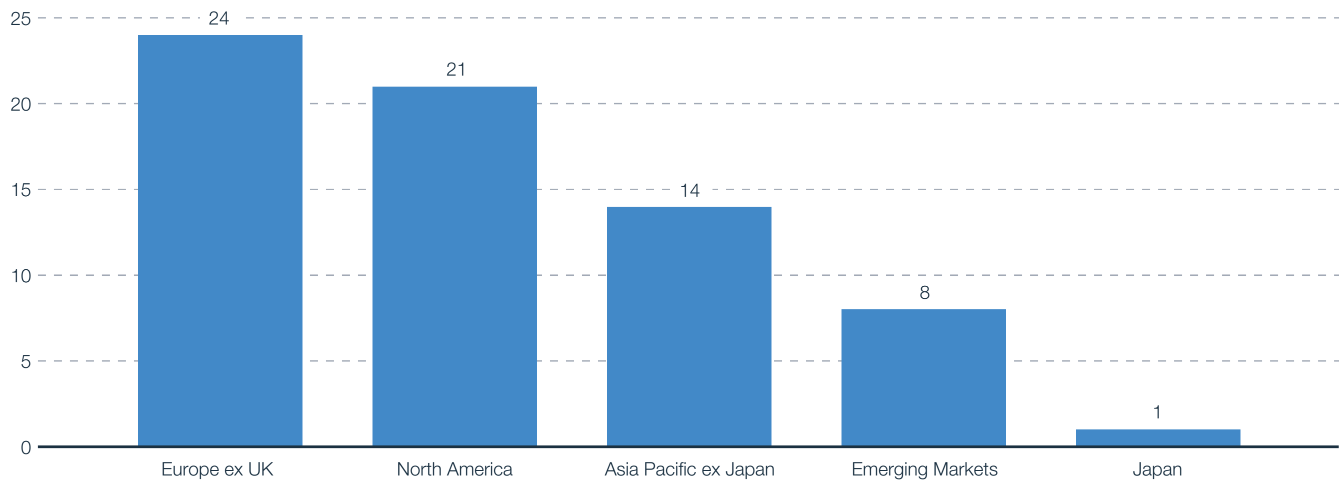


Source: Link Group UK Dividend Monitor for the year to 31 December 2021. HINT dividend contribution for the one year period to 31 August 2022

Portfolio characteristics

The Company invests in the best global income ideas, well diversified by sector and region outside the UK, generated by the Janus Henderson Global Equity Income team. It also benefits from company research coverage by Janus Henderson's range of dedicated global research teams. It generally invests in 50-80 investments, which are well diversified by sector and region.

Number of holdings by region



Source: Janus Henderson, 31 August 2022

As the world changes over time, it is important to be able to adapt. HINT has a very flexible mandate that is designed to allow it to adjust to the changing investment environment. Investors in HINT benefit from:

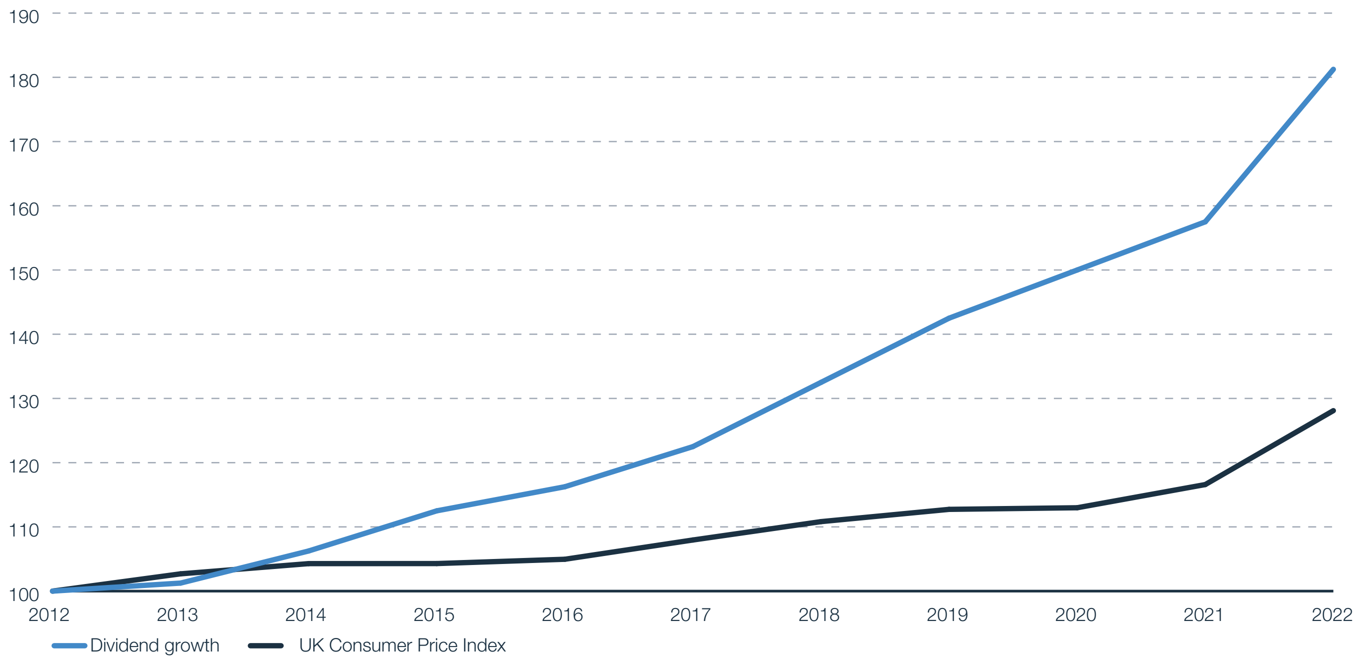
- **A global universe of investment opportunities:** different regions can offer different investment opportunities, and global diversification helps mitigate political and economic risks. This is hard in single region portfolios, particularly for regulated sectors such as utilities and financial services. The portfolio is split into three regions, North America, Europe and Asia Pacific, with none representing more than 50% by value of assets. No stock is over 5% of the portfolio at the time of investment.
- **The ability to borrow to enhance returns:** the Company can utilise borrowings of up to 25% of net assets to enhance returns over time.
- **Asset allocation:** in addition to borrowing, the mandate includes the ability to own up to 25% in fixed interest assets to enhance income generation and diversification.

Outcomes

HINT has established a track record since inception of a growing total annual dividend as well as capital appreciation:

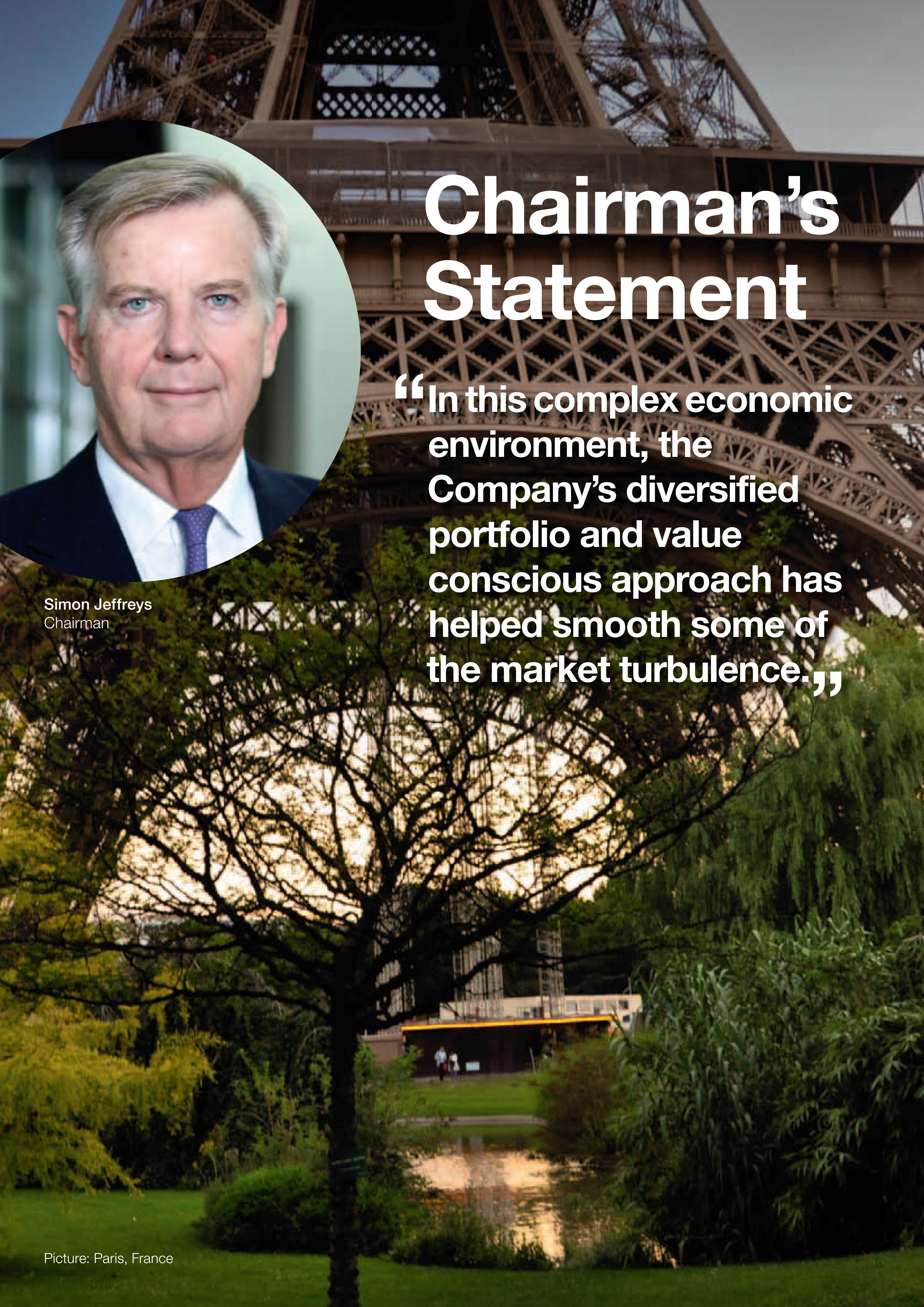
1. The dividend has grown from 1p per quarter to 1.85p per quarter since launch.
2. The capital value of the Company has increased from 100p at launch to 181.5p as at 31 August 2022.[1]
3. Income sustainability – dividends have grown every year since launch at a greater rate than inflation, at an average of 6.1% per annum, compared to an average rate of inflation of 2.5% per annum. The long-term sustainability of dividends is enhanced by the Company's ability to smooth distributions through the cycle using its reserves.

HINT dividend growth compared to the Consumer Price Index for the 10 years to 31 August 2022



Source: Refinitiv Datastream, Morningstar Direct. Figures rebased to 100 as at August 2012

1 NAV (debt at par) per share



Chairman's Statement

Simon Jeffreys
Chairman

"In this complex economic environment, the Company's diversified portfolio and value conscious approach has helped smooth some of the market turbulence."

Picture: Paris, France

Chairman's Statement

It is very difficult to summarise the events of the last year into a specific theme or trend. What started out as a period with the hope of the Covid pandemic abating and supply bottlenecks easing, ended with ongoing conflict in the Ukraine and persistently high inflation globally. In this complex economic environment, the Company's diversified portfolio and value conscious approach has helped smooth some of the market turbulence.

Performance and markets

Over the year, the net asset value ("NAV") total return per ordinary share has risen by 3.8% (debt at par) and by 6.3% (debt at fair value). The total return on the ordinary share price was 7.8%, this figure includes total dividends of 7.25p per ordinary share, an increase of 15% on the previous year. To represent better the objectives of the Company, the Company's performance comparator has been changed to the MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted), which generated 6.6% total return over the period. For comparative purposes, the previous benchmark, the MSCI World (ex UK) Index (sterling adjusted), returned 0.6%.

While the portfolio had no direct exposure to the conflict in Ukraine, in terms of Russian or Eastern European listed companies, the war has particularly impacted the valuation of European equity markets and, therefore, some portfolio holdings. The inability of China to find a solution to the pandemic has meant that Far East growth is lower than we expected, which has been a drag on the Far East exposure in the portfolio.

Equity markets have rotated towards less economically sensitive companies, including those in the pharmaceutical, consumer staples and telecommunications sectors, to which the portfolio has significant exposures. These defensive stocks have been the strongest performers. The increased energy exposure has also been a strong contributor to absolute performance. The decision taken a few years ago to take on a tranche of low fixed-rate debt to 2044 is looking increasingly prudent now that interest rates are rising.

Despite all the economic and political uncertainty, the portfolio's income generation has been very strong. During the period, financial services regulators removed recent restrictions regarding dividend distributions, which allowed many companies to pay the dividends that were suspended in 2020/21. Commodity prices have generally been higher than expected over the year, which has benefited the portfolio's materials and energy holdings' earnings, and this has translated into higher than expected dividends. Currency trends have also been positive for dividends as sterling has weakened against a number of currencies, particularly during the second half of the year, and dividends are all paid in foreign currencies.

The board gives due focus to Environmental, Social and Governance ("ESG") matters. Whilst the Company does not have an explicit mandate, the board and investment team are conscious that investors' interest in ESG matters continues to grow. Details about the manager's and investment team's approach to ESG have been included in the annual report, please see the Business Model, pages 28 to 30.

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 an internationally diversified portfolio of securities outside the UK.

During the year, the board considered alternative benchmarks to ascertain whether there was a more appropriate index by which to assess the Company's performance in relation to its objectives. The board concluded that, given the Company's income objective, the MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted) is a more appropriate performance comparator than the MSCI World (ex UK) Index, and has now adopted the former as its benchmark. This will provide a more relevant guide for investors to help understand the relative performance of the Company in the context of its objective.

The board has also reviewed the management fee arrangements and is pleased to have agreed with Janus Henderson a reduction in the management fee to a single rate of 0.575% per annum with effect from 1 September 2022, the first day of your Company's new financial year. The previous fee was 0.65% per annum of net assets equal to or below £250m, and 0.60% for net assets above £250m. Since inception, management fee reductions 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 0.83% this year. We remain willing to issue further shares at appropriate times to provide greater liquidity in our shares, and to lower further our fixed costs per share.

Earnings and dividends

We are pleased to announce a total dividend increase from 6.30p to 7.25p per ordinary share for the year to 31 August 2022, a rise of 15%. The year's pay out consisted of a first, second and third interim dividend of 1.80p per ordinary share, and a fourth interim dividend of 1.85p, which will be paid on 30 November 2022 to shareholders on the register at 4 November 2022.

The revenue returns increased year-on-year by 23% to £14,441,000. A combination of strong underlying dividend growth and currency appreciation when compared to sterling means that £232,000 has been added to revenue reserves.

The long-term objective of your Company since launch has been to provide shareholders with a growing total annual dividend, as well as capital appreciation. To date, we have increased the dividend each year and this positive growth trend is demonstrated in the graphs on pages 2 and 5.

Chairman's Statement (continued)

We continue to recognise the importance of dividend income to our shareholders, and if need be, we will utilise the Company's reserves in the event of any temporary shortfall between the Company's distributions and portfolio income.

Gearing

Well-judged gearing enhances returns to shareholders. The board's current policy is to permit the fund manager to gear up to 25% of net assets at the time of drawdown. Borrowing limits for this purpose include implied gearing using derivatives. The gearing at the period end was 6.5% (31 August 2021: 4.5%).

Liquidity and discount management

The Company's share price has traded at a discount to NAV of between 2-10% over the period and was 5.3% (with debt at par) at 31 August 2022. The uncertainty caused by the pandemic, and now the conflict in Ukraine has caused discounts to open up for many sectors and trusts over the last two years. The board continues to monitor the premium/discount to NAV and will consider appropriate action if it moves and remains out of line with the Company's peer group. However, there is a limit to the board's ability to influence the premium or discount. Accordingly, we believe it is not in shareholders' interests to have a specific share issuance or buy-back policy. However, it is sensible to retain flexibility and we shall therefore consider share issuance and/or buy-backs where appropriate and subject to market conditions.

Ongoing charge

The ongoing charge for the year to 31 August 2022, as calculated in accordance with the Association of Investment Companies ("AIC") methodology was unchanged at 0.83% (2021: 0.83%).

Annual general meeting

The eleventh annual general meeting ("AGM") of the Company will be held on Wednesday, 7 December 2022 at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE. The notice of meeting and details of 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.

As an alternative, I invite shareholders to join by Zoom webinar, and details of how to register are set out in the notice of meeting. As is our normal practice, there will be live voting for those physically present at the AGM. However, due to technical restrictions, we cannot offer live voting by Zoom, and we therefore request all shareholders, and particularly those who cannot attend physically, to submit their votes by proxy to ensure that their votes are included.

Board composition

As previously reported, I will be standing down as chairman of the board and a director of the Company at the conclusion of the 2022 AGM. This will conclude five years' service as chairman of the board, following six years' service as audit committee chairman. The board is pleased to announce that, following a rigorous process, it has been agreed that Richard Hills will succeed me as chairman. Richard was appointed as a non-executive director of the Company in 2016 and has considerable experience in financial services. His succession will ensure a smooth transition of the chairmanship.

Outlook

The Company has a flexible mandate with which to achieve the aim of offering investors income and capital growth, with protection through diversification by sector and geography. This year has proved the benefits of that diversification in terms of both regions and currencies. The nature of an investment company gives it some advantages over other investment vehicles. These include a fixed pool of assets so sales are not forced at the wrong time, the ability to maintain distributions through the cycle and the ability to utilise gearing to enhance returns.

Economic growth is slowing and, until inflation peaks, central banks look likely to have to keep raising interest rates. It is not an easy investment environment for investors to navigate. The events of this year have surprised everyone, but to some extent they are now known, and the question is what happens next? If, in a year's time, China has found a way to deal with Covid, the conflict in Ukraine has ceased and the Federal Reserve has finished raising rates, then things could feel very different, although the pain getting there may remain very uncomfortable.

Despite ongoing change, the Company will continue following its existing strategy of identifying attractively valued companies that have the capacity to grow their earnings and dividends over the medium to long term. The investment team remains vigilant for opportunities that might arise during these difficult times.

Simon Jeffreys
Chairman
27 October 2022

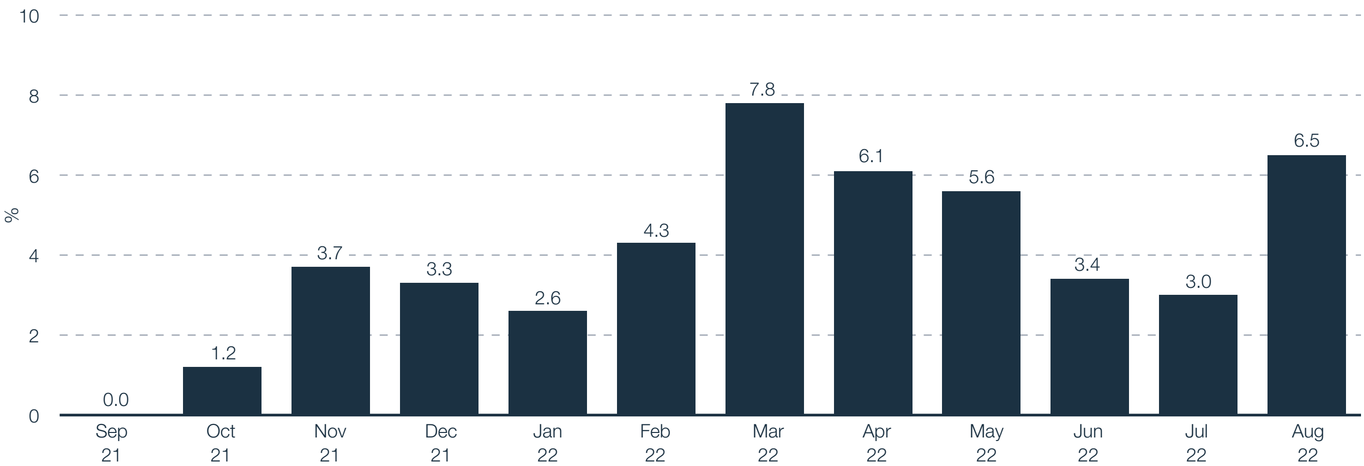
Portfolio Snapshot

Ten largest investments at 31 August 2022

Rank 2022	Rank 2021	Company	Country	Sector	Market value £'000	% of portfolio	Market value at time of investment £'000	Yield[1] %
1	1	**Microsoft**	**US**	Technology	16,427	4.3	2,122	0.9
2	9	**Sanofi**	**France**	Health care	13,587	3.6	13,330	3.1
3	3	**Nestlé**	**Switzerland**	Consumer staples	11,007	2.9	6,620	2.3
4	6	**Coca-Cola**	**US**	Consumer staples	10,701	2.8	6,578	2.5
5	5	**AXA**	**France**	Financials	9,458	2.5	8,752	6.5
6	17	**Roche**	**Switzerland**	Health care	8,966	2.4	7,231	2.7
7	8	**Cisco Systems**	**US**	Telecommunications	8,809	2.3	6,235	2.7
8	15	**Merck & Co**	**US**	Health care	8,496	2.2	6,663	2.9
9	16	**Bristol-Myers Squibb**	**US**	Health care	8,232	2.2	5,680	2.8
10	34	**Air Products & Chemicals**	**US**	Basic materials	7,913	2.1	7,392	1.8
Top 10					**103,596**	**27.3**	**70,603**	

