

Annual Report 2022

# Henderson Far East Income Limited



MANAGED BY

**Janus Henderson**  
— INVESTORS —

Investment objective:

The Company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation, from a diversified portfolio of investments from the Asia Pacific region.

Strategic Report

Performance highlights	1
Chairman's statement	2-4
Fund Managers' Report	5-8
Portfolio information	9-11
Historical information	12
Business model	13-16
Responsible investment	17-18
Managing risks	19-20
Key Performance Indicators	21

Governance

Board of Directors	23-24
Corporate Governance Report	25-29
Nominations Committee Report	30
Management Engagement Committee Report	31
Audit Committee Report	32-33
Directors' Remuneration Report	34-35
Directors' Report	36-37
Statement of Directors' Responsibilities	38

Financial Statements

Independent auditor's report	40-41
Financial statements	42-63
Notes to the financial statements	46-63

Additional information

Glossary	65
Alternative performance measures	66-67
General shareholder information	68
Service providers	69



# Performance highlights

at 31 August

## NAV<sup>1</sup> total return for the year

2022

1.9%

2021

7.2%

## Share price total return<sup>2</sup> for the year

2022

1.0%

2021

4.3%

## Dividend<sup>3</sup> for year

2022

23.80p

2021

23.40p

## Dividend yield<sup>4</sup>

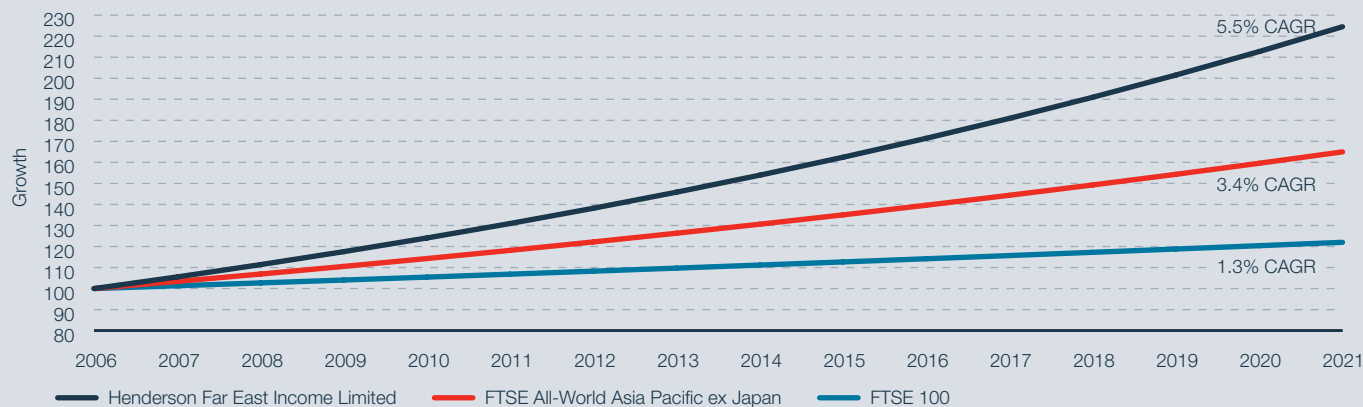
2022

8.5%

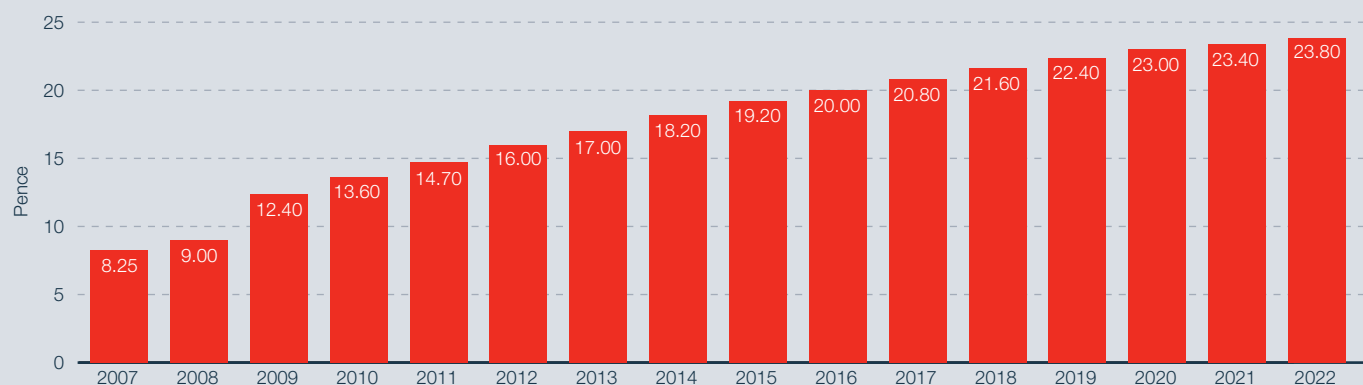
2021

7.8%

## Compound annual dividend growth rate<sup>5</sup> (CAGR)



## Dividends paid by the Company



1 Net asset value total return including dividends reinvested

2 Share price total return using mid-market closing price (including dividends reinvested)

3 Interim dividends declared or paid in respect of the year ended 31 August 2022

4 Dividend yield based on the share price at the financial year end and the dividends paid and declared in respect of the year

5 Compound annual dividend growth rate to 31 December 2021 for the Company, FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) and the FTSE 100 Index based on normalised ordinary dividends calculated by calendar year



# Chairman's statement



Ronald Gould  
Chairman

**“The economies of Europe and North America may well fall into a mild recession, but Asia is not in synch with all the same pressures as western economies and may benefit from some positives peculiar to the region.”**



# Chairman's statement

## Introduction

As your new Chairman it would have been good to begin my first letter to shareholders in an environment filled with positives, optimism and a clear glidepath toward rosy investment results in the immediate future. Indeed, as we look back at the past year, there is much to be pleased with despite the challenging time through which we have come in so many areas. Having faced down the trauma of the pandemic with its massive impact on societies around the world, we now face new dramas. The war in Ukraine has not only represented a great humanitarian tragedy, it has driven massive economic dislocation and the very real prospect of a global recession while helping to fuel the inflation that was already out of control. None of this is likely to make for an upbeat investment environment but there are a few reasons for a more positive view, especially in Asia, that we will explore as well.

## Performance

Despite the rather dire backdrop of the last financial year, the Company rose to the challenge in many ways, producing a positive NAV total return of 1.9% and year-end dividend yield of 8.5%. These results compare favourably with the FTSE All-World Asia Pacific ex Japan Index total return of negative 3.4% for the same period, but less well against the MSCI AC Asia Pacific ex Japan High Dividend Yield Index which returned 7.4%. Capital performance struggled once again this year with yield, as an investment style, remaining out of favour.

Our Fund Managers will discuss our investment results in more detail in their report, but it is right for me to note that our commitment to providing a high and reliable dividend income to our shareholders while still generating capital growth along the way, is not an easy hurdle. Our underlying investment bias toward value rather than growth has had the effect of reducing capital returns over the last few years as growth company valuations expanded dramatically. More recently, perhaps driven by concerns of faltering growth rates, investor sentiment toward value has improved, benefitting our portfolio and resulting in a pickup in relative capital returns. We expect that to continue, at least in relative terms, as economic growth slows in the months ahead. During this period of rising living costs, investors' need for dividend income is higher than ever and the Company's shares often sell at a premium to its NAV as a result.

## Dividends

The Company paid a total dividend of 23.80p per ordinary share in the year ended 31 August 2022 representing a 1.7% increase over the prior year and our 15th consecutive year of increasing dividends. The financial year just passed has been a challenging one, but our portfolio companies achieved a good rebound in dividend payments and our forecast for dividends in the current year is cautiously positive. After paying the dividend, we will once again be adding a moderate amount to the revenue reserve, which we use to smooth the dividend when market conditions are severe.

The 4th interim dividend for the year ended 31 August 2022 was declared on 19 October 2022 at a rate of 6.00p per ordinary share.

## Governance matters

The Board has long benefitted from a strong team of members as a result of good succession planning and a careful selection process. I want to take this opportunity to thank John Russell, our recently retired Chairman, for his untiring efforts to lead the Board with a high standard of governance and an unswerving commitment to the Company's key investment objectives. John's patient guidance will be missed and we wish him well.

The Board has continued to review its longer term development needs in a changing world and recognises its desire and obligation to become more diverse in order to better represent shareholders and retain the right range of expertise within its ranks. Recent regulatory changes from the Financial Conduct Authority continue to raise the bar for board diversity, something that we believe is long overdue and which we fully support. Our ability to be compliant will, however, be constrained by the current Jersey requirement for two resident directors and we are actively engaging with the Jersey regulator to find a successful way forward.

The Board remains committed to an ongoing refreshment process and will be looking to recruit a successor to David Mashiter who has served so well as a director since 2006. We will await the outcome of our discussions with the Jersey regulator before initiating this recruitment process soon thereafter. David has graciously agreed to remain on the Board until that appointment in order to assure a smooth handover process.

## ESG

ESG has been the subject of much discussion among investors over the past year, both positive and negative. Our view has always been that sound investing and responsible investing go hand in hand and recognise that ESG matters are an intrinsic part of the Janus Henderson investment process, helping to shape the approach we take to investment decisions but through a philosophy based on engagement with companies to achieve positive long term results. We do not believe that it makes sense to create 'no-go' areas for investment, with the exception of the manufacture of munitions, but instead work with companies to do better across a range of areas. Too often of late, we have found extreme ESG based positions become the subject of criticism for compromising shareholder returns. We believe sound investment decisions and a sensitivity to ESG issues are compatible with the right approach and that our investment team works hard and effectively to achieve this balanced outcome.

# Chairman's statement (continued)

## AGM

The Company's 16th Annual General Meeting is due to be held at 11.00 am on 27 January 2023 at the offices of our investment manager, 201 Bishopsgate, London, EC2M 3AE. The Notice of Meeting has been posted to shareholders with a copy of this annual report.

Voting will take place on a show of hands so if you are unable to attend in person, I encourage you to submit your proxy form or instruct your share dealing platform accordingly.

## Outlook

It is never easy nor especially reliable to predict the future and the year ahead seems murkier than most. When will inflation start to decline? How resilient will economies be in the face of rising interest rates? How vulnerable will economic growth prove to be given so many cross-currents that could undermine demand and damage business confidence? None of these questions have easy answers but there are certainly some useful observations to be made regarding the environment we face, many of which are expanded upon in our Fund Managers' report.

First, inflation has been more difficult for central banks to bring down after years of monetary stimulation but there are now signs that it is receding, albeit slowly. Rising interest rates are starting to have the impact that central banks want and slower economic activity is reducing demand pressure and thus, the scope for price increases. Labour demand remains fairly strong, however, rising labour costs will continue to be a key inflation factor for some time to come. Energy prices display a degree of schizophrenia reflecting the impact of the war in Ukraine, OPEC<sup>1</sup> production restraints and moderating oil demand in the face of slower global economic activity.

The economies of Europe and North America may well fall into a mild recession (or even be in one now) but Asia is not in synch with all the same pressures as western economies and may benefit from some positives peculiar to the region. For example, China remains the region's most important economy and unlike western governments is now aggressively stimulating its economy to achieve better economic growth. This will inevitably have a positive 'spillover' effect on other economies in the region and we will be monitoring the scope of that impact closely. Concerns about China's real estate debt crisis fail to take account of the country's unique financial management tools to cope with this type of problem and with share prices now at much more attractive valuation levels, there is again scope for investment upside.