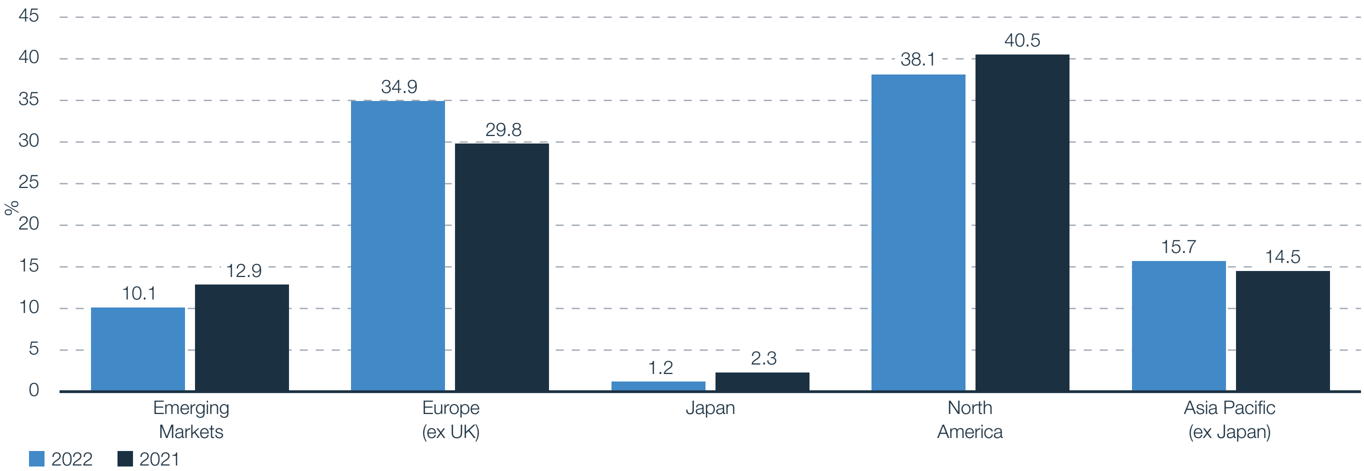
1 Dividend yield as at 31 August 2022 and based upon historic dividends, including special dividends where known, and is not representative of future yield

Gearing levels over the year to 31 August 2022



Regional asset allocation weighting of the portfolio at 31 August

As a percentage value of the investment portfolio excluding cash

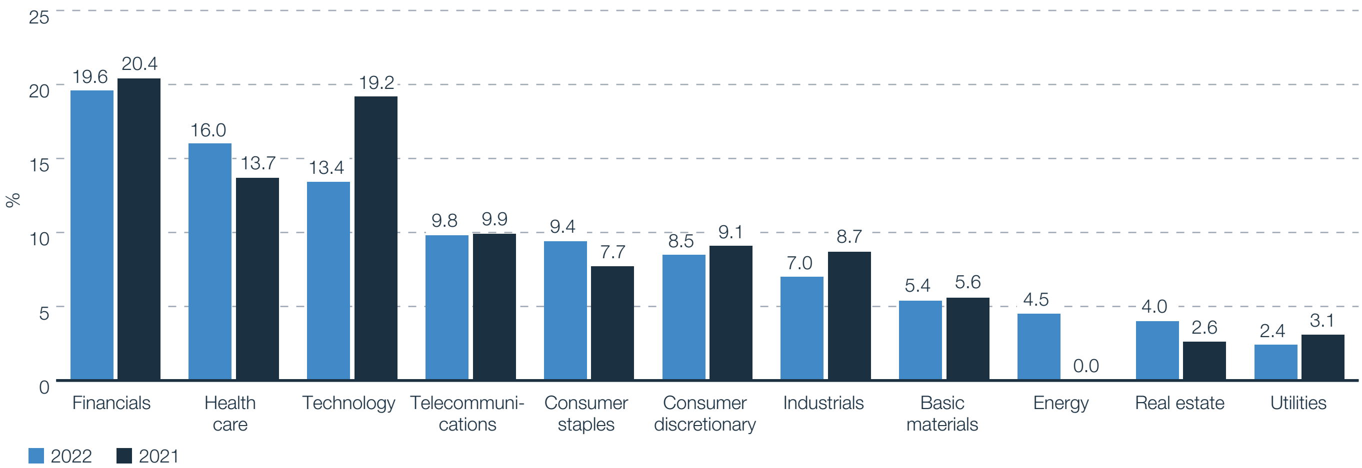


Source: Janus Henderson

Portfolio Snapshot (continued)

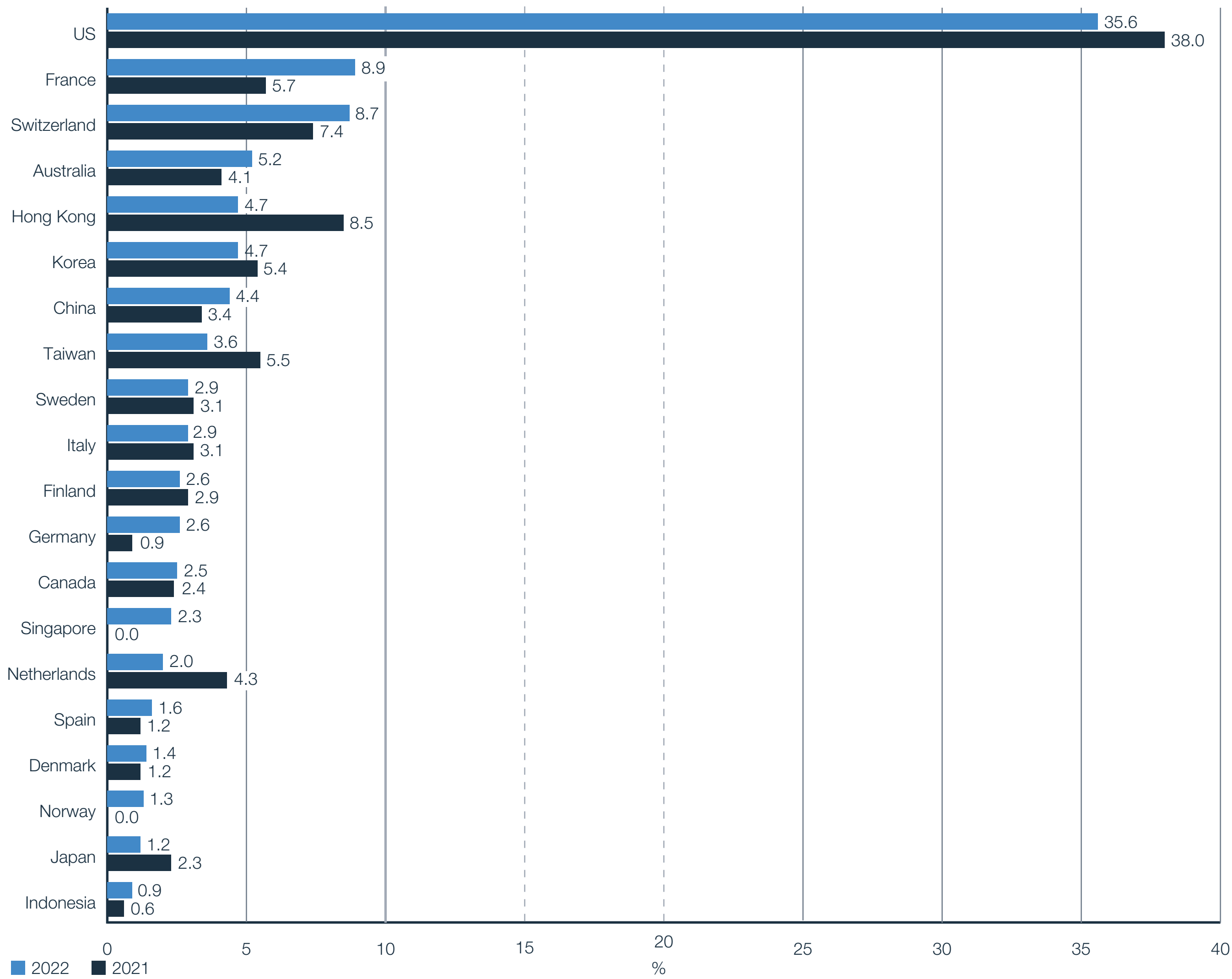
Sector exposure at 31 August

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

Portfolio Snapshot (continued)

Investment portfolio as at 31 August 2022

Company	Country	Market value £'000	% of portfolio
Basic materials			
Air Products & Chemicals	US	7,913	2.1
UPM-Kymmene	Finland	6,356	1.7
OZ Minerals	Australia	6,310	1.6
		20,579	**5.4**
Consumer discretionary			
Compagnie Financière Richemont	Switzerland	5,851	1.5
Nintendo	Japan	4,592	1.2
Li-Ning	China	4,013	1.2
Mercedes-Benz	Germany	3,996	1.2
VF Corporation	US	3,880	1.0
JD.com	China	3,814	0.9
Stellantis	Italy	3,478	0.9
China Yongda Automobiles	China	2,506	0.6
		32,130	**8.5**
Consumer staples			
Nestlé	Switzerland	11,007	2.9
Coca-Cola	US	10,701	2.8
Mondelez	US	7,133	1.9
Pepsico	US	6,954	1.8
		35,795	**9.4**
Energy			
Woodside Energy (formerly Woodside Petroleum)	Australia	7,489	2.0
Aker	Norway	4,909	1.3
TotalEnergies	France	4,686	1.2
		17,084	**4.5**
Financials			
AXA	France	9,458	2.5
Macquarie	Australia	6,121	1.6
Citigroup	US	6,044	1.6
Amundi	France	5,854	1.6
AIA	Hong Kong	4,799	1.3
CITIC Securities	Hong Kong	4,707	1.2
United Overseas Bank	Singapore	4,613	1.2
BFF Bank	Italy	4,327	1.2
ING	Netherlands	4,270	1.1
Industrial Bank	China	3,773	1.0
CTBC Financial	Taiwan	3,750	1.0
KB Financial	Korea	3,590	1.0
Sampo OYJ	Finland	3,587	0.9
Van Lanschot	Netherlands	3,440	0.9
Manulife Financial	Canada	3,347	0.9
Travelers Companies	US	2,431	0.6
		74,111	**19.6**

Company	Country	Market value £'000	% of portfolio
Health care			
Sanofi	France	13,587	3.6
Roche	Switzerland	8,966	2.4
Merck & Co	US	8,496	2.2
Bristol-Myers Squibb	US	8,232	2.2
Novartis	Switzerland	7,246	1.9
Medtronic	US	5,389	1.4
Novo Nordisk	Denmark	5,216	1.4
Johnson & Johnson	US	3,545	0.9
		60,677	**16.0**
Industrials			
nVent Electric	US	6,639	1.8
Honeywell International	US	5,578	1.5
LG Corp	Korea	4,427	1.2
Volvo	Sweden	3,634	1.0
Sandvik	Sweden	3,281	0.8
China National Building Material	China	2,799	0.7
Alleima	Sweden	161	–
		26,519	**7.0**
Real estate			
Crown Castle	US	7,162	1.9
CapitaLand Integrated Commercial Trust	Singapore	4,179	1.1
Sun Hung Kai Properties	Hong Kong	3,941	1.0
		15,282	**4.0**
Technology			
Microsoft	US	16,427	4.3
Corning	US	7,300	1.9
Broadcom	US	7,212	1.9
Taiwan Semiconductor Manufacturing	Taiwan	6,578	1.7
Fidelity National Information	US	5,617	1.5
Samsung	Korea	4,435	1.2
MediaTek	Taiwan	3,277	0.9
		50,846	**13.4**
Telecommunications			
Cisco Systems	US	8,809	2.3
Telus	Canada	6,212	1.6
Deutsche Telekom	Germany	5,188	1.4
SK Telecom	Korea	4,973	1.3
Tele2	Sweden	4,325	1.2
HKT Trust and HKT Ltd	Hong Kong	4,114	1.1
Telekomunikasi	Indonesia	3,392	0.9
		37,013	**9.8**
Utilities			
Iberdrola	Spain	6,024	1.6
Enel	Italy	2,871	0.8
		8,895	**2.4**
Total investments		**378,931**	**100.0**

Fund Manager's Report

> "Share price volatility belies the fact that the operating performances of the companies in the portfolio have in many cases exceeded our expectations."

Ben Lofthouse

Picture: Tokyo, Japan

Fund Manager's Report

To say that the year has not unfolded as we expected would be an understatement. For the last decade, one of the most discussed themes in the corporate world has been the disruption of industries and business models by technological innovation. Over the last twelve months, the world has experienced disruptions of a very different kind. 2022 has the potential to be a year that is remembered as one where a significant number of long-held assumptions were challenged, and maybe changed forever.

The Russian invasion of Ukraine has shaken politicians' and investors' expectations that disagreements between major countries would be settled by diplomacy, and in the process has up-ended Europe's energy and defence policies. In financial markets, persistent inflation has challenged the central bank orthodoxy that inflation would be muted and transitory due to long-term structural issues. Central banks have been forced to unwind easy monetary policies despite slowing growth, leading to higher levels of interest rates that were unthinkable at the start of this year. All this is happening at the same time that Covid continues to linger, particularly in China.

Against this background, generating capital growth has been difficult, but the Company has, over time, generated positive total returns and growth in dividends significantly above inflation. Share price volatility belies the fact that the operating performances of the companies in the portfolio have in many cases exceeded our expectations in what has been another very difficult environment.

Performance review

Despite the challenges, the portfolio produced a total return of 6.3% in NAV per ordinary share over the period (debt at fair value). This return includes covered dividends totalling 7.25p per share, a 15% increase year on year. As noted in the chairman's statement, the performance comparator for the Company has been changed to the MSCI ACWI (ex UK) High Dividend Yield Index from the MSCI World (ex UK) Index to better reflect the objectives of the Company. The two indices have diverged over the period, generating 6.6% and 0.6% respectively, highlighting the outperformance of higher yielding companies over the last 12 months.

Dividend performance

The revenue return for the Company has risen by 23% year on year, more than covering the increased dividend paid to investors. Several factors have driven the increase.

The dividend growth from the portfolio has been good, reflecting the earnings growth of the holdings. Over the medium term, the most important drivers of the dividends paid by companies are their earnings growth, profitability, balance sheet position and cash flows. The Company's investment process focuses on companies with attractive dividend yields, strong cash flow generation and the potential to grow capital values via earnings and dividends in the future. They are often leaders in their respective industries, with established competitive advantages. This last characteristic, competitive strength, determines the ability to pass on rising costs and has become very important in an environment where supply chain issues abound and cost inflation is rife. As an illustration of this, the top ten holdings on average announced dividend increases during the year of 4.7%, ranging from 11% from Microsoft to 1.8% from Nestlé.

For many years, technology companies have generated the most significant dividend growth in the portfolio. This year the biggest dividend increases year-on-year were from the financial sector. Some companies in the portfolio were asked by regulators to suspend payments in 2020 and 2021 until the outcome of the pandemic was clearer. Having come through the pandemic with strong capital positions and profitability, these companies have been allowed to pay the suspended dividends this year. These were mainly European financial services companies including insurers AXA and Sampo and diversified financials BFF Group, Van Lanschot and ING Group. During the year, these delayed dividends contributed approximately £900,000 to the net revenue return of £14,441,000.

Sterling's general weakness has benefited the Company's revenue returns this year. The dividends from the portfolio companies are received in their local currencies and then translated into sterling at the rate prevailing at the time of their receipt. Several currencies, including the US dollar, the Taiwan dollar and the Swiss franc have appreciated by over 10% against sterling as the year has progressed. However, not all currencies have appreciated; the euro and Swedish krona exchange rates to sterling have been relatively stable over the period. In a global portfolio, currencies often move in different, uncorrelated directions at times and can cancel each other out. For this reason and others we do not try and predict currency movements. If sterling remains at the current level, all things being equal, the impact on next year's revenue would also be positive. Note 16.1.2 of the financial statements provides some analysis of foreign currency sensitivity.

Investors are starting to ask questions about dividend trends, and how stable they may be in the face of a recession. Research based on long periods of time show that dividends are significantly less volatile than earnings and tend to reflect the medium-term outlook for companies rather than being overly driven by short-term earnings moves. We expect dividend growth in the portfolio to moderate as the post-pandemic recovery fades.

Capital performance

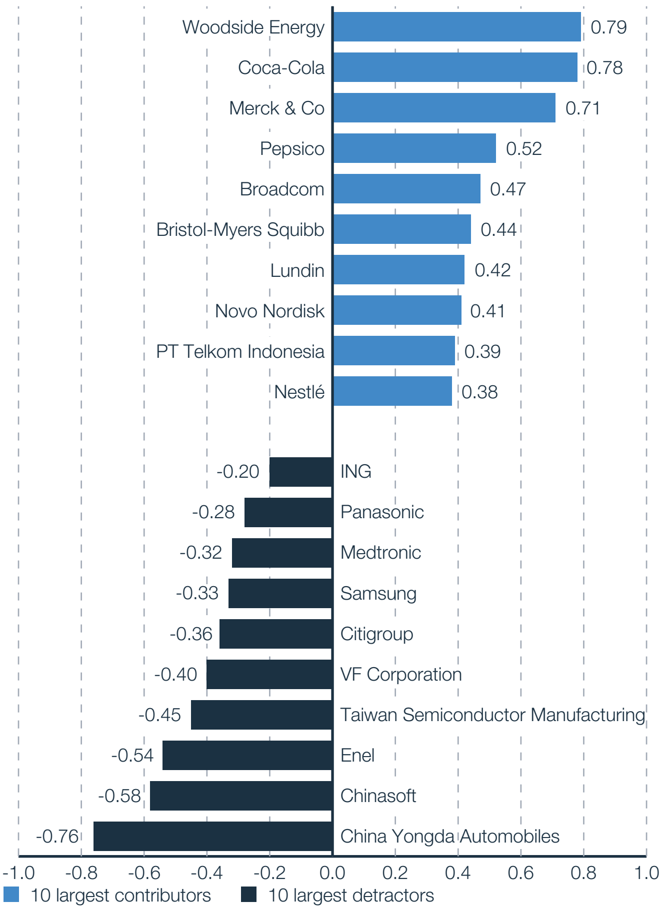
The Company's portfolio is relatively concentrated consisting typically of 50-80 positions, so performance can be impacted by stock specific news and events as well as regional equity market performance and sector news. The investment process focuses on identifying businesses that are attractively valued and where the dividends they pay both add to shareholders' total return and reward them for being invested until the value is realised by capital appreciation. Portfolio construction ensures that the portfolio is diversified to reduce concentrated risks if events do not go as planned. This approach has helped preserve capital in what has turned out to be another very

Fund Manager's Report (continued)

unpredictable year. Going into the year some of the primary concerns of the investment team were the risk posed by the potential normalisation of interest rates, supply chain issues and input cost inflation. These concerns have all turned out to be realised, but additional unforeseen events have also unfolded and the portfolio diversification has proved beneficial.

The table below highlights the most significant stock contributors to performance over the year measured by contribution to absolute return.

Most significant positive and negative contributors to performance (%)



Source: Janus Henderson, as at 31 August 2022

Portfolio companies' results have generally been good. Our companies have reported satisfactory underlying demand despite the uncertain environment, and this has facilitated their ability to raise prices to offset inflation. Commodity prices have risen significantly over the period. Both natural gas and oil prices rose initially on stronger than expected demand and an inability (or unwillingness in the case of OPEC+) for supply to respond in a timely manner. The invasion of Ukraine and subsequent sanctioning of Russia has raised concerns that high prices will persist for longer. The portfolio's energy exposure was increased in 2021, and it has been the strongest positive contributor to performance over the period. The portfolio's energy stocks, Woodside, Aker BP (the holding in Lundin was acquired by Aker during the year for a combination of cash and shares, and a residual equity called Orron Energy) and TotalEnergies, have delivered the largest absolute returns over the period, benefiting from high oil and gas prices. The positions all generated returns well over 30%.

The market has understandably become more cautious over the year and this has been reflected in improved relative performance from defensive sectors, including health care, consumer staples and telecommunications companies. These sectors all contributed positively to returns over the period. The companies that have performed most strongly are those that have shown the most ability to increase prices to pass on costs, examples of this include Coca-Cola, Pepsi and Nestlé. Novo Nordisk continues to experience growth for its new, novel diabetes and obesity treatments.

In response to the cautious shift, the consumer discretionary and industrial sectors have underperformed. This caused a derating in the shares of China Yongda, a premium car distributor in China, and VF Corp, the owner of brands such as Vans and North Face. Both have also seen their Chinese operations impacted by rolling lockdowns. Semiconductor companies have also underperformed; demand has been very strong for semiconductors, but the market is concerned about the impact of a slowing economy on the sector. Samsung and Taiwan Semiconductor Manufacturing have underperformed as a result of these concerns.

Higher energy prices have side effects and have become a political issue in many countries due to their impact on consumers, particularly on lower income households. The value of Enel, for instance, has been impacted by negative sentiment due to government intervention in retail energy prices in Spain and Italy. In the medium to long term the company should benefit from an accelerated push towards electrification and decarbonisation of energy via renewables and electricity grid infrastructure investment. In the short term, this has been offset by near-term concerns and the stock has underperformed.

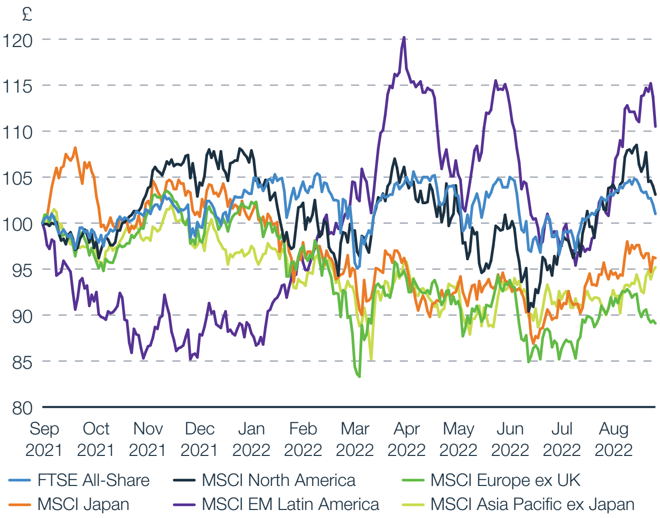
Some companies continue to be impacted from ongoing outbreaks of Covid, including payments processor Fidelity National Information Services ("FIS"), and medical equipment manufacturer Medtronic. For FIS, the Covid restrictions that were in place for much of the year have depressed travel spend, a material driver of their revenues, and for Medtronic, the availability of parts and the resulting costs have impacted their results. We expect both companies to recover in time, but it is taking longer than the market expected.