Markets in the Asia Pacific region will continue to be subject to uncertainty generated by geopolitical concerns, especially between China and Taiwan. The underlying solidity of economic growth in the region, however, remains good and we are positive about the prospects for continuing dividend increases from our portfolio of companies in the region. While we have had a difficult start to our new financial year there are opportunities for individual companies to grow. Asia company payout ratios remain low by western standards and continue to offer real expansion opportunities as we look ahead.

Ronald Gould  
Chairman  
3 November 2022

<sup>1</sup> Organisation of the Petroleum Exporting Countries



# Fund Managers' report



Mike Kerley



Sat Duhra



# Fund Managers' report

This time last year we were writing about the impact of the Covid-19 pandemic, while at the interim stage in February, the Russian invasion of Ukraine dominated headlines. While these events are still front and centre, the attention has switched from the human tragedy of a pandemic and war to the economic implications that these events are having on inflation, interest rates, currency and growth. In recent months equity and bond markets have whipsawed around economic releases with investors trying to ascertain whether the announcement lowers inflation and interest rate expectations or increases the likelihood of recession or both. Global central banks and governments are walking a tightrope with the risk of a policy mistake rising by the day. The recent turmoil in the UK following the government's mini budget is a prime example of how unconventional policy can have a dramatic impact when the outlook is so uncertain.

The impact on equity and bond markets has been significant. The S&P 500 has fallen over 19% in US dollar terms from its peak in early January 2022 to the end of August 2022, while the MSCI Europe has fallen 12.6% in euro terms. The FTSE 100 has proved more resilient, falling 0.4% in sterling terms as the currency weakness and the abundance of companies with overseas earnings, as well as oil and mining companies, was supportive to share prices. In local currency terms, Asia Pacific ex Japan fully participated in the downturn, falling 13.1% as the export orientated economies of North Asia succumbed to the weakness in demand from the western consumer.

Markets have continued to fall subsequent to our financial year-end as prominent central banks have reaffirmed their intention to do whatever it takes to suppress inflation. From an Asian perspective, the pressure from inflation is not so intense as regional economies have not faced the same level of wage pressures or asset price inflation witnessed in the west while the 'Zero Covid' policy in China has suppressed regional demand. At the same time, the Federal Reserve in the US, the ECB in Europe, the Bank of England and the Bank of Japan have been accused of being asleep at the wheel in terms of effective monetary policy to contain inflation, the same cannot be said in Asia Pacific. Although inflationary pressures have emerged in many countries across the region, the gap between CPI<sup>1</sup> and interest rates is far narrower than in developed markets suggesting that less work needs to be done to get back to an even keel. The draconian Covid-19 lockdown measures have made China a global outlier with inflation below 3% and positive real interest rates. It is notable that, as a result, China is the only major economy loosening monetary policy which, if successful in stimulating demand, will be a positive driver for the region.

In a reversal of last year's trends, South Asian markets massively outperformed their North Asian peers. The highly valued growth sectors which had benefitted from 'work from home' demand during the pandemic and companies exposed to new innovations in electric vehicles and alternative energy, struggled as investors reassessed weakening demand and elevated valuations in a rising interest rate environment. Korea fell 21% and Taiwan 11% while the technology sector

for the region as a whole was down 22%. Conversely the opening-up of South Asian economies, a lack of technology exposure and less sensitivity to rising energy and materials prices helped Indonesia, Singapore and Thailand post gains of 25%, 10.7% and 6.8% respectively. India was another market that posted positive returns. Despite inflation above the regional average, higher interest rates and a weakening rupee, the domestic economy is performing well with the property market showing signs of life after a thirteen year downturn and retail sales 15% ahead of pre-Covid levels.

Once again, China was the worst performing market. The economy continues to struggle to regain momentum weighed down by liquidity and solvency problems in the property market, a 'Zero Covid' policy with constant and ongoing lockdowns and continued tension with the US that restricts the import and export of certain goods. Government focus has turned towards economic stimulus with interest rate cuts, property loosening measures and a renewed focus on infrastructure investment, but these are yet to bear fruit with the economy now expected to grow by less than 3%, according to the latest World Bank forecast – far below the original target of 5.5%.

At the sector level, energy was the standout performer rising 20% in local currency terms as oil and especially gas prices rose significantly over the period. Utilities was the only other sector in positive territory buoyed by the renewed focus on energy security. The worst performing sectors were consumer discretionary and technology. Consumption remained subdued in North Asia by Covid-19 and in ASEAN<sup>2</sup> by the slow pace of re-opening, while the internet sector in China and a worsening demand outlook in developed markets for smart phones, personal computers and laptops, hurt chip producers and assemblers. Financials remained resilient, outperforming the region, as rising interest rates should help improve profitability, although South Asian banks performed better than their North Asian counterparts.

The big move in currency markets has had a significant impact on returns, corporate profitability and sentiment. The strength of the US dollar during periods of heightened volatility impacts risk assets and affects the flows to and from asset classes. Historically a strong US dollar has been a negative for emerging and Asian equity markets and this dynamic has impacted returns over the last year despite Asia Pacific being more economically resilient than its developed market counterparts. Over the reporting period the US dollar has appreciated by 5.2% compared to Asia Pacific currencies and 18.4% compared to sterling. The relative weakness in the Korean won, Taiwan dollar and Philippine peso, in particular, materially impacted returns. Although the strength of the US dollar has hampered returns from Asia Pacific, the weakness of sterling has gone some way to offsetting this. Asian currencies appreciated by almost 10% against sterling which has been beneficial for the Company's portfolio performance and revenue generation. The chart on page 7 shows the returns in different currencies to highlight the significant variation.