Stock selection was a positive contributor to performance of 2.9% and gearing contributed 2.9%, but asset allocation had a negative impact on performance of 5.3%, primarily as a result of being underweight the US market and US dollar.

Fund Manager's Report (continued)

The chart below shows the performance of different regions of the world over the year.

Regional equity market performance (£)



Source: Datastream as at 31 August 2022. Rebased to 100

For the first six months of the year, the developed markets were closely correlated but, post the invasion of Ukraine, Europe, Asia and Japan have underperformed North America and the UK. The Asia Pacific region has also been impacted by the ongoing zero Covid policy being pursued by China, which has depressed economic growth at a time when it is also trying to restructure its housing market.

The portfolio is organised in regional sleeves: North America, Europe and Asia Pacific. The return from all regions was positive: North America generated 9.7% total return, Europe 2.2%, and Asia Pacific 0.4%. We have been overweight Asia Pacific by 4% versus the benchmark, and 16% overweight Europe (no Russian or Eastern European companies were held during the year). Why is the portfolio overweight these regions? At the start of the year the valuations of many companies in these regions relative to their peers around the world were attractive due to longer periods of pandemic lockdowns. We saw the potential for them to benefit from opening up their economies post the pandemic. In addition, many companies in these regions have taken on less leverage in response to low interest rates so have fewer headwinds when rates normalise, and they often have higher dividend yields than their US peers. These investment cases remain in place, but the war in Europe and China's ongoing zero Covid policy have impacted the outlook and we are monitoring the allocation.

The Company's long-term financing means that a fair value and par value return is quoted (see note 16.4 for details). The fair value of the debt reflects a theoretical market price and is impacted by changes in interest rate expectations in the financial markets. The rise in interest rate expectations during the period has reduced the fair value of the debt by £8,203,000, enhancing the fair value net asset value return by 2.5%. This movement is the result of the rise in interest rate expectations (the reference rate for the fair value calculation increased from 0.32% to 2.275% at the year end).

Portfolio positioning

Stock selection for the portfolio is driven by a combination of the attractiveness of the company in question (competitive positioning, supply/demand outlook, cash flow generation, sustainability of business model) combined with its valuation.

The largest individual stock changes are shown below:

Purchases	
Woodside Energy	+2.1%
Amundi	+1.7%
Compagnie Financière Richemont	+1.7%
Fidelity National Information	+1.6%
Deutsche Telekom	+1.5%

Sales	
Verizon Communications	-2.3%
Panasonic	-1.7%
Texas Instruments	-1.5%
Quanta Computer	-1.5%
Swire Pacific	-1.4%

Source: Janus Henderson, as at 31 August 2022

In response to the deteriorating economic conditions, positions have been reduced in companies that might be more cyclical than the market thinks, but where it is not reflected in the price. Panasonic, Texas Instruments and Quanta fall into this category. The position in Taiwan Semiconductor was also reduced. On the other side of this coin, there are two areas we are looking at closely: oversold cyclical companies and oversold growth companies (fallen angels that could be future winners in their sectors) where the long-term earnings power of the companies is not reflected in current valuations. European asset manager Amundi and US payment processing company FIS were invested in on this basis.

Verizon was sold due to a deteriorating competitive position compared to peers after many years of relative strength. The company that is winning in the US market is T-Mobile, whose parent is Deutsche Telekom. A position was initiated in Deutsche Telekom after it fell when European markets sold off in February. The valuation does not reflect the underlying strength of its businesses in Germany and the US.

The most significant asset allocation changes in the portfolio over the period were the increase in the oil and gas exposure by 4.5%, the reduction in technology exposure by 5.8%, and the reduction in the proportion of the portfolio invested in Hong Kong by 3.8%.

Many parts of the world have high Covid vaccination rates that are facilitating a return to more normal life. China and Hong Kong seem to be an exception and have continued to follow a zero Covid policy. Positions in Bank of China Hong Kong,

Fund Manager's Report (continued)

sportswear retailer Anta Sports, and conglomerate Swire Pacific were closed to fund opportunities less hampered by Covid restrictions. New positions initiated included FIS, one of the world leaders in processing transactions in physical stores and internet sales. The business has performed well over the last few years, but lower levels of leisure and travel activity have dampened demand and revenue growth, causing the business to derate to an attractive entry valuation. A new position was initiated in luxury goods company Richemont, which has several iconic brands, including Cartier. The company has lagged the sector in terms of share price performance in recent years but there are signs that the new strategy will deliver enhanced returns. Another new position is European Asset Manager Amundi, which is well diversified by asset class, has economies of scale that allow it to offer competitively priced products, and is growing. The valuation is depressed due to current sentiment, but the attractive dividend yield provides an income to investors who are prepared to be patient.

Three new positions were initiated in the energy sector: Lundin, Woodside Energy and TotalEnergies. Lundin subsequently was bought by Aker BP in a cash and shares transaction, and a small remaining listed entity called Orron Energy. Oil and gas prices have been volatile in recent years, and the volatility of cash flows has made dividends unreliable. Prices have stabilised at a level at which many restructured energy companies are very cash flow generative and profitable. We expect natural gas to be used as a transition fuel to help lower emissions as economies reduce coal, oil and diesel usage in electricity generation. Woodside and TotalEnergies have significant gas reserves and opportunities. Lundin operates in Norway and has completed a large development that will support significant dividends. It is also one of the most advanced energy companies in reducing controllable emissions (scope 1 & 2). Post purchase, Woodside announced a merger with BHP's energy business, which has enhanced their earnings. These energy companies all demonstrate a commitment to decarbonisation having set targets to be at least carbon neutral within their own operations by 2050 at the latest, with these targets considered in conjunction with the International Energy Agency's scenario analysis. To meet these targets, the companies will use a range of initiatives to decarbonise operations, including reducing flaring to cut methane emissions, increasing use of renewables and utilising carbon capture for the hardest to decarbonise areas.

Gearing has averaged around 4% over the year, but was increased towards the year-end as equity valuations became more attractive.

ESG and company engagement

When employing fundamental security analysis, the investment team takes a long-term view. The longevity and adaptability of business models is crucial to the Company's investment strategy. As such, a considerable amount of time is spent by the fund manager identifying fundamental factors, including ESG, which may impact profits, cash flow and dividends, and ensuring that investee companies have robust policies and processes in place to manage these. The integration of environmental, social and governance factors into investment decision making and ownership is detailed in the Business Model section of the annual report.

During the period under review, the investment team continued to actively engage with investee companies. Engagement continued with pharmaceutical holdings Sanofi and Bristol-Myers Squibb to ensure a fully representative level of clinical diversity in drug trials. Progress is being made and both companies plan to improve disclosure in this area in future company reports together with improved environmental disclosures. The team also continued to engage with Microsoft around the approach to responsible Artificial Intelligence and facial recognition policies, and improved disclosure of gender/ethnicity pay gap reporting. New areas of engagement included discussions with Mondelez and Nestlé regarding their actions to address supply chain issues including biodiversity protection, especially with regard to palm oil, and efforts being made to improve working conditions at their suppliers. There have been improvements in disclosure in these areas and some encouraging initiatives to improve living conditions of workers, but there is a lot of potential for further improvement.

Outlook

Since the Company launched, disruption has been an ongoing trend, and this year has been an extreme example of that. It is encouraging to see strong dividend growth across the portfolio. The portfolio is diverse and has a mix of sectors and regions. They will not all be impacted by current events in the same way, and many have structural growth drivers of earnings that are less sensitive to the economy. Overall, we expect dividends to continue to grow, and we also believe the holdings are undervalued in relation to their long-term earnings potential. The flexibility provided by the investment trust structure and the mandate of the Company also provides tools to support its dividends, and be selective about the investments it makes.

The long-term impact of 2022's events will likely be felt for years to come. From a financial market perspective, they have certainly caused volatility and uncertainty and markets are in the process of digesting this. Interest rate expectations have increased significantly, and the valuations of many assets have fallen as a result. This has presented some opportunities, but the impact on consumers and companies has still to be fully recognised. As a result, consensus earnings forecasts have not yet been significantly downgraded, nevertheless many sectors and companies have already seen substantial falls and some very attractive valuations are starting to appear. We intend to use any volatility to invest in companies that enhance the long-term capital and income growth potential of the portfolio.

Ben Lofthouse
Fund Manager
27 October 2022

Historical Information

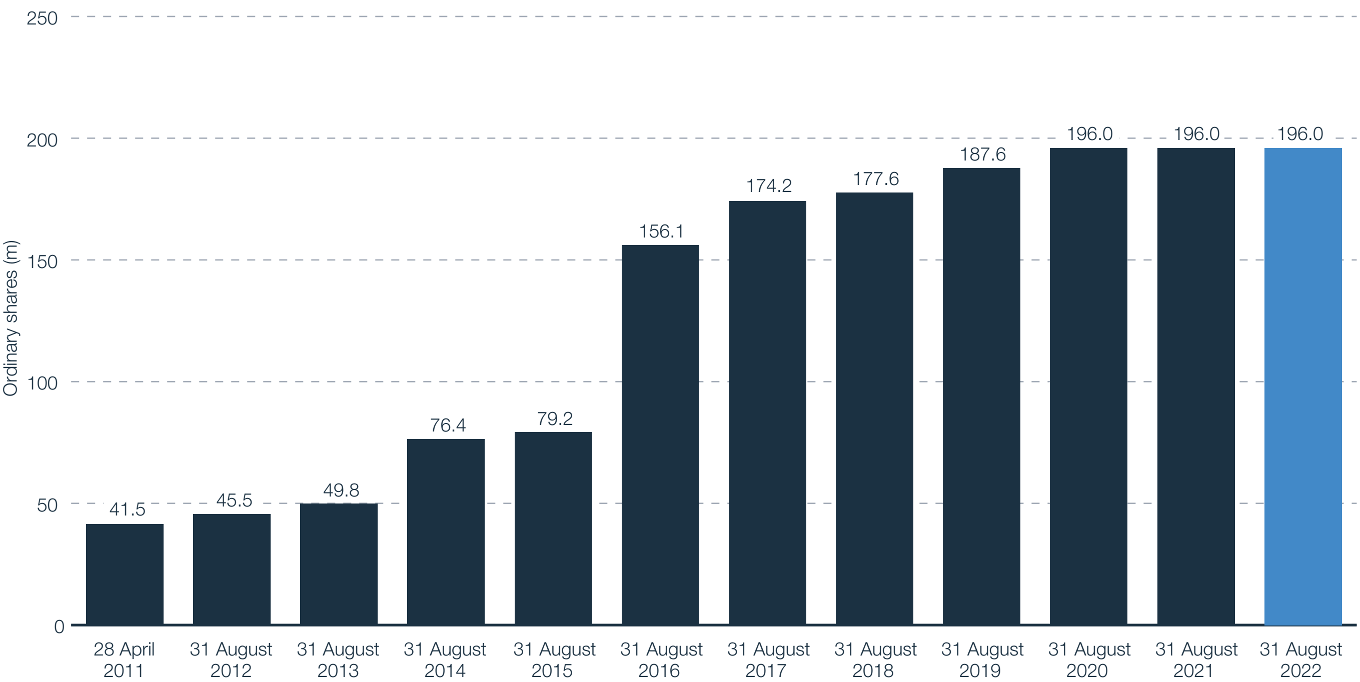
Total return performance to 31 August 2022[1]

	1 year %	3 years %	5 years %	10 years %	Since launch %
Diluted NAV[2] (debt at par)	3.8	23.2	33.2	166.8	177.6
Diluted NAV[2] (debt at fair value)	6.3	27.3	34.8	170.0	181.0
Share price[3]	7.8	21.2	26.2	145.6	165.9
MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted)[4]	6.6	23.7	45.2	183.6	200.0
MSCI World (ex UK) Index (sterling adjusted)[4]	0.6	37.9	68.9	272.6	276.0
AIC Global Equity Income sector (NAV)	3.6	27.4	40.3	173.2	171.8

Financial information for the year to 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 %
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
2020	300,915	153.5	145.5	(5.2)	(10,353)	5.53	(10.91)	(5.38)	6.00	0.85
2021	356,152	181.7	166.0	(8.7)	66,997	5.99	28.20	34.19	6.30	0.83
2022	**355,687**	**181.5**	**171.8**	**(5.3)**	**13,645**	**7.37**	**(0.41)**	**6.96**	**7.25**	**0.83**

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 The Company's closing share price. Since inception share price return – launch price including discount (97.25p)
4 On 26 April 2022, the benchmark index was changed from the MSCI World (ex UK) Index to the MSCI ACWI (ex UK) High Dividend Yield Index
Sources: Morningstar Direct, Janus Henderson and Refinitiv Datastream

Business Model

Picture: Kuala Lumpur, Malaysia

Business Model

Purpose, values and culture

The Company's purpose is to pursue its investment objective and policy to provide shareholders with a growing total annual dividend as well as capital appreciation on their investment in the Company.

The investment process is modelled accordingly to achieve the investment objective of the Company. It is executed by an experienced fund manager supported by the breadth and depth of experience from the Janus Henderson Group.

The board is intent on ensuring high standards of governance, as this is integral to ensuring the Company's success and sustainability as a business. It aims to achieve this through a culture based upon openness, mutual respect, integrity and trust. The board seeks always to act in the best interests of shareholders and wider stakeholders, making the most effective use possible of the diversity of skills and experience of its members. The directors are independent-minded and act in an open, positive and collegiate manner. This culture of openness and constructive challenge extends to the board's interaction with the manager, being the Company's most important service provider. The board expects the manager and all of the Company's other service providers to hold values which align with the high standards promoted by the board.

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to directors' conflicts of interest, directors' dealings in the Company's shares, bribery (including the acceptance of gifts and hospitality) and tax evasion. The directors assess and monitor compliance with these policies regularly through board meetings and the annual evaluation process.

Structure

The Company aims to achieve its investment objective by following a disciplined process of investment within an acknowledged risk framework, and by controlling costs and using borrowings to enhance returns. The Company operates as an investment company enabling the board to delegate operational matters to specialist third-party service providers. Their performance is monitored and challenged by the board, which retains 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 section 1158/9 of the Corporation Tax Act 2010 ("section 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 is comprised entirely of independent non-executive directors who are accountable to the Company's shareholders.

Status

The Company is registered as a public limited company. It is an investment company as defined in section 833 of the Companies Act 2006 ("Act") and operates as an investment trust in accordance with section 1158/9 as amended. The directors are of the opinion that the Company has conducted its affairs in compliance with section 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 Regulation 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 an existing investment.

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

Business Model (continued)

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.

Any material change to the investment policy would require the prior approval of both shareholders and the FCA.

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 using the 'Invest Now' link on our website, **www.hendersoninternationalincometrust.com**.

Benefits

The Company's business model offers numerous advantages:

- it provides investors with access to a professionally and actively managed portfolio of assets;
- it offers investors exposure to an internationally diversified portfolio of companies outside the UK;
- it enables investors to spread the risks of investing;
- it enhances returns to investors by operating as an approved investment trust meaning no capital gains tax is paid on the realisation of investments;
- the closed end structure allows the fund manager to take a longer term view on investments and remain fully invested;
- the ability to use gearing to increase returns for investors; and
- oversight by a board of directors wholly independent of the manager.

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"). The charts and data on pages 2, 3 and 17 show how the Company has performed against these KPIs and a glossary of terms and alternative performance measures is included on pages 82 to 85. The board reviews the appropriateness of the KPIs on a regular basis.

KPI	Action
Performance measured against the benchmark	On 26 April 2022, the MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted) was adopted as the Company's comparator 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. During the year under review, the NAV (debt at par value) and NAV (debt at fair value) underperformed the benchmark, whilst the share price outperformed the benchmark. This is discussed in the fund manager's report.
Dividend sustainability and growth	At each board meeting, the board reviews the income generating ability of the Company's portfolio, including a dividend forecast, and monitors the dividend income received as the year progresses. Revenue return increased year on year by 23.1% to £14,441,000 in the year to 31 August 2022. This is discussed further in the chairman's statement and fund manager's report.
Discount/premium to NAV	At each board meeting, the board monitors the level at which the Company' shares are trading at a discount or premium to the NAV 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. Over the life of the Company, the shares have, for the most part, traded closely with NAV. A discount opened up in the prior year, which has continued in the current year. This has narrowed during the course of the year, although a degree of volatility remains. The board continues to monitor this.

Business Model (continued)

KPI	Action
Performance against the Company's peer group	The Company is included in the AIC Global Equity Income sector. In addition to comparing 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 Company has delivered its dividend objective over the year, and has also outperformed the peer group sector average.

Promoting the Company's success

Section 172 statement

The board regards a well-governed business model as essential for the successful delivery of its investment proposition. The directors carry out their duties under section 172 of the Act to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long term, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

The Company has no employees, premises, assets other than financial assets or operations. The board seeks to secure the Company's success by engaging reputable third-party suppliers with established track records to deliver the day-to-day operations, and to ensure that they have suitable policies and procedures in place to maintain high standards of business conduct. 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. There is continuous engagement and dialogue between board meetings, with communication channels remaining open and information, ideas and advice flowing freely between the board and the manager.

The board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, investment performance monitoring and setting marketing budgets. The board also determines the overall limits and restrictions for the portfolio, including gearing and asset allocation. In addition to the strategy discussions at board meetings, the board also has an annual strategy meeting to review these matters.

The directors are responsive to the views of shareholders and the Company's wider stakeholders, who may contact the board via the corporate secretary (please refer to page 88 for contact details). See pages 22 to 24 for further details on how the Board interacts with its key stakeholders.

For more information about the responsibilities with which the board and its committees are charged, please refer to the corporate governance report (pages 34 to 42), the report of the audit committee (pages 43 to 45), the report of the nominations and remuneration committee (pages 46 to 48), the report of the management engagement committee (page 49), the directors' remuneration report (pages 50 to 52) and the directors' report (pages 34 and 35) in addition to the strategic report. The schedule of matters reserved for the board as well as the terms of reference for each of the committees of the board can be found on the Company's website.

Business Model (continued)

Engagement with stakeholders

Shareholders' assets are managed taking account of the Company's stakeholders and their interests. The board has mapped who the Company's stakeholders are in order to support it in identifying and understanding them and fostering the appropriate level and form of interaction. As an externally managed investment company, the board considers that the Company's stakeholders include its shareholders and investors, the manager and other third-party service providers, the companies in which it invests and its lenders. Interaction is facilitated through meetings (both face-to-face and via video conferencing and other electronic means), seminars, presentations, publications and the Company's website. Set out below are examples of the way the board and the Company has interacted with stakeholders.

Stakeholders	Engagement	Outcome
Shareholders, investors (including through retail platforms) and potential investors	Shareholders rely on the Company to deliver sustainable and reliable returns on their investment. The board believes that its primary focus should be on providing an excellent service to its shareholders and it seeks to ensure that the Company is accessible and available. Regular updates on the Company and its activities are provided through: • the annual and half year reports; • the manager's monthly factsheets; • Company announcements, including daily NAV announcements; • the Company's website, which includes video interviews with the Company's fund manager, regular market commentary and investment insights and other relevant information to enhance investors' understanding of the Company and its portfolio and prospects; • use of social media channels (see page 88); and • research notes from Edison Investment Research (paid for by the Company and available to all investors). Shareholders are encouraged to attend and vote at the Company's general meetings, including the annual general meeting, where they have the opportunity to address questions directly to the directors and the fund manager. The fund manager provides a presentation on the Company's performance and the future outlook. Shareholders who cannot attend the AGM in person are invited to attend and raise questions online. The chairman, senior independent director and other members of the board are available, and have offered, to meet with shareholders where they wish to do so. During the year, the audit committee chair met with a number of shareholders to discuss board composition in light of the planned retirement of the chairman. Shareholders are able to meet with the fund manager throughout the year. The manager's sales and marketing team, the broker and external marketing research provider (Edison) also meet with shareholders and analysts. Feedback from all meetings with shareholders is shared with the board. 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.	Clear communication of the Company's strategy and performance against its objective helps shareholders to make informed decisions about their investments. Close interaction with shareholders enables the board to run the Company in line with shareholders' interests as a whole and for the Company's long-term success. The board is committed to maintaining open channels of communication with shareholders. Shareholders are able to contact the directors directly by writing to the chairman or the senior independent director at the registered office (see page 88) or by email to **ITSecretariat@janushenderson.com**. Correspondence from shareholders is shared with the chairman immediately and with the board at the next meeting. The board is pleased to invite shareholders to attend the 2022 annual general meeting, either in person or remotely, via Zoom webinar. Further details are on page 8 and in the notice of meeting.