<sup>1</sup> Consumer Price Index

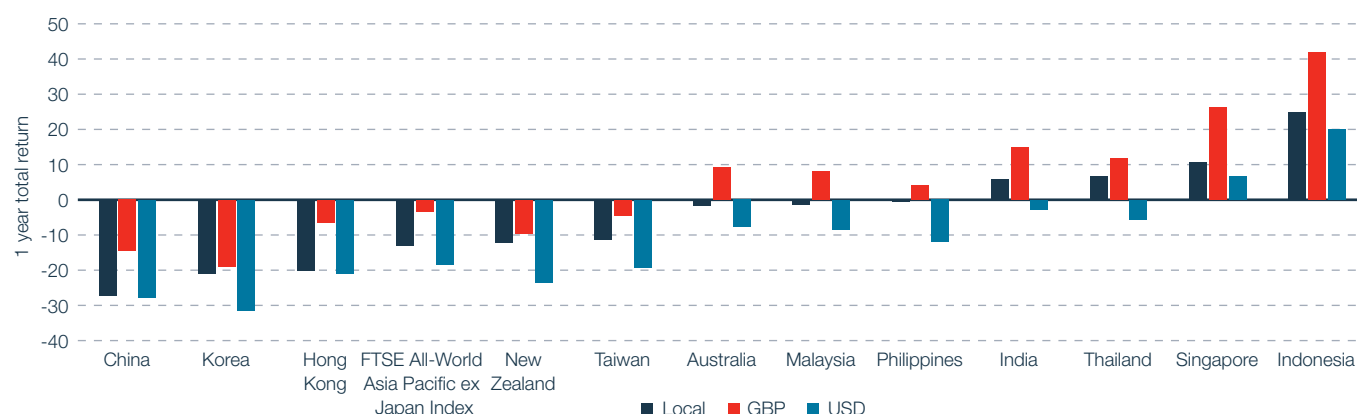
<sup>2</sup> ASEAN countries include Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam



# Fund Managers' report (continued)

The Company does not hedge capital or income currency exposure in order to provide transparency for investors and to avoid the complexity of matching revenue streams with variable dividend pay dates.

## 1 year total return country performance in local currency, GBP and USD



## Performance

The Company's NAV total return was 1.9% in sterling terms over the period with a share price total return of 1.0% reflecting a small contraction of the premium that the share price trades compared to NAV. This compares with a 3.4% decline in the FTSE All-World Asia Pacific ex Japan Index and a 7.4% increase in the MSCI AC Asia Pacific ex Japan High Dividend Yield Index.

The portfolio benefitted from the increase in the allocation to the energy, materials, telecommunications and financial sectors over the period while the exposure to China and in particular consumer related stocks was detrimental. Of the top ten largest contributors to performance, six were in the telecommunications sector, two in energy and two in financials.

Notable contributors were Australian gas producers Woodside Energy and Santos, which rose 95% and 44% respectively, telecommunications companies PT Telkom and Singapore Telecommunications, which rose 53% and 29% respectively and Australian investment bank Macquarie which rose 18%. The portfolio further benefitted in August from the BHP takeover offer for copper miner OZ Minerals, a position the Company has held for some time, at a 30% premium to the prevailing price. The biggest detractors were Chinese software company Chinsoft and auto dealer China Yongda Automobiles which both fell more than 40%.

## Revenue

Dividend income from the region was strong over the period, boosted by the weakness of sterling. Revenue from dividends received was up 9.2% compared to a year earlier while option premium declined 5.8%. Total income was up 8.0% and revenue per share rose 5.1% reflecting the increased number of shares in issue.

We have been encouraged by the willingness of companies in Asia to hold and increase dividends in 2022 especially in this uncertain period. The energy and materials companies have, understandably, seen the biggest uplift but across

different countries and sectors, pay-out ratios have risen reflecting strong balance sheets and increased cash flow. Some of these high dividend pay-outs may not be sustainable going forward but we are broadly confident that dividends in the region will remain robust, especially if China is successful in reviving its flagging economy.

## Strategy

Despite strong performance over the past year, we retain a significant exposure to energy and materials companies. Our focus is on fuels and materials that are integral to the energy transition and are seeing existing and new areas of demand which are constrained by supply. In recent months the price of oil and industrial metals has fallen as the market focused on demand weakness, but the lack of investment in these areas over the last ten years suggests that prices will be underpinned beyond a normal economic cycle by demand for lithium, copper, nickel and similar materials as electric vehicles, alternative power sources and energy security dominate future plans.

We retain our exposure to financials although are increasingly moving towards diversified financials rather than banks. Securities companies in China will take market share in high margin wealth management away from the policy banks, while regional insurance remains a long-term structural growth story. We own CITIC Securities and AIA Group to capture these themes. We are also focusing our bank exposure on South Asia which is seeing system wide recovery and a return to positive credit growth. United Overseas Bank in Singapore and Bank Mandiri in Indonesia capture these trends.

At the country level, Australia is now the highest weighting with three quarters of the holdings reflecting our positive view on energy and materials. Our view on the domestic economy in Australia is less positive as the government and central bank struggle to set appropriate policies to manage rising inflation, a slowing economy and an elevated property market. We have reduced our exposure to Taiwan and remain nervous

# Fund Managers' report (continued)

about the outlook for the technology hardware sector in the face of a global slowdown. At this point we prefer Korea which has valuation support and is further ahead in the interest rate adjustment phase than its North Asian neighbour.

Over the period the weighting to China has fluctuated. We increased from low levels early in 2022 on the expectation that the economy would open-up and then reduced in the second quarter following a period of outperformance that coincided with a realisation that Covid-19 suppression, rather than economic growth, would be the main policy goal. We maintain the view that China will eventually succeed in reviving growth, but only after it has embarked on a mass vaccination of the population, especially the elderly. With locally developed mRNA vaccines still in the test phase this will only happen in late 2022 at the earliest, but more likely in the first quarter of 2023. In the meantime, we expect economic policy to be marginally supportive but not sufficient to move the needle. However, with conditions deteriorating in other regions this may be enough for Chinese equities to perform well on a relative basis. We retain a 17% weighting in the portfolio with a focus on diversified financials, materials and consumer discretionary but will most likely look to add as events unfold.

## ESG

Environmental, social and governance concerns are a core part of our investment approach, but we believe in a pragmatic stance that looks to engage rather than avoid. We believe that the transition from where we are to where we want to be is the most important part of this process and take the approach that it's unfair to impose developed market ideologies on countries that are at a different stage of development. What this means in practice is that we don't exclude any sector, with the exception of munitions, from our investment universe but look to invest in companies with an awareness of their environmental and social impact, as well as an approach to managing them, and work with them to set and achieve targets for improvement. Our belief is that the best companies will take market share away from the worst over time improving the environment and working conditions for all. As responsible investors, it is our duty to help this transition rather than to divest and hand that responsibility to someone else.

We regularly engage with the companies we invest in to ensure the targets set are viable and there is a clear and coherent strategy on how to achieve them.

## Outlook

We have a cautious view on equity markets in the short term. The debate around inflation, interest rates and recession will dominate market direction well into 2023 and we expect Asian market performance will be dictated by these 'big picture' themes. In this environment the US dollar is likely to remain well supported which will curtail some of the appetite for assets in the Asia Pacific region. Despite this challenging outlook, there are some reasons to be optimistic. On the whole Asian economies have managed the cycle quite well with the historical weaknesses of emerging countries in periods of dislocation not evident this time round. There are plenty of well managed companies in the region with solid fundamentals which are now trading at valuation points below long-term averages while dividends are well underpinned by cash flow with the potential for pay-out ratios to rise over time.

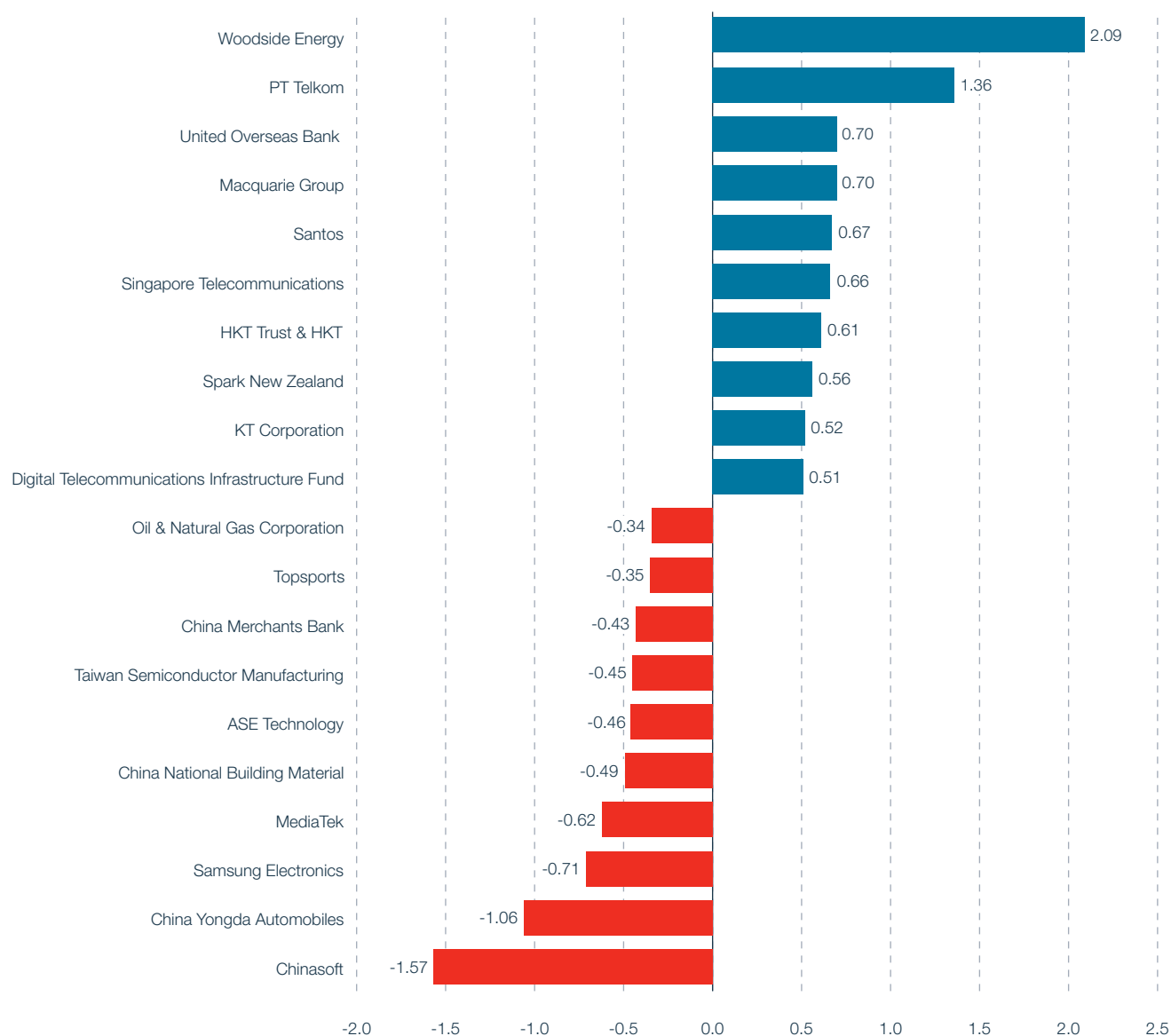
The Company is ungeared at present reflecting the uncertainty that currently prevails, but we remain alert to finding investments that meet our criteria should this volatility present further opportunities.