Business Model (continued)

Stakeholders	Engagement	Outcome
Manager • Fund management • Sales and marketing • Company secretarial • Financial reporting • Internal control functions • Investment accounting and administration (outsourced by Janus Henderson to BNP Paribas) • Oversight of third-party service providers	The board sets and oversees the parameters for the manager's activities, including asset allocation, gearing and risk management. The board seeks to engage with the manager in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring appropriate and regular challenge. The fund manager attends all board meetings. The board receives timely and accurate information from the manager at meetings and engages with the fund manager and corporate secretary between meetings as well as with other representatives of the manager as and when it is deemed necessary. The board maintains a regular dialogue with the manager between meetings, receiving updates on areas such as portfolio activity, gearing and the impact on income, and the Company's ability to meet its investment objective. The board also meets with other key representatives of the manager throughout the year to develop strategy and assess internal controls and risk management and also sales and marketing activities, to promote the success of the Company and raise its profile. The board, with the assistance of the management engagement committee, formally reviews the performance and terms of appointment of the manager at least annually (see page 49 for further details).	Successful management of the Company's portfolio is essential for the Company to meet its strategic objectives and enable its long-term sustainable success. The effective provision of the ancillary services ensures the efficient running of the Company's day-to-day affairs. The board and the manager operate in a supportive, co-operative and open environment, resulting in a challenging, effective and strong working relationship. The board places great value on the expertise and experience of the fund manager to execute the investment objective and deliver returns for shareholders, and on the manager's internal controls and risk management. The portfolio activities undertaken by the manager and the impact of decisions are set out in the fund manager's report on pages 13 to 16.
Third-party service providers • Depositary and custodian • Investment accounting and administration (outsourced by Janus Henderson to BNP Paribas) • Broker • Registrar • Auditor	The board is conscious of the need to foster effective business relationships with its suppliers as well as its shareholders and others. As an investment company, all services are outsourced to third-party service providers. The manager maintains the overall day-to-day relationship with the service providers and reports back to the board on performance. Each service provider has an established track record and has in place suitable policies and procedures to ensure it maintains high standards of business conduct. The board regularly reviews the support provided by the service providers including quality of service, succession planning and any potential interruption of service or other risks. The board evaluates the terms of engagement and the control environments in place at each service provider and, through the management engagement committee, formally assesses their appointment annually.	The board meets with the depositary/custodian at least annually and with other service providers as and when considered necessary. This regular interaction provides an environment where day-to-day matters, issues and business development needs can be dealt with efficiently and effectively. The board is confident that Janus Henderson has developed and maintains good working relationships with all of the Company's third-party suppliers.
Investee companies (listed on page 11)	The board sets the investment objective and discusses stock selection and asset allocation with the fund manager regularly. On behalf of the Company, the manager engages with the investee companies, exercising good stewardship practices, including a focus on ESG matters with an approach agreed with the board.	The fund management team regularly conducts face-to-face and/or virtual meetings with portfolio companies' management teams to enable them to understand current trading and prospects for these businesses. The manager is a responsible investor and has a dedicated Governance and Responsible Investment Team that the fund manager can utilise when making investment decisions and voting.
Lenders	One of the advantages of the investment trust structure is the ability to use gearing to enhance returns for shareholders. On behalf of the board, the manager maintains a constructive working relationship with the loan note holders and the provider of the Company's overdraft facility, ensuring compliance with covenants and providing regular covenant compliance confirmations and other information as required.	The Company maintains a good relationship with its lenders which supports its financing arrangements and allows it to operate effectively as an investment trust.

Business Model (continued)

Stakeholders	Engagement	Outcome
Communities and the environment	The board mandates the manager, supported by its governance function, to engage with investee companies, when and where appropriate, on ESG matters in line with good stewardship practices, and with an approach agreed with the board. The board is also conscious of the importance of providing an investment product which meets the needs of its investors, including retail investors.	An investment approach that meets the needs of investors provides a service valuable to the communities in which the Company operates. The board is also conscious of the need to take appropriate account of broader ESG concerns and for the Company to act as a good corporate citizen. Details of how ESG matters are integrated into investment decisions are set out on pages 28 to 31.

Examples of stakeholder consideration

The board is always mindful of the need to act in the best interests of shareholders as a whole and to have regard to other applicable section 172 factors. The board takes into consideration the Company's purpose, investment objective and investment policy as well as the interests of the Company's stakeholders in all material discussions and decisions. Examples of this can be seen in the year under review as follows:

Benchmark

As indicated in the 2021 annual report and reported in the half year report, the board carried out a review of the options to ascertain whether there was a more appropriate index by which to measure the Company's performance. The board concluded that, given the Company's income objective, the MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted) was a more appropriate performance comparator than the MSCI World (ex UK) Index (sterling adjusted) and this has been adopted as the Company's performance comparator benchmark. The board considered that this index would provide a more relevant guide for investors to help them understand the relative performance of the Company in the context of its objective. It would also ensure alignment with the income objective of the Company.

Management fees

The management fee arrangements were reviewed by the board and Janus Henderson and a reduction in the management fee to a single rate of 0.575% per annum was agreed. The new rate took effect from 1 September 2022. The previous fee, which applied during the year under review, was 0.65% per annum of the Company's net assets up to £250m and the rate reduced to 0.60% per annum of net assets in excess of £250m.

Appointment of successor chairman

As previously reported to shareholders, Simon Jeffreys is due to retire at the 2022 annual general meeting. A committee of the board (led by the chair of the audit committee and excluding the chairman) was established to lead the succession process. Mr Hills had expressed an interest in the role. He was interviewed by the committee, which considered that his experience as a director of the Company and the board culture would assist with a smooth transition and would provide stability and continuity to the board during a period of change. The committee also engaged with a number of shareholders to ascertain their thoughts on board composition, including tenure. Following a robust process, it was agreed that Mr Hills should be appointed as chairman of the board on the retirement of Mr Jeffreys. See the nominations and remuneration committee report on pages 46 and 47 for further details.

Geopolitical risks

Following Russia's invasion of Ukraine and the international imposition of sanctions on Russian companies and individuals, the risks facing the Company were updated to include a geopolitical risk. The exposure of the portfolio to Ukraine and Russia was carefully reviewed, and the fund manager confirmed that the Company had no holdings with significant financial interests in Russia. The board was satisfied that no change to the investment approach was required.

Macroeconomic risks

The board keeps the global macro-economic environment under review. The directors have been particularly aware of the significant increase in inflation and rising interest rates over the year, and this has been regularly discussed with the fund manager. The profile of inflation and interest rates in the Company's risk map was updated by the board to ensure that the risks were being given the appropriate level of focus.

Shareholder information

Shareholders and potential investors require information in order to make decisions about their investments. Through the approval and publication of the Company's results in the half-year update and annual report as well as the daily NAV announcements, all of which are made available to stakeholders on the Company's website, the Company enables shareholders and potential investors to make informed decisions about their investment in the Company.

Business Model (continued)

Principal risks and uncertainties

The board, with the assistance of Janus Henderson, has carried out a robust assessment of the principal risks and uncertainties, including emerging risks, facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and reputation.

The board regularly considers the principal risks facing the Company and has drawn up a matrix of risks. The board has also 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 principal financial risks are detailed in note 16 to the financial statements.

The following changes have been made to the principal risks since last year:

- The addition of geopolitical risk as a principal risk following the Russian invasion of Ukraine.
- Given the removal of restrictions in the UK and certain other geographies, the risk from Covid has been downgraded and is no longer considered to represent a principal risk to the Company.
- The risks arising from Brexit have been merged into political risks.
- The risk of increasing inflation has been moved from emerging risks and added as a principal risk under portfolio and market price risks.
- The risk of increasing interest rates has been added as a further risk under investment activity and performance risks.
- The risks associated with the senior unsecured notes have been moved from principal risks to other risks.

Risk	Mitigation
Geopolitical risks	
The Russian invasion of Ukraine is causing political and economic volatility. This includes the consequences of effects on supply chains and energy supply and consequential price increases.	The fund manager is active in the review of geographic and sector allocations, including an understanding of underlying impacts of trade with Russia. At each board meeting, the allocation of the funds across the geographic markets and the sector relative weightings are discussed with the fund manager, with focus on the current market context.
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. Continued increases in interest rates could materially affect the performance of stocks with high levels of gearing. This could impact their cashflows and ability to pay dividends, and thus affect the performance of the portfolio of the Company.	The board monitors investment performance at each board meeting and regularly reviews the extent of its borrowings, when in use. The fund manager actively monitors the level of gearing in the stocks across the portfolio and adjusts exposure where necessary. This is discussed on a regular basis with the board.
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 underperform or fail entirely with a potential impact on their share price and/or dividend yield. 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. Increasing inflation could impact the performance of markets internationally, with greater market price volatility having a consequential impact on the performance of the portfolio.	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.
Political risks	
Political and economic uncertainty, including the ongoing influences of the UK's exit from the European Union ("Brexit"), could give rise to market volatility. This could affect foreign exchange movements which could impact the valuation of the Company's portfolio and dividend income.	The board actively engages in dialogue with the fund manager to ensure an ongoing review of the portfolio and reallocation, if considered appropriate, to adjust stocks or geographical allocation. The fund manager monitors political and economic issues and regularly reviews geographic and sector allocation. The risk is spread through holding a diverse portfolio.

Business Model (continued)

Risk	Mitigation
Tax and regulatory risks	
A breach of section 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 been contracted to provide investment, company secretarial, administration and accounting services through 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 manager maintains appropriate policies and procedures, together with a robust firewall, to mitigate any such attacks. 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.

Emerging risks

In addition to the principal risks facing the Company, the board also regularly considers potential emerging risks, which are defined as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of the probability of them happening and the possible effects on the Company. Should an emerging risk become sufficiently clear, it may be moved to a significant risk.

The board has identified the following as potential emerging risks:

Emerging risk	Mitigation
Continued consolidation of the wealth management industry resulting in a narrower customer base and the increasing importance of being on the 'buy list'.	A key focus is on performance and to ensure that the Company meets buy list requirements. The manager makes use of PR and marketing in order to reach individual buyers.
Consolidation of the investment trust sector leading to a greater average size of investment trusts becoming the norm.	The board regularly reviews the market to identify and grasp consolidation opportunities and looks to the manager to provide performance to improve the Company's chances for growth.
Unfavourable regulatory changes, including tax changes and the possible imposition of a wealth tax.	The board and the manager monitor potential changes on an ongoing basis.
Increased regulation and focus by investors on climate change and ESG developments	The board, through the manager and corporate broker, maintains a regular dialogue with major shareholders and discusses the Company's objectives with them. The feedback from this, together with the investment strategy in the context of performance, is regularly reviewed by the board.

Business Model (continued)

Viability statement and going concern

The AIC Code of Corporate Governance includes a requirement for the board to assess the future prospects for the Company, and to report on the assessment within the annual report. The board considers that certain characteristics of the Company's business model and strategy are relevant to this assessment:

- the board looks to ensure that 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; and
- the Company has an ongoing charge of 0.83%. As a result of the reduction in the management fee that took effect from 1 September 2022, the ongoing charge is expected to decrease in the year ending 31 August 2023.

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 the formal agreement with the depositary;
- long-term borrowing is in place, being the 2.43% senior unsecured notes 2044, which are 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 7.2% at 31 August 2022 (2021: 7.2%);
- revenue and expenditure forecasts are reviewed by the directors at each board meeting; and
- 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 or solvency and reputation and considered emerging risks that could have a future impact on the Company.

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. In coming to this conclusion, the directors have considered the aftermath of the Covid pandemic and heightened macroeconomic uncertainty following Russia's invasion of Ukraine, in particular the impact on income and the Company's ability to meet its investment objective, and the impact on loan covenants. The directors do not believe that they will have a long-term impact on the viability of the Company and its ability to continue in operation, notwithstanding the short-term uncertainty that these events have caused in the markets and specific short-term issues, such as to energy, supply chain disruption, inflation and labour shortages.

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.

The directors recognise that there is a continuation vote that is due to take place at the annual general meeting in 2023. The directors currently believe that the Company will continue to exist for the foreseeable future, and at least for the period of assessment.

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 2025.

The directors consider the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements and that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements (see page 65 for further details).

Arrangements with the manager

The Company is an Alternative Investment Fund ("AIF") in accordance with the Alternative Investment Fund Manager Directive ("AIFMD"). The board has appointed Janus Henderson Fund Management UK Limited ("JHFM")* to act as its Alternative Investment Fund Manager. JHFM delegates investment management services to Janus Henderson Investors UK 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. References to the "fund manager" are to Ben Lofthouse.

Business Model (continued)

The management fee for the year to 31 August 2022 was 0.65% per annum of net assets equal to or below £250m and 0.60% per annum of the net assets in excess of £250m. From 1 September 2022, the fee has been reduced to a single rate of 0.575% per annum. 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, marketing, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of the manager, by BNP Paribas. Janus Henderson Secretarial Services UK Limited* acts as the Corporate Secretary.

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.

* Janus Henderson Fund Management UK Limited, Janus Henderson Investors UK Limited and Janus Henderson Secretarial Services UK Limited changed their names in March 2022 from Henderson Investment Funds Limited, Henderson Global Investors Limited and Henderson Secretarial Services Limited respectively

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), as set out in the investment policy. Borrowings for these purposes would include implied gearing through the use of derivatives. The Company's short-term gearing facility allows borrowing of up to £30m 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.

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.

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 that these clauses are highly unlikely to occur.

The level of gearing at 31 August 2022 was 6.5% of net asset value (2021: 4.5%).

How we integrate environmental, social and governance considerations in our investment decisions

The board believes that integrating environmental, social and governance factors or "ESG" into investment decision-making and ownership practices is an important factor for delivering the investment outcomes shareholders seek.

Defining ESG

- **Environmental** factors include climate change, energy efficiency, resource depletion, and water and waste management.
- **Social** factors include corporate culture, diversity, health & safety, community relations and supply chain management.
- **Governance** factors include mitigating risks such as bribery and corruption, questioning board composition and diversity, remuneration, shareholder rights and positively influencing corporate behaviour.

ESG considerations are a fully embedded component of the investment process employed by the fund manager, and the wider Janus Henderson investment teams. The fund manager has a specialised group within the investment department focused on governance and stewardship, ESG investment research, and ESG strategy and development. ESG risk reporting is also provided by the group to help investment teams monitor the ESG risks in their portfolios, and the manager subscribes to a broad range of external ESG information providers and makes this information directly available to the investment teams.

In addition to monitoring and analysing ESG factors, the investment team actively engages with portfolio companies to encourage them to take steps where appropriate to enhance their corporate practices regarding ESG considerations. Examples of these engagements are detailed in the Engagement and Stewardship section of the report.

ESG factors' impact on investment decisions

When employing fundamental security analysis, the investment team takes a long-term view, seeking to identify companies differentiated by their sustainable competitive advantage, strong earnings potential and shareholder friendly management teams. Sustainability of business models is crucial to the Company's investment strategy. As such, a considerable amount of time is spent by the fund manager identifying fundamental factors, including ESG factors, which may impact profits, cash flow and dividends and ensuring that investee companies have robust policies and processes in place to manage these. The primary aim of this analysis is to improve the risk adjusted returns of the portfolio, but the manager is also concerned with ensuring companies are operating responsibly regarding their impact on society and the environment. It is worth noting that the portfolio is global in its nature and as a result the level of disclosure and attitudes to environmental and social factors can vary depending on the sector and the region in which a company operates. Nonetheless, each ESG factor, in addition to the quantitative and qualitative assessments, is an important consideration when evaluating the opportunity and the portfolio's investments.

The analysis of ESG factors before investments are made can lead to certain stocks or sectors being excluded or not invested in. For example, the investment team are currently

Business Model (continued)

avoiding several companies in the chemicals sector due to their exposure to a class of harmful chemicals known as PFAS. This is an emerging environmental and social issue and the potential financial impact on the companies involved is difficult to forecast. ESG factors can also lead to the disposal of positions where the investment team believes that the risks have increased; this year a position in the portfolio was sold due to emerging concerns around related party transactions that raised questions about the alignment of shareholders' interest with the management team.

The investment team seeks to understand how investee companies are managing ESG risks through their policies and processes, and where their investments are targeted to evolve their business models to remain sustainable over the long term.

Janus Henderson engages actively with companies and their management teams and uses a variety of sources to help identify and monitor material ESG risks, including research from their fund managers, analysts, and input from the manager's Governance and Responsible Investment team and third-party data providers. The investment team is able to engage Sustainalytics and MSCI, leading firms researching and rating ESG factors globally, to support investment research.

Companies with weaker ESG risk profiles are not automatically excluded from the portfolio provided they are making progress in mitigating these risks. These companies can be good investments if they can address the ESG issues they face, and often low ESG ratings can relate to historic issues that have been remedied. Whilst companies with weaker ESG profiles are not automatically excluded from the portfolio, the team does avoid or disinvest from companies where the ESG risk is material and where the company is not willing or able to mitigate these risks, and hence remains on a deteriorating trajectory.

Engagement and stewardship

Stewardship is a fundamental part of the investment team's long-term, active approach to investment management. Strong ownership practices, including engagement with management and boards, can help protect and enhance long-term shareholder value. Janus Henderson supports the UK Stewardship Code and is a founding member of the UN Principles of Responsible Investment ("UN PRI"). Additionally, Janus Henderson is a supporter of a number of broader ESG initiatives such as the Access to Medicine Index which aims to improve availability of health care in developed and emerging markets and Climate Action 100+, an investor-led initiative to engage with heavily emitting companies to reduce their greenhouse gas emissions.

As a part of the research process portfolio managers and analysts meet frequently with company management, senior executives and boards, with Janus Henderson conducting thousands of meetings per year. These meetings typically occur prior to initiating a position and throughout the holding period. The portfolio managers naturally develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, they would seek to leverage these constructive relationships by engaging with company management or express their views through voting on management or shareholder proposals. Escalation of engagement activities depends upon a company's individual circumstances. During 2021, for example, Janus Henderson recorded more than 1,000 company engagements with a distinct ESG component. Details regarding Janus Henderson's approach, including examples of engagement, can be found in the firm's 2021 UK Stewardship Code Report on the manager's website at **www.janushenderson.com**.

Strategic areas of focus of engagement with portfolio companies have included:

- **UN Global Compact compliance:** the manager places significant importance on compliance with the 10 UN Global Compact Principles. This is an important area of focus in terms of management engagement and has led to several engagements on human capital and in particular labour practises in companies in sectors ranging from technology (Samsung), consumer discretionary (McDonalds), and consumer staples (Nestlé and Mondelez) where they have encouraged the companies to improve employees' working conditions.
- **Health care:** the Covid pandemic highlighted the disparities in access to health care in both developed and developing markets. The manager continued to engage with companies as part of the Access to Medicine Index and has also discussed access strategies as part of broader conversations with management teams. There has been some progress regarding trial diversity improvement, but the manager continues to encourage greater disclosure around ESG issues in the sector.
- **Diversity:** diversity is an important company engagement issue, and the manager has engaged with investee companies on the importance of diversity and inclusion. These conversations have covered racial equality (Microsoft) and inclusive working environments (Air Products & Chemicals).
- **Governance:** the investment team believes good corporate governance is supportive of long-term decision-making and investment returns and has engaged with holdings on board diversity (AbbVie), board independence (BFF, Coca-Cola), and business ethics (Air Products & Chemicals).
- **Environment:** the manager considers the wider environmental impact of its holdings including emissions of other greenhouse gases, water and waste management and biodiversity. As part of this, the investment team has discussed plastics and packaging (Nestlé and Mondelez) and forest management (UPM-Kymmene), with its holdings, with the aim of understanding the companies' strategies to reduce their environmental impact and encouraging faster action in these areas.

Business Model (continued)

Clinical Trial Diversity Engagement

Janus Henderson is a lead investor in the Access to Medicine Index. The index ranks the 20 largest pharmaceutical companies on their work to increase access to medicine in low and middle-income countries. As a lead investor, Janus Henderson engages with companies specifically on access while also providing feedback to other participating investors and to the Access to Medicine Foundation. Given the portfolio's significant weight in the health care sector, the investment team has had further engagements with companies on clinical trial diversity. Clinical trial diversity was highlighted as a problem during the Covid pandemic. Therapeutics have the potential to have varying efficacy and safety based on a patient's age, sex, and ethnicity, meaning diversity in clinical trials is essential in order to improve patient outcomes. Janus Henderson held engagements with Bristol-Myers Squibb, Sanofi and AbbVie on this topic and were encouraged that the companies are raising the profile of this issue internally, with R&D and trial teams committing to recording and reporting data.

Voting

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. Responsibility for voting the rights attached to the shares held in the Company's portfolio has been delegated to the manager, who actively votes at shareholder meetings and engages with companies as part of the voting process.

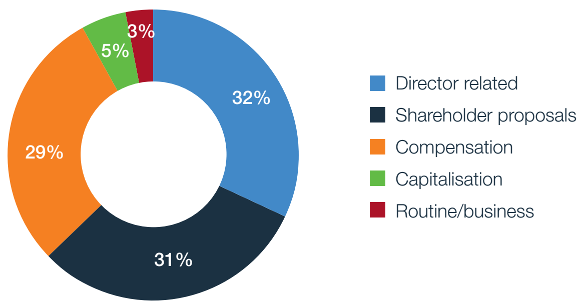
Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the fund manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the manager's ESG Investment Principles, which set out the manager's approach to corporate governance, corporate responsibility and compliance with the Stewardship Code, and are publicly available on the manager's website. To retain oversight of the process, the directors regularly receive reports on how the manager has voted the shares held in the Company's portfolio, and they review the ESG Investment Principles at least annually.

As an active manager, Janus Henderson's preference is to engage with management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. In their experience, this approach is more likely to be effective in influencing company behaviour. They therefore actively seek to engage with companies throughout the year and in the build up to the annual shareholder meeting to discuss any potentially controversial agenda items. However, where they believe proposals are not in shareholders' interests or where engagement proves unsuccessful, they will vote against.

Voting record

In the period under review, we voted at 54 general 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 38 resolutions (5.1% 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 management recommendation. Shareholder proposals relate to motions proposed by shareholders, often regarding US companies, which can cover a wide range of subjects including the appointment of independent board chairman and increased disclosure on climate assessments and workforce issues. Compensation votes against management include instances where pay awards are either poorly explained, or could be deemed in excess of remuneration policies. Director-related are proposals regarding the membership of the company's board. Votes against directors are warranted where there are concerns that the proposed director is not suitable, for example they are not qualified for the role or are not sufficiently independent. Capitalisation proposals relate to the issuance of bonds or equity, votes against management are required where there are insufficient disclosures or excessive levels of issuance.

The breakdown by area of resolutions not supported is shown below. Areas of focus during the period included votes on board directors, executive remuneration and shareholder proposals.