Mike Kerley and Sat Duhra  
Fund Managers  
3 November 2022

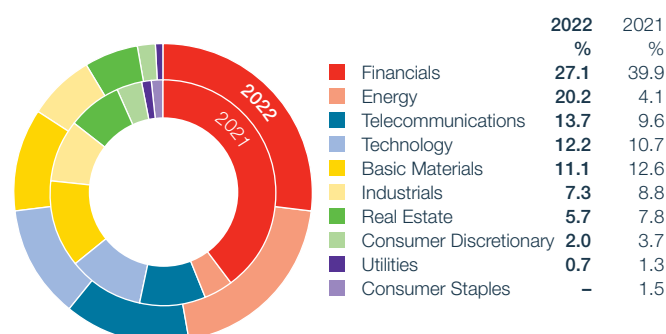


# Portfolio information

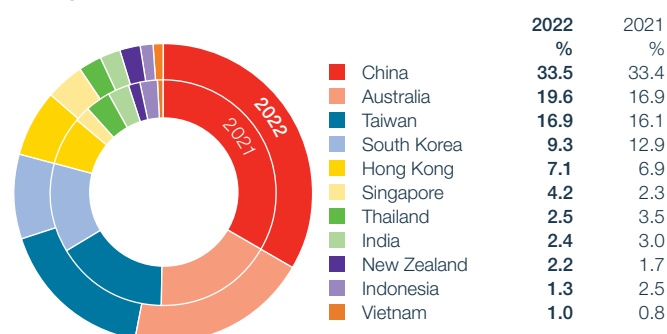
Top ten contributors to and bottom ten detractors from NAV total return performance  
(for the year to 31 August 2022 in basis points)



## Sector distribution of income



## Geographical distribution of income



# Portfolio information (continued)

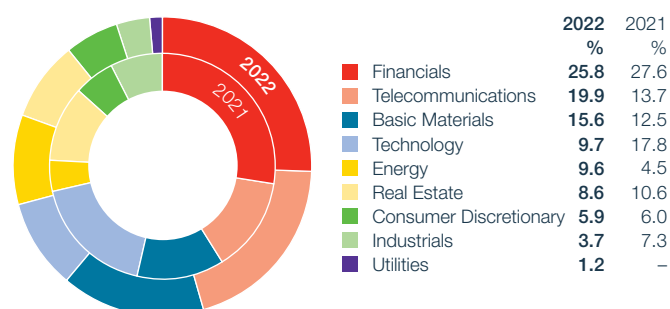
## Ten largest investments

Ranking 2022	Ranking 2021	Company	Principal activities	Country of incorporation	Sector	Valuation 2022 £'000	% of portfolio
1	1	BHP Group Limited	A global natural resources company producing iron ore, copper, diamonds, aluminium, oil and natural gas.	Australia	Basic Materials	19,498	4.46
2	19	HKT Trust & HKT	Hong Kong's largest telecommunications operator providing local and international telecommunications services including mobile and broadband services.	Hong Kong	Telecommunications	19,151	4.38
3	40	Woodside Energy	Australian petroleum, oil and gas exploration and production company.	Australia	Energy	17,720	4.05
4	10	Macquarie	Global financial services group with business activities in asset management, banking and financial services, commodities and global markets, and financial advisory services.	Australia	Financials	17,571	4.02
5	–	Santos	Australian oil and gas exploration and production company.	Australia	Energy	16,218	3.71
6	–	JD.com	Technology company building scalable platforms in sectors such as e-commerce, logistics, internet finance, cloud computing and smart technology.	China	Consumer Discretionary	15,156	3.46
7	3	Macquarie Korea Infrastructure Fund	A listed private sector infrastructure fund investing in toll roads, bridges, ports and tunnels. MKIF has the largest portfolio of infrastructure assets in Korea.	South Korea	Financials	14,672	3.35
8	6	VinaCapital Vietnam Opportunity Fund	Guernsey based closed end fund investing in Vietnamese companies or companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam.	Vietnam <sup>1</sup>	Financials	14,095	3.22
9	32	Digital Telecommunications Infrastructure Fund	Owner of telecommunication infrastructure including telecommunication towers, fibre optic cable, transmission equipment and broadband systems in Thailand.	Thailand	Telecommunications	13,430	3.07
10	4	Rio Tinto Limited	The world's second largest natural resources company producing iron ore, copper, diamonds, gold and uranium.	Australia	Basic Materials	13,394	3.06
<b>Total</b>						<b>160,905</b>	<b>36.78</b>