Source: Janus Henderson using Institutional Shareholder Services ("ISS") categories
Note: Some meetings had more than one vote against management. This is for the one-year period to 31 August 2022

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. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting ("SECR") regulations and therefore is not required to disclose energy and carbon information.

Business Model (continued)

The manager recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. In 2019, Janus Henderson committed to reducing its carbon footprint by 15% per full-time employee over three years based on 2018 consumption. In 2021, Janus Henderson reached this target and set new five-year targets in 2022 in line with guidance from the Science-Based Target Initiative to reduce Scope 1 (fuel) and Scope 2 (electricity) emissions by 29.4%, as well as Scope 3 (business travel, hotel stays, freight, paper consumption, water, waste) operational emissions by 17.5%.

In addition to this, Janus Henderson has maintained a CarbonNeutral® certification since 2007 and offsets all its operational Scope 1, Scope 2 and Scope 3 emissions each year. Through this process, Janus Henderson has invested in a variety of offset projects around the world, delivering financial support to essential renewable energy, forestry and resource conservation projects that support reductions in greenhouse gas emissions. All projects Janus Henderson supports have been classified as 'additional' by an independent third party, meaning that they would not happen without the sale of carbon credits.

Janus Henderson discloses its carbon emissions annually through regulatory and voluntary reporting frameworks, including SECR and CDP, as well as in its annual report and 2021 Impact Report, which provide more information.

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.

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. The senior independent director is also available to shareholders if they have concerns that have not been addressed through the normal channels.

Diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The current directors have a diverse range of experience and skills, bringing knowledge of investment management, governance, financial and risk management, marketing and distribution to discussions on the Company's business. At the date of this report, the board comprises five directors, three male and two female, meeting the target set by the FTSE Women Leaders Review. The directors are aware of the Parker Review recommendations regarding ethnic diversity on boards.

The nominations and remuneration committee considers diversity alongside experience and cognitive and personal strengths when making recommendations for appointments to the board, taking into account gender, social and ethnic backgrounds. See pages 47 and 48 for further details of the board's diversity policy and compliance with recommended diversity targets.

The board also 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. The board notes and supports the manager's diversity training and initiatives to improve any imbalances. These include Janus Henderson's ethnicity pay gap analysis, trainee, apprenticeship and internship programmes, such as INROADS, Girls Who Invest, Investment 2020 and #100 Black Interns.

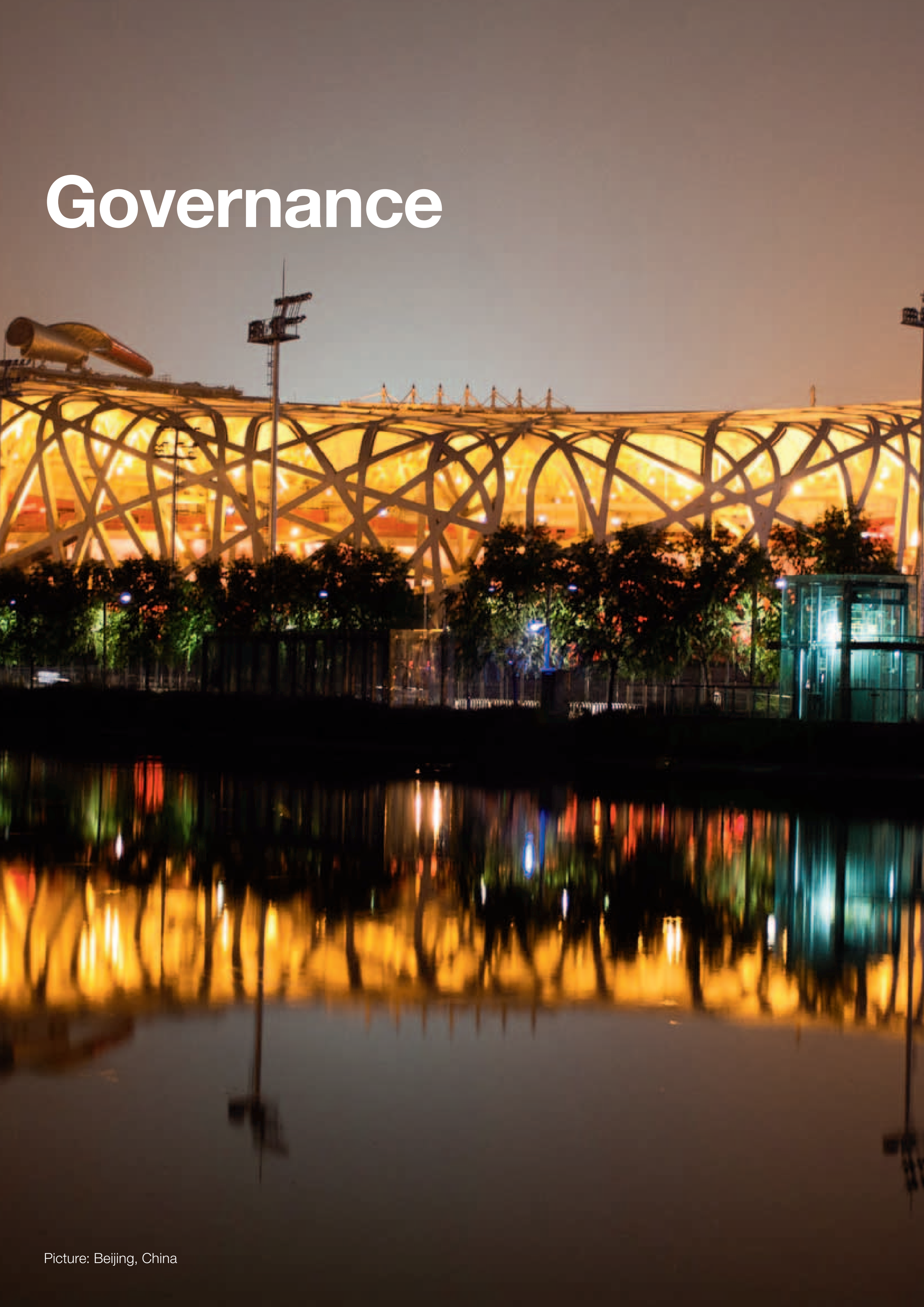
Approval

The strategic report has been approved by the board.

On behalf of the board

Simon Jeffreys
Chairman
27 October 2022

Governance



Picture: Beijing, China

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 also chairman of Aon UK Limited. He is a director and chair of the audit committee of St James's Place plc and a director and chair of the audit and risk committees of SimCorp A/S and Templeton Emerging Markets Trust plc. He chairs the audit and risk committee of the Crown Prosecution Service. Simon was chief operating officer of the Wellcome Trust and chief administrative officer for Fidelity International. Previously, he was a senior audit partner in PricewaterhouseCoopers, where he was the global leader of the firm's investment management practice.

Simon will be retiring from the board at the annual general meeting.

Jo Parfrey

Position: Director and chair of the audit committee

Date of appointment: 1 January 2021

Jo is a chartered accountant with strong investment and financial, analytical and risk management skills. She is currently a non-executive director of Octopus AIM VCT plc, and Worldwide Healthcare Trust plc, non-executive chair of Babraham Research Campus Limited and a non-executive director and chair of the audit committees of Start Codon Ltd and Ieso Digital Health Limited. She has been a Mentor to the Accelerate Programme at Judge Business School, Cambridge University.

Richard Hills

Position: Senior independent 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 large asset management companies. More recently he has been a non-executive director of a number of investment companies, both listed and private, including Henderson Global Trust plc. He is currently chairman of Strategic Equity Capital plc and a director of EQT Services (UK) Limited.

Richard will become chairman of the board following the retirement of Simon Jeffreys at the annual general meeting.

Aidan Lisser

Position: Director

Date of appointment: 25 April 2016

Aidan is a non-executive director of JPMorgan Emerging Markets Investment Trust plc where he is chair-designate, and of The Edinburgh Investment Trust plc. He was previously a non-executive director of Henderson Global Trust plc. He is also a marketing ambassador for the Association of Investment Companies, a board member of Chapter Zero Limited and a trustee of Crossways Community Charity. From 2010 until 2020 he worked for Investec Wealth & Investment as chief marketing officer and subsequently as head of strategy. Before this he held senior marketing roles at Allianz Global Investors, Standard Chartered Bank plc and Unilever plc.

Lucy Walker

Position: Director

Date of appointment: 1 September 2020

Lucy is chair of Aurora Investment Trust plc and independent member of the audit & risk committee for SportsAid. She spent over a decade in investment management, most recently as fund manager and Head of Third Party Funds at Sarasin & Partners, leading the team responsible for researching over £1.2 billion of assets under management, and before that worked at HSBC Global Asset Management. In 2020, she founded AM Insights to help fund researchers deliver more successful client outcomes with a fast, intuitive and mobile-friendly fund research platform.

Following the retirement of Simon Jeffreys at the conclusion of the annual general meeting, Lucy will take over the role of senior independent director from Richard Hills.

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

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 August 2022.

The corporate governance statement, audit committee report, nominations and remuneration committee report and management engagement committee report (pages 46 to 49) form part of the directors' report.

Results and dividends

The results for the year are set out in the financial statements. Three interim dividends of 1.80p each and a further interim dividend of 1.85p, totalling 7.25p per share, have been declared and/or paid in respect of the year to 31 August 2022. See note 10 on page 70 for more information. No final dividend is being proposed.

A review of the year and the outlook for the forthcoming year can be found in the chairman's statement on pages 7 and 8 and fund manager's report on pages 13 to 16.

Directors

The directors of the Company are listed on page 33. All served throughout the period under review.

Simon Jeffreys will be retiring at the conclusion of the forthcoming annual general meeting and will not be seeking re-appointment. In accordance with the recommendations of the AIC Code of Corporate Governance, all the remaining directors of the board will offer themselves for re-appointment at the forthcoming annual general meeting.

The beneficial interests of the directors and their connected persons in the securities of the Company as at 31 August 2022 are set out in the directors' remuneration report on page 52. Details of directors' insurance and indemnification are set out on page 40.

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 is not aware of any agreements or arrangements between holders of securities which would result in restrictions on the transfer of securities or voting rights.

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.

No shares were issued or bought back during the year, and at 31 August 2022, the number of ordinary shares in issue (with voting rights) was 195,978,716.

There has been no change to the issued share capital between 1 September 2022 and up to the date of this report.

Shareholder authorities

The directors seek annual authority from the shareholders to allot new ordinary shares, to dis-apply the pre-emption rights of existing shareholders, and to buy back, for cancellation or to be held in treasury, the Company's ordinary shares.

At the annual general meeting held on 7 December 2021, the directors were granted authority to allot up to 19,597,800 ordinary shares (with an aggregate nominal amount of £195,978 and representing 10% of issued share capital) for cash and to repurchase 29,377,209 ordinary shares (with a nominal value of £293,772 and representing 14.99% of issued share capital) for cancellation or to be held in treasury.

The directors will once again be seeking to renew the authorities to allot and repurchase the ordinary shares at the upcoming annual general meeting, when the existing authorities will expire.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2022 in accordance with the FCA Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Rathbone Investment Management Ltd	9.9
Evelyn Partners Limited	7.3
1607 Capital Partners LLP	4.9

No changes have been notified in the period 1 September 2022 to 26 October 2022.

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. A resolution for the continuation of the Company as an investment trust for a further three years was approved by shareholders at the 2020 annual general meeting. The next such resolution will be proposed at the annual general meeting in 2023.

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 52.

Directors' Report (continued)

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 21 on page 50.

Financial risk management

The principal risks and uncertainties facing the Company are set out on pages 25 and 26. The principal financial risks and the Company's policies and procedures for managing these risks are set out in note 16 to the financial statements on pages 73 to 78.

Greenhouse gas emissions

The Company's environmental statements are set out in the strategic report on pages 30 and 31.

Annual general meeting

The annual general meeting will be held on Wednesday, 7 December 2022 at 2.30pm at 201 Bishopsgate, London EC2M 3AE, or via Zoom webinar connection if shareholders would prefer not to travel. 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 of 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.

Re-appointment of auditors

BDO LLP have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their re-appointment and authorising the directors to determine their remuneration for the ensuing year will be put to shareholders at the forthcoming annual general meeting. Further information in relation to their re-appointment can be found in the report of the audit committee on pages 43 to 45.

Approval

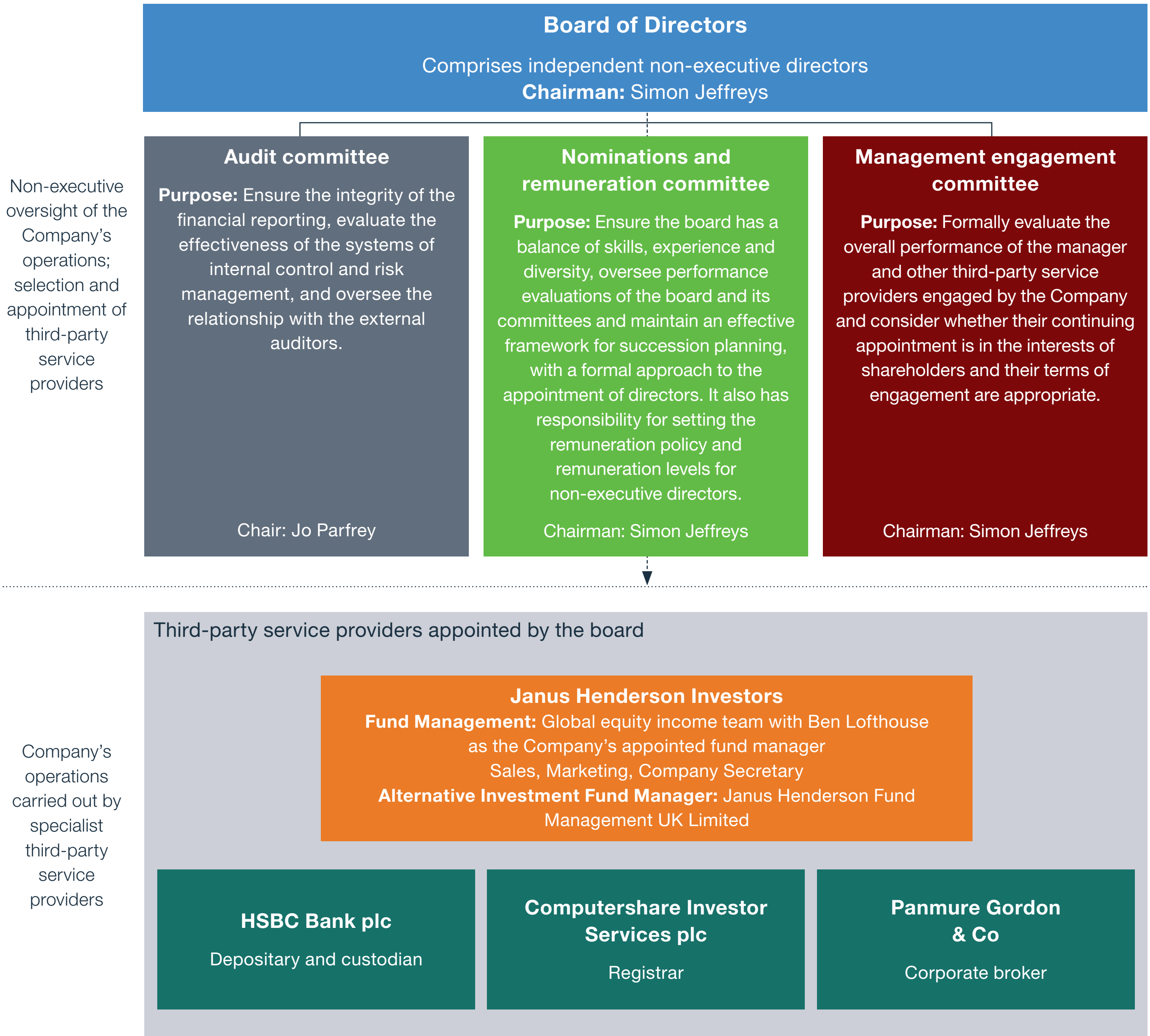
The directors' report has been approved by the board.

By order of the board

Janus Henderson Secretarial Services UK Limited
Corporate Secretary
27 October 2022

Corporate Governance Report

Governance structure



Corporate governance

The board is accountable to shareholders for the governance of the Company's day-to-day affairs and is pleased to report to shareholders on the Company's governance arrangements and how the principles of the applicable codes have been applied during the year under review.

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 2018 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 and all day-to-day activities are outsourced to external service providers. The board has therefore considered the principles and provisions of the Code of Corporate Governance published by the Association of Investment Companies in February 2019 ("AIC Code"). The AIC Code addresses the principles set out in the UK Code as well as additional principles and provisions 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 board considers that reporting against the principles and provisions

Corporate Governance Report (continued)

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 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 Company has complied with the principles and provisions of the 2019 AIC Code throughout the year to 31 August 2022 except as set out below.

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. The AIC Code also permits the tenure of the chairman of the board to exceed nine years. See page 39 for details of the Company's tenure policy.

The chairman of the board is also the chairman of the nominations and remuneration committee, but he would not chair the meeting when discussing his own performance or remuneration.

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 41 for further information).

Board leadership and purpose

The board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. The board is collectively 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. It is also responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and other stakeholders are understood and met. Information relating to the Company's purpose and values can be found on page 19 and to the board's engagement with stakeholders on pages 22 to 24.

Operation of the board

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. All matters that are not delegated to the manager under the management agreement are reserved for the board's decision. The board has a formal schedule of matters reserved for its decision which includes 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. A copy of the schedule of matters reserved is available on the Company's website.

At each meeting the board reviews the Company's investment performance and compliance with the approved investment policy, and also 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 (of which there are currently none). 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 management engagement committee meets annually with representatives from the depositary and custodian to discuss amongst other matters performance, service levels, their value for money, information security and business continuity plans.

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 board meeting enabling the directors to probe further on matters of concern.

Corporate Governance Report (continued)

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 minuted, in a process that allows any director's concerns to be recorded in the minutes.

The corporate secretary, Janus Henderson Secretarial Services UK 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 established procedures in place. Any correspondence is submitted to the next board meeting.

Janus Henderson and BNP Paribas, 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.

The board, the manager and the corporate secretary operate in a supportive, co-operative and open environment.

Division of Responsibilities

Role	Primary responsibilities
Shareholders/investors	• Approving material changes to the Company's investment policy. • Making decisions regarding changes to the Company's constitution. • Appointing and re-appointing directors to the board, or removing them from office if deemed appropriate. • Determining the overall limit for directors' remuneration.
Chairman	• Leading and managing board business and ensuring the timely flow of information from service providers to the board. He facilitates open, honest and constructive debate among directors. • Leading the nominations committee in developing succession planning and the identification of potential candidates for appointment to the board (except when considering their own succession). • Leading the board in determining its governance framework, culture and values. • Managing the relationship with the manager. The role description for the chairman is available on the Company's website.
Senior independent director	• Fulfilling the role of sounding board for the chairman and intermediary for the other directors as necessary. • Leading the performance evaluation of the chairman. • Acting as a channel of communication for shareholders in the event that contact through the chairman is inappropriate. The role description of the senior independent director is available on the Company's website.
Independent non-executive directors	• Providing constructive and effective challenge, especially to the decisions of the manager. • Scrutinising and holding to account the performance of the: – Fund manager in meeting the investment objective – Manager in the promotion of the Company and day-to-day smooth operations of the Company's business. • Providing strategic guidance and offering specialist advice.
Committee chairs	• The leadership and governance of their committee. • Maintaining the relationships with specialist service providers delivering services within the remit of their committee. • Reporting on the activities of their committee to the board. • Seeking approval from the board for the responsibilities set out in their respective terms of reference.
Manager (AIFM)	• Promoting the Company's investment proposition to professional and retail investors. • Making the necessary reporting to the FCA regarding the Company's status as an AIF. • Providing accounting, company secretarial and other administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions. • Coordinating the delivery of services provided by the Company's other third-party service providers.
Fund manager	• Selecting the stocks held within the portfolio. • Diversification and risk management through stock selection and size of investment. • Determining the volume and timing of acquisitions and disposals. • Determining the frequency and level of gearing within the overall limits set by the board.

Corporate Governance Report (continued)

The board

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. The biographies of the directors holding office at the date of this report, which are set out on page 33, demonstrate the breadth of investment, financial and other professional experience relevant to their positions as directors. All directors are considered by the board to be independent of the manager and free of any relationship which could materially interfere with the exercise of their independent judgement.

Chairman and senior independent director

The chairman was independent on appointment in accordance with the criteria set out in the AIC Code and has no relationships that may create a conflict of interest between his interests and those of shareholders. Details of his other significant commitments can be found on page 33. Following review by the nominations and remuneration committee as part of the performance evaluation, the board is satisfied that Simon Jeffreys has sufficient time to devote to the Company.

Simon Jeffreys is due to retire at the conclusion of the 2022 annual general meeting and will be succeeded as chairman by Richard Hills. Mr Hills was appointed as a director of the Company in April 2016 and was deemed independent in accordance with the criteria set out in the AIC Code. He has no relationships that may create a conflict of interest between his interests and those of shareholders. Details of his other significant commitments can be found on page 33.

The role of the senior independent director is to fulfil the role of sounding board for the chairman and intermediary for the other directors as necessary and to lead the performance evaluation of the chairman, as well as acting as a channel of communication for shareholders in the event that contact through the chairman is inappropriate. Richard Hills is the current senior independent director. Lucy Walker will replace Mr Hills as senior independent director following the conclusion of the annual general meeting.

Arrangements with 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, the board has adopted a policy for all directors to retire and stand for re-appointment annually at each 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.

The board considers a potential candidate's other commitments on appointment and then annually through the performance evaluation process to ensure that directors have sufficient time to commit to the Company. A schedule of directors' other commitments is reviewed at each board meeting and directors are required to seek the chairman's approval prior to accepting further appointments.