<sup>1</sup> Incorporated in Guernsey with 100% exposure to Vietnam

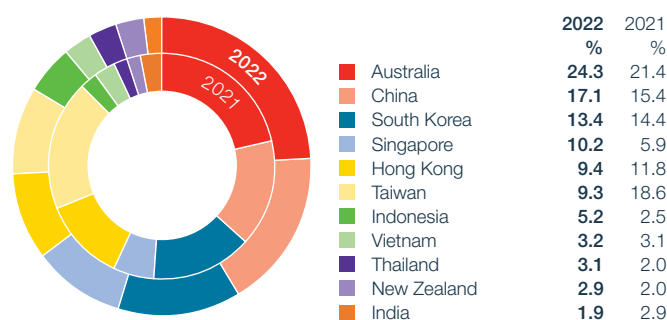
## Sector exposure

As a percentage of the investment portfolio excluding cash



## Geographic exposure

As a percentage of the investment portfolio excluding cash





# Portfolio information (continued)

## Investment portfolio at 31 August 2022

Ranking 2022	Ranking 2021	Company	Country of incorporation	Sector	Value 2022 £'000	% of portfolio
1	1	BHP Group Limited	Australia	Basic Materials	19,498	4.46
2	19	HKT Trust & HKT	Hong Kong	Telecommunications	19,151	4.38
3	40	Woodside Energy	Australia	Energy	17,720	4.05
4	10	Macquarie Group	Australia	Financials	17,571	4.02
5	–	Santos	Australia	Energy	16,218	3.71
6	–	JD.com	China	Consumer Discretionary	15,156	3.46
7	3	Macquarie Korea Infrastructure Fund	South Korea	Financials	14,672	3.35
8	6	VinaCapital Vietnam Opportunity Fund	Vietnam <sup>1</sup>	Financials	14,095	3.22
9	32	Digital Telecommunications Infrastructure Fund	Thailand	Telecommunications	13,430	3.07
10	4	Rio Tinto Limited	Australia	Basic Materials	13,394	3.06
<b>Top Ten Investments</b>					<b>160,905</b>	<b>36.78</b>
11	21	PT Telkom	Indonesia	Telecommunications	13,268	3.03
12	–	Hon Hai Precision Industry	Taiwan	Technology	12,972	2.97
13	38	China Shenhua Energy	China	Basic Materials	12,812	2.93
14	–	United Overseas Bank	Singapore	Financials	12,635	2.89
15	34	Spark New Zealand	New Zealand	Telecommunications	12,528	2.86
16	5	Taiwan Semiconductor Manufacturing <sup>2</sup>	Taiwan	Technology	12,087	2.76
17	7	SK Telekom	South Korea	Telecommunications	10,406	2.38
18	28	CITIC Securities	China	Financials	10,324	2.36
19	11	OZ Minerals	Australia	Basic Materials	10,066	2.30
20	–	Industrial Bank	China	Financials	9,612	2.20
<b>Top Twenty Investments</b>					<b>277,615</b>	<b>63.46</b>
21	–	Bank Mandiri	Indonesia	Financials	9,594	2.19
22	13	AIA Group	Hong Kong	Financials	9,512	2.17
23	–	CapitaLand Integrated Commercial Trust	Singapore	Real Estate	9,153	2.09
24	–	KT Corporation	South Korea	Telecommunications	9,129	2.09
25	37	Singapore Telecommunications	Singapore	Telecommunications	8,971	2.05
26	8	Samsung Electronics <sup>3</sup>	South Korea	Technology	8,731	1.99
27	–	MediaTek	Taiwan	Technology	8,644	1.98
28	–	China National Building Material Group	China	Industrials	8,296	1.90
29	39	Mapletree Logistics	Singapore	Real Estate	8,275	1.89
30	9	Hindustan Petroleum	India	Energy	8,213	1.88
<b>Top Thirty Investments</b>					<b>366,133</b>	<b>83.69</b>
31	–	Zijin Mining	China	Basic Materials	7,971	1.82
32	18	KB Financial	South Korea	Financials	7,961	1.82
33	14	LG Corp	South Korea	Industrials	7,774	1.78
34	26	Dexus	Australia	Real Estate	7,567	1.73
35	17	Sun Hung Kai Properties	Hong Kong	Real Estate	7,357	1.68
36	–	Mega Financial Holding	Taiwan	Financials	7,022	1.60
37	–	Li-Ning	China	Consumer Discretionary	6,295	1.44
38	25	Ascendas REIT	Singapore	Real Estate	5,830	1.33
39	–	Guangdong Investments	Hong Kong	Utilities	5,186	1.19
40	–	IGO	Australia	Basic Materials	4,772	1.09
<b>Top Forty Investments</b>					<b>433,868</b>	<b>99.17</b>
41	24	China Yongda Automobiles	China	Consumer Discretionary	4,659	1.06
42	42	China Forestry	China	Basic Materials	–	–
43	–	JD.com Call 273.3 (expiry 28/09/22)	China	Consumer Discretionary	(98)	(0.02)
44	–	IGO Put 11.5 (expiry 21/11/22)	Australia	Basic Materials	(188)	(0.04)
45	–	Li-Ning Call 75.9 (expiry 15/11/22)	China	Consumer Discretionary	(371)	(0.08)
46	–	Goodman Group Put 19.8 (expiry 07/11/22)	Australia	Real Estate	(374)	(0.09)
<b>Total Investments</b>					<b>437,496</b>	<b>100.00</b>