Tenure

The board 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. A progressive approach to refreshment of the board is taken. This allows 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. Whilst there is no fixed period of tenure for directors or the chairman, length of appointment will be determined on a case-by-case basis taking into consideration the performance of the individual director and what would be in the best interests of the Company.

All directors stand for annual re-appointment by shareholders. In advance of each annual general meeting, the nominations and remuneration committee will consider and make recommendations to the board about whether it is appropriate for eligible directors to be recommended for re-appointment, taking into account the results of the annual performance evaluation. Further details are set out in the nominations and remuneration committee report on pages 46 and 47.

Richard Hills will succeed as chairman on the retirement of Simon Jeffreys following the conclusion of the annual general meeting. At the time of his appointment as chairman, Mr Hills will have completed six years of service.

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 their 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, including the chairman, 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.

Corporate Governance Report (continued)

Professional development

Newly appointed directors complete 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 services 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.

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 board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

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 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. The Company has granted such an indemnity to directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as directors of the Company.

Meeting attendance

The table below sets out the number of scheduled formal board and committee meetings held during the year under review and the number of meetings attended by each director. The number in brackets denotes the number of meetings each director was entitled to attend. A strategy meeting was also held in the year. All directors attended the 2021 annual general meeting.

	Board	AC	MEC	NRC
Scheduled meetings	5	2	1	1
Simon Jeffreys	5 (5)	2 (2)	1 (1)	1 (1)
Richard Hills	5 (5)	2 (2)	1 (1)	1 (1)
Aidan Lisser	5 (5)	2 (2)	1 (1)	1 (1)
Jo Parfrey	5 (5)	2 (2)	1 (1)	1 (1)
Lucy Walker	5 (5)	2 (2)	1 (1)	1 (1)

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

An additional meeting of both the management engagement committee and the nominations and remuneration committee were held in the year, attended by all members. The insider committee met three times during the year.

Committees of the board

The board has three principal committees: the audit committee, the nominations and remuneration committee and the management engagement 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 Regulations.

The audit committee report can be found on pages 43 to 45.

The nominations and remuneration committee report can be found on pages 46 to 48.

The management engagement committee report can be found on page 49.

Communication with shareholders

See page 22 for information about how the Company communicates with shareholders.

Internal control and risk management

The board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness, as set out in the chart on page 42. The audit committee supports the board in the continuous monitoring of the internal control and risk management framework. Details of the principal risks facing the Company, including emerging risks, and how these are mitigated are set out on pages 25 and 26.

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

Corporate Governance Report (continued)

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 allows the board to assess the Company's financial position. The management accounts and forecasts are reviewed by the board at each meeting;
- 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 the management engagement committee conducts a formal evaluation of the overall level of service provided at least annually (see management engagement committee report on page 49);
- the review of controls (including financial, operational and compliance) at the manager and other third-party service providers. The board receives quarterly reporting from the manager and depositary and 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 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 operations which are relevant to the Company.

The board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2022. During the course of its review the board has not identified or been advised of any failings or weaknesses relating to the Company 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 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 risk team supports 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.

Corporate Governance Report (continued)

System of internal controls

How the system of internal control operates

The board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered stakeholders.

The Company's principal third-party service providers are the manager (Janus Henderson), the depositary/custodian (HSBC Bank plc) and the accountants (BNP Paribas).

In respect of its principal providers, the board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports from each organisation. This reporting is supplemented by the view of the manager's risk team regarding the control environments in operation at the providers.

The Company's other providers report regularly to the board.

The management engagement committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The audit committee evaluates the performance of the auditors on completion of each audit cycle.

Board of Directors

(comprised entirely of independent non-executive directors)

Principal third-party service providers

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the manager's risk team;
- receive reporting from the manager's internal audit team on areas relevant to investment trusts; and
- formally evaluate performance on an annual basis.

Janus Henderson

(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting

- Investment performance update (at each meeting)
- Compliance with investment limits and restrictions (monthly)
- Internal controls report (quarterly)
- Effectiveness of control environment (annually)

HSBC

(Depositary & custodian)

Reporting

- Depositary report (quarterly)
- Presentation from the depositary and custodian (annually)
- Effectiveness of control environment (annually)

BNP Paribas

(Accounting services (engaged by the manager))

Reporting

- Balance sheet
- Liquidity and gearing
- Revenue forecasts
- Portfolio valuation
- Portfolio transactions
- Effectiveness of control environment (annually)

Other third-party service providers

- receive regular reporting on their activities at meetings; and
- formally evaluate performance on an annual basis.

Computershare
(Registrar)

Panmure Gordon & Co
(Corporate broker)

BDO LLP have been appointed as the Company's auditors.

Audit Committee Report

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 auditors.

Membership

All directors are members of the committee, including the chairman of the board. Taking account of the size of the board as a whole, the absence of any executive directors and the collaborative manner in which the board and its committees work, it is not considered practical or constructive to exclude the chairman of the board 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 Jo Parfrey, a chartered accountant who is considered by the board to have recent and relevant financial experience. The committee as a whole has competence relevant to the sector in which the Company operates and to the Company as an investment trust.

Meetings

The committee meets twice a year to review the half-year results, the annual results and to review the Company's internal controls.

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 may also be invited to attend if deemed necessary by the committee.

Role and responsibilities

The primary 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 following matters:

Half year results and the annual report

- The appropriateness of the Company's accounting policies and 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 disclosures made in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report was fair, balanced and understandable and provided 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. 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 auditors, the fund manager and the corporate secretary.

Internal controls and risk management

- The principal risks facing the Company, the risk management systems in place and the Company's risk map.
- The internal controls in place at Janus Henderson and BNP Paribas as administrator, as described on page 42, including compliance with section 1158/9 and the manager's policies in relation to cyber risk and business continuity.

  The committee met with representatives of the manager's 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 Bank, BNP Paribas and Computershare Investor Services (the Company's other main third-party service providers) internal controls reports that had also been reviewed by the manager's risk team. The assurance report for one of the Company's service providers was qualified by the respective service auditor. The Committee reviewed the instances giving rise to the qualification and received confirmation that appropriate action to address the issues identified in the report was being taken. The committee is monitoring the action and performance accordingly. The exceptions identified had no impact on the Company.
- Compliance with the terms of the senior unsecured notes.
- The need for the Company to have its own internal audit function.

  The committee met with a representative of the manager's internal audit team to discuss the manager's 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 manager's internal audit function (see page 41).
- The manager's whistleblowing policy and the arrangements that Janus Henderson has put in place for its staff to raise concerns, in confidence, about possible improprieties, including in relation to the Company. 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 whistleblowing, anti-bribery and corruption and anti-tax evasion. The committee was satisfied that they were in compliance.
- The Company's anti-bribery policy and review of the Company's gifts and hospitality register. The committee

Audit Committee Report (continued)

was satisfied that the Company was in compliance throughout the year under review and up to the date of this report.

- The annual confirmation from the Company's depositary in respect of the safe-keeping of the Company's assets.

Dividend

- The appropriate level of dividend to be paid by the Company, including review of the revenue forecasts in support of the Company's dividend.

External auditors

- The appointment of the external auditors and their performance and remuneration (see below).
- The nature and scope of the external audit, including agreeing with the external auditors the level of materiality (see page 57), and the findings therefrom.
- The external auditors' independence and objectivity and the reporting of the external auditors. The committee also considered its policy on non-audit services. The committee was satisfied with the arrangements (as explained further below).
- The FRC's audit quality inspection report on BDO LLP ("BDO").

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.

BDO were appointed as auditors following an audit tender in 2020, and their appointment was confirmed by shareholders at the 2020 annual general meeting. The financial statements for the year ended 31 August 2022 are the second to be audited by BDO and the second year for the audit partner, Peter Smith.

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.

BDO 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. Having considered the above-mentioned aspects, the performance and behaviour of the auditors during the audit process and the assurances received from BDO, the committee is satisfied that auditor independence and objectivity are safeguarded.

Audit fees

The fees payable to the auditors for audit services were £38,000 (plus VAT) (2021: £34,000 (plus VAT)).

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 auditors. The policy sets out that the Company's auditors 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. Non-audit 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 (2021: £nil).

Annual report for the year ended 31 August 2022

The committee is satisfied that the annual report for the year ended 31 August 2022, 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 2022, 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 is verified by reconciliation to the custodian's records and the directors receive quarterly reports from the depositary, who has responsibility for overseeing the Company's operations, including verification of ownership and valuation.

Audit Committee Report (continued)

Significant issue	How the issue was addressed
Recognition of income	Income received, including special dividends, is accounted for in line with the Company's accounting policy (as set out in note 1e) on pages 65 and 66) 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.
Maintaining internal controls	Information about the internal control and risk management framework adopted by the Company is set out in the corporate governance report on pages 40 to 42.
Maintenance of investment trust status	The committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas.

The audit committee discussed in detail the methodology employed by the auditor in the audit. As part of the scope of work for the year end audit, the committee requested that the auditors consider that the dividends deferred as a consequence of the pandemic had been appropriately accounted for. The auditors also reported to the committee on the Company's compliance with the requirements for maintaining investment trust status.

Activities during the year

The directors:

- have reviewed the KPIs used to monitor the Company's performance to ensure that these remain relevant;
- sought additional information about the effectiveness of internal controls at service providers who have received a qualified control report, and the manager made enquiries about the reasons for the qualification to satisfy itself and the audit committee that these had had no material impact on the Company;
- review the accounting treatment of the senior unsecured notes on a six-monthly basis to ensure that this remains appropriate, and this treatment was also reviewed and confirmed by the auditors;
- are provided with regular reports from the manager on special dividends received and the rationale for whether these should be treated as income or capital is discussed;
- have reviewed and discussed with management the scenarios regarding the dividend income stream from the portfolio, specifically the level of dividend cover and the potential use of reserves. It was concluded that, in the current year, the dividend income was sufficient to cover dividends without the utilisation of reserves;
- met with management to discuss the approach to ESG and how this is embedded within the investment process;
- met with management to discuss the ongoing impact of Covid, particularly in China, together with the impact of the conflict between Russia and the Ukraine; and
- challenged management on the appropriate recognition of the dividend income, particularly with reference to the special dividends that were received following a deferment of dividend income during the pandemic.

Effectiveness of the external audit

The auditors attended two audit committee meetings in the year, when the committee considered the half year results and audit plan, and the annual results. This included a review of BDO's policies and procedures, including an assessment of their quality assurance procedures and independence, which the committee concluded were satisfactory. The committee chair also met with the auditors to review the audit results prior to these being presented to the audit committee.

The committee evaluates the effectiveness of the external audit. This comprises assessing the auditors' performance during the course of the year together with a post-audit assessment, which is carried out and led by the committee chair. Consideration is also given to the findings of the FRC's audit quality inspection report, which monitors the audit quality across the major audit firms in the UK. The auditors presented and discussed the findings of the latest audit quality inspection report and reported 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. The committee also met privately with the audit partner to discuss how the audit operated from his perspective.

Based on their performance to date, the reviews undertaken and the feedback received, the committee concluded that there was no reason to doubt the effectiveness of the audit provided by BDO to the Company and recommended their continuing appointment to the board.

Jo Parfrey
Chair of the audit committee
27 October 2022

Nominations and Remuneration Committee Report

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. It also has responsibility for setting the remuneration policy for the non-executive directors.

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 the chairman's remuneration and would not be in attendance when the committee is considering appointments for his successor.

Meetings

The committee met twice during the year, which included an additional meeting held in relation to the chairman's succession.

Role and responsibilities

The principal responsibilities of the committee include reviewing the structure, size and composition of the board and its committees and leading the search for suitable candidates to fill roles as required, taking into consideration the balance of skills, knowledge, experience and diversity on the board; ensuring annual performance evaluations are carried out, discussing the outcomes from those evaluations and making recommendations to the board; considering the proposed appointment and re-appointment of directors ahead of each annual general meeting; and setting the remuneration policy and levels of remuneration for board members, including the chairman of the board, the chair of the audit committee and the senior independent director.

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

- 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;
- 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;
- the appointment of a successor chairman to take over following the retirement of Simon Jeffreys at the conclusion of the annual general meeting;
- 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 year;
- the performance and contribution of all directors standing for re-appointment at the 2022 annual general meeting; and
- the level of directors' fees.

Succession planning

When considering succession planning, the committee bears in mind the balance of skills, knowledge, experience and diversity existing on the board. The committee also acknowledges the need for refreshment of the board to be made on a staggered basis in order to maintain continuity and corporate knowledge. Once a decision is made to recruit an additional director, a formal job description is drawn up and an external recruitment agency is engaged to facilitate the search. The committee assesses candidates against objective criteria and with due regard for the benefits of diversity on the board (including gender, social and ethnic backgrounds, as well as cognitive and personal strengths), taking care that any candidates recommended for appointment will be able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

As part of the annual performance evaluation process, the committee considered the tenure of the board. With the exception of the chairman, the directors have been on the board for between 1 and 6 years. Mr Jeffreys was appointed a director at the launch of the Company in 2011 and has served for 11 years, with six years' service as audit committee chairman followed by five years as chairman of the board.

The committee also reviews and recommends to the board the directors seeking re-appointment. Recommendation is not automatic and will follow a process of evaluation of each director's performance and consideration of the director's independence. The committee also takes into account the mix of skills and experience of the current board members.

Appointment of successor chairman

As previously reported to shareholders, Simon Jeffreys will be standing down as chairman and a director of the Company at the conclusion of the annual general meeting on 7 December 2022. A committee of the board (led by the chair of the audit committee and excluding the chairman) was established to lead the succession process.

This committee reviewed the experience and skills required for the role of the chairman, in the context of those of the continuing board and the ongoing requirements of the Company. As part of this, the chair of the committee consulted with independent recruitment agencies. The committee also engaged with a number of shareholders to ascertain their thoughts on board composition, including tenure.

Nominations and Remuneration Committee Report (continued)

Mr Hills had expressed an interest in the role and was interviewed by the committee. The committee considered that his experience of both the investment trust sector and as a director of the Company would assist with a smooth transition and that this would provide stability and continuity to the board during a period of change.

Mr Hills had been appointed as a director of the Company in 2016 and his nine-year tenure would expire at the annual general meeting in 2025. The committee noted that under the AIC Code, the tenure of the chairman could, at the discretion of the board, be extended, although this should be done in the context of ensuring continued independence. If required to ensure an orderly refreshment of the board, the board may consider extending his tenure for a period of up to one year.

Mr Hills had demonstrated his commitment to the Company and is considered to have the necessary skills and experience to effectively lead the board. The committee agreed that his appointment would be in the interests of the Company and its shareholders and that open advertising was not required in this instance. It recommended that Mr Hills should be appointed as chairman of the board on the retirement of Mr Jeffreys.

Senior independent director

Richard Hills is the senior independent director. The committee discussed his replacement and recommended to the board that Lucy Walker be appointed as the new senior independent director on Mr Hills' succession as chairman.

Board composition

On the retirement of Mr Jeffreys, the number of directors will be reduced to four. The committee considers that a board of five directors is the optimal number for the Company and the process to recruit an additional director will be commenced in early 2023. This will allow the new dynamics of the board to settle and provide time to consider the desired background and experience of a new director to complement the ongoing board.

Performance evaluation

Each year, the committee assesses the composition of the board and its performance, including that of individual directors. This year, an external review was facilitated by Lintstock Limited. Lintstock has no connection with the Company or any of the directors. The review was conducted through the use of an online questionnaire and the outcomes presented to the committee by Lintstock in person. The appraisal of the chairman was led by Richard Hills, the senior independent director. The areas considered included board composition, expertise and dynamics, management and focus of meetings, investment strategy and performance, risk management, external relations including the quality of the board's understanding of shareholders' views and the manager's sales and marketing activities, remuneration and fees, priorities for change, a review of the effectiveness of the committees of the board and each individual director. The committee also reviewed the independence of each director and their time commitment.

Following completion of the review, the committee concluded that the board, its committees and individual directors and the chairman continued to operate effectively with a clear understanding of the risks facing the Company 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 each director standing for re-election at the 2022 annual general meeting.

Diversity policy

All board appointments are subject to a formal, rigorous and transparent procedure. The Company seeks to ensure that any board vacancies are filled by the most qualified candidates based on objective criteria and merit and in the context of the skills, knowledge and experience that are needed for the board to be effective.

The board acknowledges and welcomes the recommendations from the FTSE Women Leaders Review on gender diversity on boards and the Parker Review about ethnic representation on boards. Whilst the board does not feel that it would be appropriate to use specific diversity targets, given its small size, the directors acknowledge that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company. An integral part of the appointment process includes the consideration of diversity generally, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths and experience. The committee ensures that lists of potential non-executive directors include diverse candidates of appropriate experience and merit.

In all of the committee's activities, there will be no (and has not been any) discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

The Listing Rules of the FCA now require companies to report on whether they have met the following targets on board diversity: that at least 40% of the individuals on the board are women, at least one of the senior positions on the board is held by a woman and that there is at least one director of an ethnic minority background. As at 31 August 2022, the Company had met the gender diversity requirements: two out of the five directors (40%) are women and one of the women directors has a senior position, being the audit committee chair. The board did not have a director from a minority ethnic background. The small size of the board with only non-executive directors and the Company's specialist nature as an investment trust provide challenges in ensuring targeted diversity in board appointments. The board does not therefore consider it appropriate to set targets, but ensures that long lists include diverse candidates of appropriate experience and merit. In the succession planning objectives for 2023, set out above, these considerations will form a significant element of the search.

There have been no changes to the board or the roles of directors between 31 August 2022 and the date of this report.

Nominations and Remuneration Committee Report (continued)

The following tables set out the gender and ethnic diversity of the board:

Gender diversity

	Number of board members	Percentage of the board	Number of senior positions on the board[1]
Men	3	60	2
Women	2	40	1

Ethnic diversity

	Number of board members	Percentage of the board	Number of senior positions on the board[1]
White British or other White (including minority-white groups)	5	100	3
Minority ethnic	–	–	–

1 Senior positions include chairman, senior independent director and audit committee chair

As an investment trust company with solely independent, non-executive directors, the Company does not have a chief executive or a chief financial officer and has no employees. Accordingly, there are no disclosures about executive management positions to be included. The role of audit committee chair is considered to be a senior position and has been included in the above tables. The information in the tables was provided by individual directors in response to a request from the Company.

Remuneration

Details of the committee's activities in relation to directors' remuneration are set out in the directors' remuneration report on pages 50 to 52, together with information on the fees paid to directors during the year under review.

Simon Jeffreys
Chairman of the nominations and remuneration committee
27 October 2022

Management Engagement Committee Report

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

Role and responsibilities

The primary role of the committee is to review the management agreement and monitor the performance of the manager for the investment, company secretarial, financial reporting, administration, sales, marketing and support services that it provides under that agreement. Its review of the terms of the agreement include the level and structure of fees payable, the length of notice period and best practice provisions generally. The fees paid to the manager should be aligned with the Company's purpose and values and the successful delivery of its long-term strategy. The committee is also responsible for formally evaluating the overall performance of third-party service providers engaged by the Company. The committee reports to the board and its 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 following matters:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in its AIC peer group, 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 competitors in its AIC peer group 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;
- 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;
- the Company's service providers in their role as stakeholders and whether there is an appropriate level of engagement with them; and
- any points of conflict which may arise between the providers of services to the Company.

Management fee arrangements

During the year, the committee reviewed the management fee arrangements in place with Janus Henderson. Following discussions with the manager, the directors were pleased to agree with Janus Henderson a reduction in the management fee to a single rate of 0.575% per annum. This new rate is effective from 1 September 2022, the first day of the Company's new financial year.

Continued appointment of the manager

The board monitors investment performance at each meeting and receives updates in respect of professional sales and marketing activities carried out by the manager for the Company twice annually. The committee makes a formal recommendation to the board 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 and its long-term sustainable success.

Performance of third-party service providers

Each year, the committee carries out an evaluation of the Company's key third-party service providers and their respective terms of engagement. Following this review, the committee recommended the continuation of the appointment of the key third-party service providers.

Simon Jeffreys
Chairman of the management engagement committee
27 October 2022

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 8 December 2020 and it will continue into force until the annual general meeting in 2023.

The nominations and remuneration committee is responsible for matters relating to directors' remuneration. Individual directors do not participate in discussions relating to their own remuneration. The appropriateness and relevance of the remuneration policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success. In determining the policy, the board takes into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code and fees paid to comparable investment trusts.

The objective of the policy is to attract, retain and motivate non-executive directors of the quality required to manage the Company successfully. 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. Fees are pro-rated where a change takes place during a financial year. The total annual aggregate fees payable to directors shall not exceed £500,000, as set out in the Company's articles of association. Any change to this limit would require the approval of shareholders by way of an ordinary resolution.

The chairman of the board is paid a higher fee in recognition of his additional responsibilities, as is the chair of the audit committee and the senior independent director. 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 2023.

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 giving 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.

Views of shareholders

Any views expressed by shareholders on the fees being paid to directors would be taken into consideration by the board when reviewing levels of remuneration.

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 ("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.

As required by the Act, an ordinary resolution to approve the directors' remuneration report will be proposed at the forthcoming annual general meeting.

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

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

The board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration.

Statement from the chairman

The board has established a nominations and remuneration committee, which is responsible for reviewing directors' remuneration. All directors are members of this committee.

The committee has carried out its annual review of the fees being paid to directors and as part of this it looked at the fees paid to other investment companies in its AIC peer group (the AIC Global Equity Income sector) and the fees paid to the other Janus Henderson managed investment trusts. The committee also considered the changes in the retail prices index and the consumer prices index since the last fee increase in September 2021, as well as the increasing responsibilities and time commitment required of directors. Following consideration, it was agreed that an increase of approximately 5% should be made to directors' fees with

Directors' Remuneration Report (continued)

effect from 1 September 2022. The new rates are set out in the table below. 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 is satisfied that the changes to the remuneration of the directors are compliant with the directors' remuneration policy approved by shareholders at the 2020 annual general meeting. There will be no significant change in the way that the remuneration policy will be implemented in the course of the next financial year.

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.

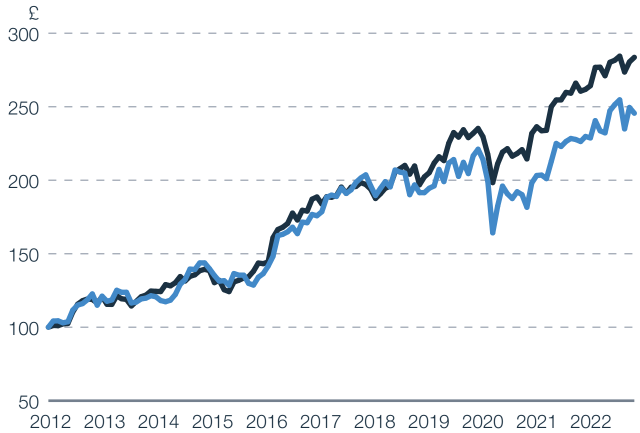
Table of directors' annual fees

The current fees for specific responsibilities are set out in the table below. Other than the chair of the audit committee, no fees are payable for membership of the board committees.

Role	**Rate from 1 September 2022**	Rate at 31 August 2021
Chairman of the board	44,800	42,700
Chair of the audit committee	35,500	33,800
Senior independent director	30,000	28,600
Other non-executive directors	27,800	26,500

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 ACWI (ex UK) High Dividend Yield Index (sterling adjusted) has been selected as this is the performance comparator benchmark used by the board when reviewing the Company's performance.



Henderson International Income Trust plc share price total return, assuming the investment of £100 on 31 August 2012 and the reinvestment of all dividends (excluding dealing expenses)

MSCI ACWI (ex UK) High Dividend Yield Index (sterling adjusted) total return, assuming the notional investment of £100 into the Index on 31 August 2012 and the reinvestment of all income (excluding dealing expenses)

Directors' fees and expenses (audited)

The fees and expenses paid to the directors who served during the years ended 31 August 2022 and 31 August 2021 were as follows:

	Year ended 31 August 2022 Total salary and fees £	Year ended 31 August 2021 Total salary and fees £	**Year ended 31 August 2022 Taxable benefits* £**	Year ended 31 August 2021 Taxable benefits* £	**Year ended 31 August 2022 Total £**	Year ended 31 August 2021 Total £
Simon Jeffreys[1]	42,700	41,000	572	69	43,272	41,069
Kasia Robinski[2]	–	8,802	–	–	–	8,802
Jo Parfrey[3]	33,800	21,667	–	–	33,800	21,667
Bill Eason[4]	–	7,448	–	–	–	7,448
Richard Hills[5]	28,600	26,964	–	–	28,600	26,964
Aidan Lisser	26,500	25,500	291	–	26,791	25,500
Lucy Walker	26,500	25,500	–	–	26,500	25,500
Total	**158,100**	**156,881**	**863**	**69**	**158,963**	**156,950**

The amounts paid by the Company to the directors were for services as non-executive directors. The table above omits other columns in the relevant regulations because no payments of other types such as variable pay, performance related pay, vested performance related pay and remuneration related benefits were made.

1 Chairman of the board, management engagement and nominations and remuneration committees
2 Former chair of the audit committee. Retired from the board on 8 December 2020
3 Chair of the audit committee. Appointed to the board and as audit committee chair on 1 January 2021
4 Former senior independent director. Retired from the board on 8 December 2020
5 Senior independent director with effect from 8 December 2020
*Reimbursement of travel expenses to attend board meetings

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' Remuneration Report (continued)

Annual percentage change in directors' remuneration

The table below sets out the annual percentage change in directors' fees (excluding expenses paid) for the directors for the last three years in respect of each director who has served for a minimum of two financial years.

	Year to 31 August 2022 %	Year to 31 August 2021 %	Year to 31 August 2020 %
Simon Jeffreys	4.1	–	5.1
Jo Parfrey[1]	n/a	n/a	n/a
Richard Hills	6.1[2]	5.7[2]	6.3
Aidan Lisser	3.9	–	6.3
Lucy Walker[3]	3.9	n/a	n/a

1 Appointed to the board and as audit committee chair on 1 January 2021
2 Appointed as senior independent director with effect from 8 December 2020. The increase in Mr Hills' remuneration reflects this appointment part way through the year to 31 August 2021 and the additional remuneration associated with this role. The year to 31 August 2022 was his first full year in this role
3 Appointed to the board on 1 September 2020

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.

	2022 £	2021 £	Change £	Change %
Total remuneration	158,963	156,950	2,013	1.3
Ordinary dividends paid	14,110,468	11,758,723	2,351,745	20.0

Directors' interests in shares (audited)

	Ordinary shares of 1p	
	31 August 2022	31 August 2021 or date of retirement, if earlier
Simon Jeffreys	206,275	206,276
Bill Eason[1]	n/a	156,990
Richard Hills	39,604	39,604
Aidan Lisser	26,148	26,148
Jo Parfrey	37,500	37,500
Kasia Robinski[1]	n/a	60,000
Lucy Walker	12,307	12,307

1 Resigned as a director on 8 December 2020

The interests of the directors and persons closely associated with them 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' interests in the period 1 September 2022 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.

Statement of voting at annual general meeting

At the Company's annual general meeting held on 7 December 2021, shareholders approved the directors' remuneration report in respect of the year ended 31 August 2021. Shareholders approved the directors' remuneration policy at the annual general meeting on 8 December 2020. The following votes were received on the resolutions:

Resolution	For (including discretionary)	% of votes[1]	Against	% of votes[1]	Withheld
Remuneration policy (poll results at the 2020 AGM)	64,049,793	99.57	273,896	0.43	177,141
Remuneration report (proxy votes at the 2021 AGM)	74,850,370	99.52	364,181	0.48	146,687

1 Excluding votes withheld

Approval of the Annual Report on Remuneration

The Annual Report on Remuneration was approved by the board on 27 October 2022.

Simon Jeffreys
Chairman of the nominations and remuneration committee
27 October 2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual 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 Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and applicable law). 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, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

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 33, confirms that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the annual report 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.

On behalf of the board

Simon Jeffreys
Chairman
27 October 2022

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.

Financial Statements

Picture: Berlin, Germany

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2022 and of its profit 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.

We have audited the financial statements of Henderson International Income Trust plc (the "Company") for the year ended 31 August 2022, which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board of directors on 8 December 2020 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. The period of total uninterrupted engagement including reappointments is two years, covering the years ended 31 August 2021 to 31 August 2022. We remain 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the directors' assessment of going concern in light of current market uncertainty and volatility, by:
  - challenging the key assumptions and judgements made such as the investment income forecasts with reference to current year actuals and post year end results;
  - challenging the assumptions and judgements made by the directors in their stress-tests and considering the impact on covenant compliance of the senior unsecured notes by performing a reverse stress test on the forecast and recalculating covenant requirements to assess compliance with the covenants associated with the senior unsecured notes; and
  - calculating financial ratios including the liquidity of the portfolio of investments, to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

(continued)

Overview

Key audit matters		2022	2021
	Valuation and ownership of investments	✓	✓
	Revenue recognition	✓	✓
Materiality	Financial statements as a whole £3.56m (2021: £3.56m) based on 1% (2021: 1%) of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

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, including those which 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.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 1c) page 65 and Note 11 page 71 to the financial statements) The investment portfolio at the year end comprised of quoted investments held at fair value through profit or loss. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance. Furthermore, there is a risk that the Company does not legally own the investments at the year end, we therefore determined this to be a key audit matter.	We have responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures on valuation: • confirmed that bid price has been used by agreeing to externally quoted prices; • recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; • reviewed trading volumes around year end to check that there are no contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value, considering the realisation period for individual holdings; • in respect of the ownership of investments, we have obtained direct confirmation from the custodian regarding all investments held at the Statement of Financial Position date; and • considered the adequacy of the relevant controls in place at the custodian through review of the latest available assurance report addressing the relevant controls in place at the custodian. **Key observations:** Based on our procedures performed we consider the valuation and ownership of investments to be appropriate.

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

(continued)

Revenue recognition (Note 1e) pages 65 and 66 and Note 3 page 68 to the financial statements) Investment income arises from dividends and can be volatile, but is often a key factor in demonstrating the performance of the portfolio and is of importance to the users of the financial statements. Additionally, judgement is required in the allocation of investment income to revenue or capital which impacts the distributable reserves from which dividends are declared. We therefore determine this to be a matter of most significance in our audit and a key audit matter.	We have derived an independent expectation of income for the whole portfolio using data analytics based on the investment holding and distributions from independent sources. We have also cross checked the portfolio against corporate actions and special dividends and challenged whether dividends have been appropriately accounted for as revenue or capital where the dividend received exceeded a pre-determined dividend yield threshold. We have analysed the population of dividend receipts to identify any items for further investigation that could indicate a potential capital distribution, for example where a dividend represents a particularly high yield. We have traced a sample of dividend income receipts to bank. **Key observations:** Based on our procedures performed we did not identify any matters to suggest that revenue recognition and the allocation of revenue between capital or income was inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Overall materiality

	Company financial statements	
	2022	2021
Materiality	£3.56m	£3.56m
Basis for determining materiality	1% of net assets	1% of net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
Performance materiality	£2.67m	£2.67m
Basis for determining performance materiality	75% of materiality based on our risk assessment and consideration of the control environment.	

Specific materiality

We also determined that for items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on £794,000 (2021: £660,000) based on 5% (2021: 5%) of revenue return before tax. We further applied a performance materiality level of 75% (2021: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

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

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of £177,000 (2021: £178,000). For items impacting revenue return, we agreed that we will report any audit differences above £39,000 (2021: £33,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 auditors' 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 65; and • the directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 27.
Other Code provisions	• The directors' statement on fair, balanced and understandable set out on page 53; • the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25; • the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 40 to 43; and • the section describing the work of the audit committee set out on pages 43 to 45.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

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

(continued)

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

As explained more fully in the statement of directors' responsibilities, 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 auditors' 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.
We considered the significant laws and regulations to be the Companies Act 2006, the FCA Listing and DTR Rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and FRS 102. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

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

(continued)

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and valuation of investments.

Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- making enquiries of management and those charged with governance as to their knowledge of any actual or suspected non-compliance with laws and regulations and fraud;
- reviewing correspondence with the relevant authorities to identify any non-compliance with laws and regulations;
- reviewing minutes of board meetings throughout the period to corroborate responses to enquiries;
- testing the appropriateness of journal entries in the general ledger and adjustments made in the preparation of the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that are outside the normal course of the business for the Company and those that appear to be unusual; and
- the procedures set out in the Key Audit Matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

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.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

27 October 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Income Statement

Notes		Year ended 31 August 2022 Revenue return £'000	Year ended 31 August 2022 Capital return £'000	Year ended 31 August 2022 Total £'000	Year ended 31 August 2021 Revenue return £'000	Year ended 31 August 2021 Capital return £'000	Year ended 31 August 2021 Total £'000
2	Gains from investments held at fair value through profit or loss	–	1,834	1,834	–	56,790	56,790
3	Income from investments held at fair value through profit or loss	16,431	–	16,431	14,080	–	14,080
	(Loss)/profit on foreign exchange	–	(337)	(337)	–	733	733
4	Other income	852	–	852	527	–	527
	Gross revenue and capital gains	**17,283**	**1,497**	**18,780**	**14,607**	**57,523**	**72,130**
5	Management fee	(563)	(1,690)	(2,253)	(538)	(1,615)	(2,153)
6	Other administrative expenses	(682)	–	(682)	(600)	–	(600)
	Net return before finance costs and taxation	**16,038**	**(193)**	**15,845**	**13,469**	**55,908**	**69,377**
7	Finance costs	(158)	(475)	(633)	(207)	(629)	(836)
	Net return before taxation	**15,880**	**(668)**	**15,212**	**13,262**	**55,279**	**68,541**
8	Taxation on net return	(1,439)	(128)	(1,567)	(1,529)	(15)	(1,544)
	Net return after taxation	**14,441**	**(796)**	**13,645**	**11,733**	**55,264**	**66,997**
9	**Return per ordinary share**	**7.37p**	**(0.41p)**	**6.96p**	**5.99p**	**28.20p**	**34.19p**

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 65 to 80 form part of these financial statements

Statement of Changes in Equity

Notes	**Year ended 31 August 2022**	**Called up share capital £'000**	**Share premium account £'000**	**Special reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	At 31 August 2021	1,960	194,550	45,732	106,773	7,137	356,152
	Net return for the year	–	–	–	(796)	14,441	13,645
10	Dividends paid	–	–	–	–	(14,110)	(14,110)
	At 31 August 2022	**1,960**	**194,550**	**45,732**	**105,977**	**7,468**	**355,687**

Notes	Year ended 31 August 2021	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 August 2020	1,960	194,550	45,732	51,509	7,164	300,915
	Net return for the year	–	–	–	55,264	11,733	66,997
10	Dividends paid	–	–	–	–	(11,760)	(11,760)
	At 31 August 2021	**1,960**	**194,550**	**45,732**	**106,773**	**7,137**	**356,152**

The notes on pages 65 to 80 form part of these financial statements

Statement of Financial Position

Notes		At 31 August 2022 £'000	At 31 August 2021 £'000
11	**Fixed asset investments held at fair value through profit or loss**	378,931	372,055
	Current assets		
12	Debtors	3,039	2,567
	Cash and cash equivalents	6,590	17,199
		9,629	**19,766**
13	Creditors: amounts falling due within one year	(7,107)	(10,102)
	Net current assets	**2,522**	**9,664**
	Total assets less current liabilities	**381,453**	**381,719**
14	Creditors: amounts falling due after more than one year	(25,766)	(25,567)
	Total net assets	**355,687**	**356,152**
	Capital and reserves		
17	Called up share capital	1,960	1,960
18	Share premium account	194,550	194,550
19	Special reserve	45,732	45,732
19	Other capital reserves	105,977	106,773
19	Revenue reserve	7,468	7,137
	Total shareholders' funds	**355,687**	**356,152**
15	**Net asset value per ordinary share**	**181.5p**	**181.7p**

The financial statements on pages 61 to 80 were approved and authorised for issue by the board of directors on 27 October 2022 and signed on their behalf by:

Simon Jeffreys
Chairman

Registered number: 7549407

The notes on pages 65 to 80 form part of these financial statements

Statement of Cash Flows

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Cash flows from operating activities		
Net return before taxation	15,212	68,541
Add back: finance costs	633	836
Less: gains on investments held at fair value through profit or loss	(1,834)	(56,790)
Less: losses/(gains) on foreign exchange	337	(733)
Withholding tax on dividends deducted at source	(2,553)	(1,992)
Taxation recovered	439	74
Decrease in debtors	76	23
(Decrease)/increase in creditors	(5)	160
Net cash inflow from operating activities	**12,305**	**10,119**
Cash flows from investing activities		
Purchase of investments	(117,656)	(146,982)
Sale of investments	105,417	171,884
Proceeds from capital dividends	4,206	–
Net cash (outflow)/inflow from investing activities	**(8,033)**	**24,902**
Cash flows from financing activities		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(14,110)	(11,760)
Interest paid	(628)	(831)
Net cash outflow from financing activities	**(14,738)**	**(12,591)**
Net (decrease)/increase in cash and cash equivalents	**(10,466)**	**22,430**
Cash and cash equivalents at start of year	17,199	(4,900)
Effect of foreign exchange rates	(143)	(331)
Cash and cash equivalents at end of year	**6,590**	**17,199**
Comprising:		
Cash at bank	6,590	17,199
	6,590	**17,199**

The notes on pages 65 to 80 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 88.

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 (the "SORP") issued in April 2021.

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 sections 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.

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, as well as considering the aftermath of the Covid-19 pandemic and heightened macroeconomic uncertainty following Russia's invasion of Ukraine, 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'. Transaction costs in relation to the purchase or sale of investments are also expensed within this line. All purchases and sales are accounted for on a trade date basis.

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 the 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. When a dividend received is capital in nature, the associated proportion of the investment's underlying book cost relating to the capital reduction of the investment is allocated to the dividend and the book cost adjusted accordingly. This results in the realised profits from the capital dividend being the value of the dividend received less the underlying book cost allocated to that dividend. Bank deposit interest is taken to revenue on an accruals basis.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

e) Income (continued)

Income from fixed interest securities is recognised so as to reflect the effective interest rate on these securities.

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.

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 practice or at valuations based on market prices.

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

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

g) Expenses and finance costs

All expenses are accounted for on an accruals basis. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method. On the basis of the board's expected long-term split of returns in the form of capital gains and income of 75% and 25% respectively, the Company charges 75% of its finance costs and management fee to the capital return. 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 from origination, 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 the 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 Gains on investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Gains on investments sold in the year	18,118	25,344
Revaluation of investments held at 31 August	(16,284)	31,446
	1,834	**56,790**

Included within gains on investments are special capital dividends of £4,206,000 (2021: £296,000). These are accounted for in accordance with accounting policy 1e).

Notes to the Financial Statements (continued)

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

	2022 £'000	2021 £'000
Dividend income	16,431	13,943
Bond and loan interest	–	137
	16,431	**14,080**

4 Other income

	2022 £'000	2021 £'000
Bank interest	16	–
Option premium income	836	527
	852	**527**

5 Management fee

	2022			2021		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	563	1,690	2,253	538	1,615	2,153

A summary of the terms of the management agreement is given in the strategic report on pages 27 and 28.

6 Other administrative expenses

	2022 £'000	2021 £'000
Directors' fees and expenses (see the directors' remuneration report on page 51)	159	157
Auditors' remuneration – for audit services	38	34
Marketing	154	87
Depositary fees	43	43
Custody fees	67	63
Broker fees	35	36
Registrar's fees	19	19
Printing and postage expenses	15	22
Legal and professional fees	48	48
Listing and subscription fees	55	52
Other expenses (including irrecoverable VAT)	49	39
	682	**600**

7 Finance costs

	2022			2021		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Bank interest on short-term overdraft facility	3	9	12	46	145	191
Interest on senior unsecured notes	154	462	616	160	480	640
Senior unsecured notes – amortisation of issue costs	1	4	5	1	4	5
	158	**475**	**633**	**207**	**629**	**836**

Notes to the Financial Statements (continued)

8 Taxation

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Foreign withholding taxes	1,864	128	1,992	2,035	15	2,050
Overseas tax reclaimable	(425)	–	(425)	(506)	–	(506)
Current tax charge for the year	**1,439**	**128**	**1,567**	**1,529**	**15**	**1,544**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

Factors affecting the tax charge for the year

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Net return before taxation	15,880	(668)	15,212	13,262	55,279	68,541
Corporation tax at an effective rate of 19% (2021: 19%)	3,017	(127)	2,890	2,520	10,503	13,023
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss and foreign exchange	–	(284)	(284)	–	(10,930)	(10,930)
Expenses not deductible for tax purposes	1	–	1	–	1	1
Non-taxable overseas dividends	(3,028)	–	(3,028)	(2,539)	–	(2,539)
Overseas tax	1,439	128	1,567	1,529	15	1,544
Tax effect of expensed double taxation relief	(1)	–	(1)	(7)	–	(7)
Excess management expenses	11	411	422	26	426	452
Current tax charge	**1,439**	**128**	**1,567**	**1,529**	**15**	**1,544**

Deferred tax

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status.

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

The Company can offset management fees, other administrative expenses and interest costs against taxable income to eliminate any tax charge on such income.

The tax legislation refers to these management expenses (management fees and other administrative expenses) and non-trade loan relationship deficits (interest costs) and these are captured together under the heading 'Excess management expenses' in the table above. Where these are not fully utilised, they can be carried forward to future years. As the Company is unlikely to generate future taxable profits to utilise these amounts, the Company cannot recognise an asset to reflect them, but must still disclose the deferred tax amount carried forward arising from any unutilised amounts. Consequently, the Company has not recognised a deferred tax asset totalling £3,316,000 (2021: £2,760,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits totalling £13,265,000 (2021: £11,040,000), and based on a prospective tax rate of 25% (2021: 25%).

Notes to the Financial Statements (continued)

9 Return per ordinary share

	2022 £'000	2022 pence	2021 £'000	2021 pence
Revenue return	14,441	7.37	11,733	5.99
Capital return	(796)	(0.41)	55,264	28.20
Total return	**13,645**	**6.96**	**66,997**	**34.19**
Weighted average number of ordinary shares	**195,978,716**		**195,978,716**	

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

Dividends on ordinary shares	Ex-dividend date	Record date	Payment date	2022 £'000	2021 £'000
4th interim dividend – 1.80p	4 November 2021	5 November 2021	30 November 2021	3,527	–
1st interim dividend – 1.80p	3 February 2022	4 February 2022	28 February 2022	3,527	–
2nd interim dividend – 1.80p	5 May 2022	6 May 2022	31 May 2022	3,528	–
3rd interim dividend – 1.80p	28 July 2022	29 July 2022	31 August 2022	3,528	–
4th interim dividend – 1.50p	5 November 2020	6 November 2020	30 November 2020	–	2,940
1st interim dividend – 1.50p	4 February 2021	5 February 2021	26 February 2021	–	2,940
2nd interim dividend – 1.50p	6 May 2021	7 May 2021	28 May 2021	–	2,940
3rd interim dividend – 1.50p	29 July 2021	30 July 2021	31 August 2021	–	2,940
				14,110	**11,760**

A fourth interim dividend in respect of the year ended 31 August 2022 of 1.85p per share was declared on 27 October 2022 and will be paid to shareholders on 30 November 2022 with record date 4 November 2022. The Company's shares will go ex-dividend on 3 November 2022.

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. At the point of declaring each dividend, the directors consider the revenue earned during the financial period to date as well as the distributable reserves brought forward, out of which total amount the dividend is to be paid.

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	14,441	11,733
Interim dividends of 5.40p paid (2021: 4.50p)	(10,583)	(8,820)
Fourth interim dividend for the year ended 31 August 2022 of 1.85p (based on 195,978,716 ordinary shares in issue as at 26 October 2022) (2021: 1.80p)	(3,626)	(3,527)
Transfer to/(from) revenue reserve[1]	**232**	**(614)**

1 The surplus of £232,000 (2021: deficit of £614,000) has been transferred to/(from) the revenue reserve

Notes to the Financial Statements (continued)

11 Fixed asset investments

2022	Total £'000
31 August 2021	288,831
Purchases at cost	114,666
Sales at cost	(88,411)
Cost allocated to capital dividends	(3,095)
Cost of investments at 31 August 2022	**311,991**
Investment holding gains at 31 August 2022	66,940
Valuation at 31 August 2022	**378,931**

2021	Total £'000
31 August 2020	283,465
Purchases at cost	143,501
Sales at cost	(138,135)
Cost of investments at 31 August 2021	**288,831**
Investment holding gains at 31 August 2021	83,224
Valuation at 31 August 2021	**372,055**

The Company received £105,418,000 (2021: £163,479,000) from investments sold in the year. The book cost of these investments when they were purchased was £88,411,000 (2021: £138,135,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Total transaction costs amounted to £212,000 (2021: £186,000) of which purchase transaction costs for the year ended 31 August 2022 were £124,000 (2021: £95,000) and comprise mainly brokers' commissions. Sales transaction costs for the year ended 31 August 2022 were £88,000 (2021: £91,000).

12 Debtors

	2022 £'000	2021 £'000
Sales for future settlement	1	–
Withholding tax recoverable	2,601	2,054
Prepayments and accrued income	425	500
VAT recoverable	12	13
	3,039	**2,567**

13 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Purchases for future settlement	5,766	8,756
Management fee	933	943
Other creditors and accruals	408	403
	7,107	**10,102**

Notes to the Financial Statements (continued)

14 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
2.43% senior unsecured notes	25,766	25,567
	25,766	**25,567**

On 30 April 2019 the Company issued €30,000,000 (nominal) 2.43% senior unsecured notes due 2044, net of issue costs totalling £177,000. The issue costs will be amortised on an effective yield 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); and
- 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:

	2022	2021
Net assets attributable (£'000)	355,687	356,152
Number of ordinary shares in issue	195,978,716	195,978,716
Net assets per ordinary share (pence)	181.5	181.7

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

	2022 £'000	2021 £'000
Net assets at start of the year	356,152	300,915
Total net return after taxation	13,645	66,997
Dividends paid on ordinary shares in the period	(14,110)	(11,760)
Total net assets attributable to the ordinary shares at 31 August	**355,687**	**356,152**

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 19. 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) 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;
  - SAI360 operational risk database;
  - Riskmetrics, 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 Reports ("CER").

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

The Company has a spread of investments which by their nature are less risky than placing the entire amount of the Company's assets in 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 2022 on its investments held at fair value through profit or loss was £378,931,000 (2021: £372,055,000).

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.1 Other price risk (continued)

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 10 and 11. There is a concentration of exposure to Continental Europe and the US, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

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

	2022		2021	
	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	(114)	114	(112)	112
Capital return	75,445	(75,445)	74,076	(74,076)
Total return after tax for the period	**75,331**	**(75,331)**	**73,964**	**(73,964)**
Impact on net assets	**75,331**	**(75,331)**	**73,964**	**(73,964)**

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 20% of net asset value.

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

Foreign currency exposure

The carrying values of the Company's monetary items that have foreign currency exposure at 31 August 2022 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.

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.2 Currency risk (continued)

	2022				2021			
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	20	–	–	19,921	68	–	–	15,194
Euro	1,166	(212)	(25,766)	77,122	961	(210)	(25,567)	67,581
Hong Kong dollar	122	–	–	30,693	102	–	–	43,827
Korean won	–	–	–	12,452	–	–	–	14,376
Swiss franc	1,288	–	–	33,070	972	–	–	27,781
US dollar	134	(5,766)	–	147,014	84	(8,756)	–	157,899
Other (non sterling)	415	–	–	58,659	932	–	–	45,397
	3,145	**(5,978)**	**(25,766)**	**378,931**	**3,119**	**(8,966)**	**(25,567)**	**372,055**

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

Foreign currency sensitivity

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

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

This percentage is deemed reasonable based on the average market volatility in exchange rates in the year. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at the 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 2022	**Australian dollar £'000**	**Euro £'000**	**Hong Kong dollar £'000**	**Korean won £'000**	**Swiss franc £'000**	**US dollar £'000**	**Other £'000**	**Total £'000**
Revenue return	58	491	73	39	58	316	329	1,364
Capital return	1,983	7,677	3,055	1,239	3,292	14,635	5,840	37,721
Change in total return after taxation for the year and shareholders' funds	**2,041**	**8,168**	**3,128**	**1,278**	**3,350**	**14,951**	**6,169**	**39,085**

Impact on total returns year ended 2021	Australian dollar £'000	Euro £'000	Hong Kong dollar £'000	Korean won £'000	Swiss franc £'000	US dollar £'000	Other £'000	Total £'000
Revenue return	27	265	81	63	106	308	292	1,142
Capital return	1,512	4,182	4,363	1,432	2,765	15,719	4,520	34,493
Change in total return after taxation for the year and shareholders' funds	**1,539**	**4,447**	**4,444**	**1,495**	**2,871**	**16,027**	**4,812**	**35,635**

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.2 Currency risk (continued)

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

Impact on total returns year ended 2022	Australian dollar £'000	Euro £'000	Hong Kong dollar £'000	Korean won £'000	Swiss franc £'000	US dollar £'000	Other £'000	Total £'000
Revenue return	(58)	(491)	(73)	(39)	(58)	(316)	(329)	(1,364)
Capital return	(1,983)	(7,677)	(3,055)	(1,239)	(3,292)	(14,635)	(5,840)	(37,721)
Change in total return after taxation for the year and shareholders' funds	**(2,041)**	**(8,168)**	**(3,128)**	**(1,278)**	**(3,350)**	**(14,951)**	**(6,169)**	**(39,085)**

Impact on total returns year ended 2021	Australian dollar £'000	Euro £'000	Hong Kong dollar £'000	Korean won £'000	Swiss franc £'000	US dollar £'000	Other £'000	Total £'000
Revenue return	(27)	(265)	(81)	(63)	(106)	(308)	(292)	(1,142)
Capital return	(1,512)	(4,182)	(4,363)	(1,432)	(2,765)	(15,719)	(4,520)	(34,493)
Change in total return after taxation for the year and shareholders' funds	**(1,539)**	**(4,447)**	**(4,444)**	**(1,495)**	**(2,871)**	**(16,027)**	**(4,812)**	**(35,635)**

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.

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 interest rate risk is shown by reference to:

- floating interest rates: when the interest rate is due to be re-set; and
- fixed interest rates: when the financial instrument is due for repayment.

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

	2022			2021		
	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
Exposure to floating interest rates:						
Cash at bank	6,590	–	–	17,199	–	–
	6,590	**–**	**–**	**17,199**	**–**	**–**
Exposure to fixed interest rates:						
Creditors – more than one year:						
Senior unsecured notes[1]	(630)	(2,520)	(36,426)	(631)	(2,525)	(36,750)
	(630)	**(2,520)**	**(36,426)**	**(631)**	**(2,525)**	**(36,750)**

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

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

16.1.3 Interest rate risk (continued)

The above figures show interest payable over the remaining term of the senior unsecured notes. The figures in the "more than five years" column also include the capital to be repaid. Details of repayment are set out on page 72 and interest payment dates on page 88.

Interest receivable and finance costs are at the following rates:

- interest received on cash balances, or paid on bank overdrafts, is at a margin linked to HSBC Bank plc applicable base rate (2021: same); and
- interest paid on the senior unsecured notes is at a rate of 2.43%.

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 had available a multi-currency overdraft facility with HSBC Bank plc of the lesser of £30m or 25% of custody assets. The facility has no expiry date but is reviewed annually.

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

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:

	2022 Due within one month £'000	2021 Due within one month £'000
Other creditors and accruals	7,107	10,102
	7,107	**10,102**

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

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;
- cash at bank is held only with banks considered to be credit worthy and is subject to continual review; and
- with regards to the corporate bonds in the portfolio (when held), there is a risk that the borrowers do not repay the principal or make interest payments. This is managed through careful selection, supported by monitoring of credit ratings, and is reviewed regularly.

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

At each reporting date, the Company measures the loss allowance on amounts due from brokers at an amount equal to expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the annual expected credit losses.

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

Notes to the Financial Statements (continued)

16 Financial risk management policies and procedures (continued)

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 2022, the fair value of the senior unsecured notes was estimated to be £22,004,000 (2021: £30,207,000).

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 (2.275% as at 31 August 2022) plus a suitable credit spread. The fair value NAV is calculated using the fair value of the senior unsecured notes. 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 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	378,931	–	–	378,931
	378,931	**–**	**–**	**378,931**

Financial assets at fair value through profit or loss at 31 August 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	372,055	–	–	372,055
	372,055	**–**	**–**	**372,055**

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.

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 2022 was £381,453,000 (2021: £381,719,000) comprising £25,766,000 (2021: £25,567,000) of senior unsecured notes and £355,687,000 (2021: £356,152,000) 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 or the need to buy-back equity shares, which takes account of the difference between the net asset value per share and the share price (the level of share discount or premium); and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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

The Company is subject to additional externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company's covenant conditions are set out in note 14 on page 72.

Notes to the Financial Statements (continued)

17 Called up share capital

2022	Number of shares	Number of shares entitled to dividend	£'000
Ordinary shares of 1p each			
At 31 August 2022	**195,978,716**	**195,978,716**	**1,960**

No shares were issued or bought back during the year.

2021	Number of shares	Number of shares entitled to dividend	£'000
Ordinary shares of 1p each			
At 31 August 2021	**195,978,716**	**195,978,716**	**1,960**

No shares were issued or bought back during the year.

18 Share premium account

	2022 £'000	2021 £'000
At the start of the year	194,550	194,550
At 31 August	**194,550**	**194,550**

19 Reserves

2022	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 2021	45,732	23,549	83,224	106,773	7,137
Net movement on investments held at fair value through profit or loss	–	18,118	(16,284)	1,834	–
Net movement on foreign exchange	–	(143)	(194)	(337)	–
Expenses and finance costs charged to capital	–	(2,293)	–	(2,293)	–
Net revenue return after taxation for the year	–	–	–	–	14,441
Dividends paid	–	–	–	–	(14,110)
At 31 August 2022	**45,732**	**39,231**	**66,746**	**105,977**	**7,468**

2021	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 2020	45,732	(269)	51,778	51,509	7,164
Net movement on investments held at fair value through profit or loss	–	25,344	31,446	56,790	–
Net movement on foreign exchange	–	733	–	733	–
Expenses and finance costs charged to capital	–	(2,259)	–	(2,259)	–
Net revenue return after taxation for the year	–	–	–	–	11,733
Dividends paid	–	–	–	–	(11,760)
At 31 August 2021	**45,732**	**23,549**	**83,224**	**106,773**	**7,137**

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

Notes to the Financial Statements (continued)

20 Net debt reconciliation

2022	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt as at 31 August 2021	17,199	–	(25,567)	(8,368)
Cash flows	(10,466)	–	–	(10,466)
Exchange movements	(143)	–	(194)	(337)
Non cash flow:				
Amortisation of issue costs	–	–	(5)	(5)
Net debt at 31 August 2022	**6,590**	**–**	**(25,766)**	**(19,176)**

2021	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt as at 31 August 2020	–	(4,900)	(26,626)	(31,526)
Cash flows	17,199	5,231	–	22,430
Exchange movements	–	(331)	1,064	733
Non cash flow:				
Amortisation of issue costs	–	–	(5)	(5)
Net debt at 31 August 2021	**17,199**	**–**	**(25,567)**	**(8,368)**

21 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 Paribas to provide accounting and administration services.

Details of the fee arrangements are given in the strategic report on page 28. The total of the management fees paid or payable under the management agreement to Janus Henderson in respect of the year ended 31 August 2022 was £2,253,000 (2021: £2,153,000), of which £933,000 (2021: £943,000) (per note 13) was outstanding at 31 August 2022.

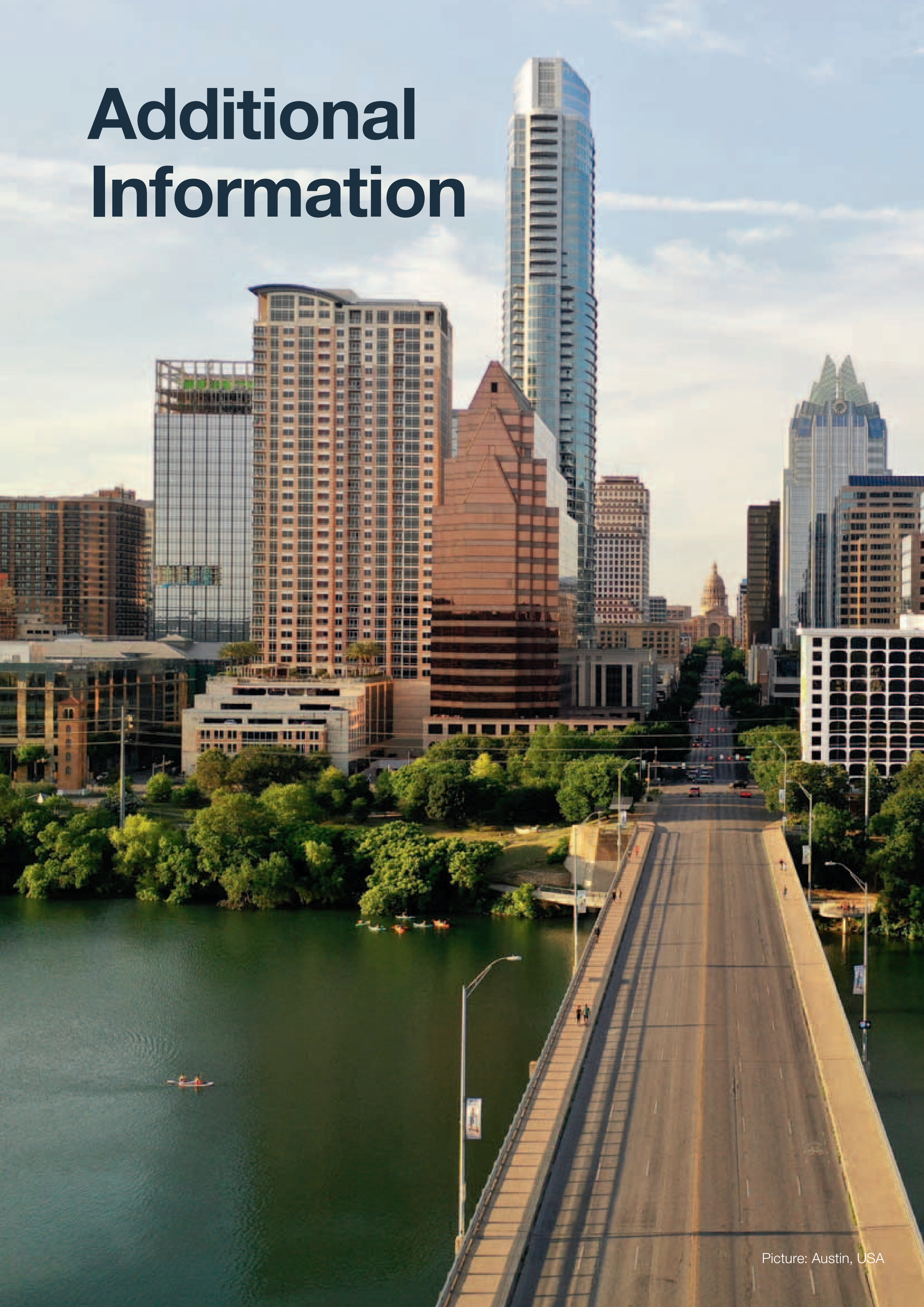
In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. The total fees, excluding VAT paid or payable for these services for the year ended 31 August 2022 amounted to £150,000 (2021: £83,000) of which £95,000 (2021: £51,000) was outstanding at 31 August 2022.

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 51 and in note 6 on page 68. These amounts do not include National Insurance contributions on directors' fees of £15,000 (2021: £13,000), which is included in other expenses.

22 Subsequent events

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

Additional Information



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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 NAV %
At 31 August 2022	183.4	181.5	171.8	(6.3)	(5.3)
At 31 August 2021	179.4	181.7	166.0	(7.5)	(8.7)

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:

		2022	2021
Investments held at fair value through profit or loss (page 63) (£'000)	(A)	378,931	372,055
Total net assets (page 63) (£'000)	(B)	355,687	356,152
Gearing (C = A/B -1) (%)	(C)	6.5	4.5

Net asset value ("NAV") with debt at par and at fair value

		2022 £'000	2021 £'000
Investment held at fair value through profit or loss (see note 11)		378,931	372,055
Debtors (see note 12)		3,039	2,567
Cash and cash equivalents		6,590	17,199
Creditors amounts falling due within one year (see note 13)		(7,107)	(10,102)
Creditors amounts falling due after one year (see note 14)		(25,766)	(25,567)
NAV with debt at par	(A)	**355,687**	**356,152**
Less: fair value of senior unsecured notes (see note 16.4)		(22,004)	(30,207)
Add back: amortised cost of senior unsecured notes		25,766	25,567
NAV with debt at fair value	(B)	**359,449**	**351,512**
Ordinary shares in issue (see note 17) (number)	(C)	195,978,716	195,978,716
NAV per ordinary share with debt at par (see note 15) (A/C x 100) (p)		**181.5**	**181.7**
NAV per ordinary share with debt at fair value (B/C x 100) (p)		**183.4**	**179.4**

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 63 and further information is available on page 72 in note 15 within the notes to the financial statements.

Alternative Performance Measures (continued)

Ongoing charge

The ongoing charge ratio has been calculated in accordance with the 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.

	2022 £'000	2021 £'000
Management fee (note 5)	2,253	2,153
Other administrative expenses (note 6)	682	600
Less: non-recurring expenses	(6)	(28)
Ongoing charge	**2,929**	**2,725**
Average net assets[1]	**354,544**	**326,718**
Ongoing charge ratio (%)	**0.83**	**0.83**

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

The ongoing charge 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.

	NAV per share (debt at fair value)	Share price
NAV/share price per ordinary share at 31 August 2022 (pence)	183.4	171.8
NAV/share price per ordinary share at 31 August 2021 (pence)	179.4	166.0
Change in the year (%)	2.2	3.5
Impact of dividends reinvested (%)	4.0	4.2
Total return for the year (%)	**6.3**	**7.8**

Yield

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

		31 August 2022	31 August 2021
Annual dividend (pence)	(A)	7.25	6.30
Share price (pence)	(B)	171.8	166.0
Yield (C = A/B) (%)	(C)	4.2	3.8

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 82 and 83.

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. The Company is a constituent of the Global Equity Income sector.

Benchmark

An index against which performance is compared. For the Company this is the MSCI ACWI (ex UK) High Dividend Yield 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

As an AIF, the Company is 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.

The depositary has further confirmed that, in all material respects, the Company has been managed in accordance with the FCA's Investment Funds Sourcebook, the Company's articles of association and as required by the AIFMD.

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 registrar 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.

Glossary (continued)

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.

Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to revenue or capital, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, finance costs and gains or losses arising on investments. Details of the calculation of the ongoing charge can be found on page 83.

General Shareholder Information

AIFMD disclosures

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of Janus Henderson, as the Company's 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 Disclosure" 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 88) 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

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

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 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 US persons (including those living outside the US) to file yearly reports on their non-US financial accounts. Each year, investment trusts need to monitor 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")

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 PRIIPs requires the manager, as the PRIIP manufacturer, to prepare a KID 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.

General Shareholder Information (continued)

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.

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.

The market price of the Company's ordinary shares can also be found in the London Stock Exchange Daily Official List.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, Computershare Investor Services PLC, via **www.investorcentre.co.uk**. To gain access to your details on the Computershare website you will need the holder reference number shown on your share certificate.

Taxonomy Regulation

Regulation (EU) 2020/852 establishes the basis for the EU taxonomy. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities to provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In accordance with the Taxonomy Regulation, the Company confirms that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

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 88.

You can also check the FCA Warning List at #BeScamSmart **https://www.fca.org.uk/scamsmart**

Corporate Information

Registered office

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

Service providers

Alternative Investment Fund Manager

Janus Henderson Fund Management UK Limited*
201 Bishopsgate
London
EC2M 3AE

Corporate Secretary

Janus Henderson Secretarial Services UK 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.investorcentre.co.uk**

Independent auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Financial calendar

Senior unsecured notes interest payment	28 October 2022
4th interim dividend ex-dividend date	3 November 2022
4th interim dividend record date	4 November 2022
4th interim dividend payable	30 November 2022
Annual general meeting	7 December 2022
1st interim dividend payable	28 February 2023
Half year results	April 2023
Senior unsecured notes interest payment	28 April 2023
2nd interim dividend payable	31 May 2023
3rd interim dividend payable	31 August 2023

Information sources

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

To sign up for expert insights about investment trusts, updates from our fund managers as well as AGMs and Trust TV episodes please visit this page: **www.janushenderson.com/en-gb/investor/subscriptions/**

Follow the Janus Henderson Investment Trusts on LinkedIn – Janus Henderson Investment Trusts, UK

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.

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.

* Janus Henderson Fund Management UK Limited and Janus Henderson Secretarial Services UK Limited changed their names in March 2022 from Henderson Investment Funds Limited and Henderson Secretarial Services Limited respectively

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

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

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MANAGED BY
Janus Henderson
INVESTORS

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The Association of Investment Companies

PREMIUM MAIN MARKET
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