<sup>1</sup> Incorporated in Guernsey with 100% exposure to Vietnam

<sup>2</sup> American Depositary Receipts

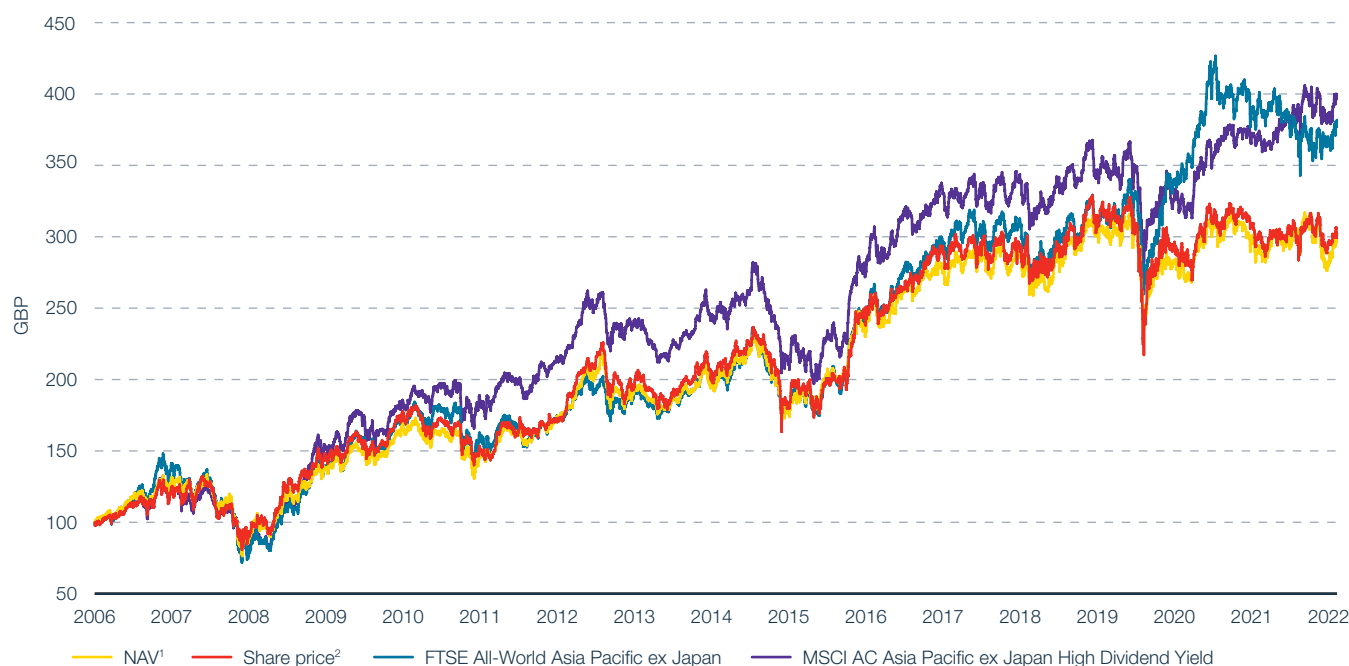
<sup>3</sup> Preferred shares

# Historical information

## Total return performance

	1 year %	3 years %	5 years %	10 years %
NAV <sup>1</sup>	1.9	-1.6	6.3	80.8
Share price <sup>2</sup>	1.0	-2.8	4.0	81.9
FTSE All-World Asia Pacific ex Japan Index <sup>3</sup>	-3.4	22.3	27.3	132.5
MSCI AC Asia Pacific ex Japan High Dividend Yield Index <sup>3</sup>	7.4	15.6	18.3	94.0

## Total return performance since launch<sup>4</sup>



## Financial information

At 31 August	Net assets £'000	NAV per share p	Mid-market price per ordinary share p	Premium/ (discount) %	Profit/(loss) for year £'000	Revenue return per share p	Capital return per share p	Total return per share p	Dividend per share p	Ongoing charge %
2013	325,798	312.23	309.00	(1.0)	32,765	18.05	13.78	31.83	17.00	1.29
2014	355,021	328.43	331.50	0.9	36,550	19.32	15.23	34.55	18.20	1.17
2015	307,821	273.99	275.00	0.4	(40,246)	20.54	(57.00)	(36.46)	19.20	1.06
2016	386,859	337.76	343.00	1.6	95,375	21.13	62.41	83.54	20.00	1.17
2017	442,482	375.19	380.00	1.3	67,211	21.94	36.09	58.03	20.80	1.12
2018	441,004	359.26	357.00	(0.6)	6,595	22.21	(16.77)	5.44	21.60	1.09
2019	469,121	358.99	361.00	0.6	28,306	23.38	(0.95)	22.43	22.40	1.11
2020	425,927	301.02	311.00	3.3	(48,819)	23.71	(59.23)	(35.52)	23.00	1.08
2021	452,644	299.58	301.50	0.6	29,677	23.22	(2.82)	20.40	23.40	1.09
<b>2022</b>	<b>435,576</b>	<b>281.11</b>	<b>281.00</b>	<b>0.0</b>	<b>7,957</b>	<b>24.41</b>	<b>(19.18)</b>	<b>5.23</b>	<b>23.80</b>	<b>1.01</b>

1 Net asset value total return including dividends reinvested

2 Share price total return including dividends reinvested and using mid-market prices

3 Total return performance is sterling adjusted (including dividends reinvested)

4 Sterling adjusted and rebased to £100



# Business model

## Purpose

Our purpose is to provide a growing total annual dividend and capital appreciation from a diversified portfolio of investments from the Asia Pacific region.

## Strategy

Our strategy is to offer investors a cost effective investment proposition which provides access to a professionally and actively managed portfolio of investments. The Company operates as an approved investment trust which allows it to take advantage of the capital gains treatment afforded under section 1158 of the Corporation Tax Act 2010 ('s.1158'). All services are delivered by reputable third-party service providers whose performance is overseen by a Board of Directors (the 'Board'). The Board is comprised entirely of non-executive directors accountable to shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company. The non-executive directors are independent of the investment manager.

The significant advantages of our business model are its closed end nature, which enables the Fund Managers to remain fully invested and to use leverage to increase returns for shareholders.

## Values and culture

We aim to be viewed by our shareholders as a sound investment delivering returns in line with the investment objective. Alongside this, we believe our shareholders would expect us to act professionally and with integrity, and to treat their investment with the same care we would our own. Accordingly, we bring these values to our deliberations as a Board and seek to build long-term relationships with like-minded and reputable service providers.

In particular, we apply this approach to our investment manager as we regard them as our primary partner in fulfilling our purpose.

## Promoting the Company's success

Acting collectively as the Board, we aim to promote the long-term success of the Company for the benefit of the shareholders. We regard a well governed business as essential for the successful delivery of our investment proposition and apply this approach while being cognisant of the interests of other stakeholders.

We engage reputable third-party service providers with established track records to deliver the Company's day-to-day operations. The most important of these is the investment manager, and in particular the Fund Managers, who are responsible for the management of the Company's assets in line with the investment objective. The Board maintains a close working relationship with the investment manager and holds it to account for the smooth running of the Company's day-to-day business. The Board retains responsibility for decisions over corporate strategy, governance and the investment parameters for the portfolio.

The Fund Managers promote the Company to professional investors with the support of the investment manager's dedicated investment trust sales team and the corporate broker.

## Investment objective

The Company seeks to provide shareholders with a growing total annual dividend per share, as well as capital appreciation, from a diversified portfolio of investments from the Asia Pacific region.

## Investment policy

The Company invests in a diversified portfolio of shares (equity securities) and other securities of companies that are either listed in, registered in, or whose principal business is in, the Asia Pacific region. The Asia Pacific region includes Japan, the Indian subcontinent and Australasia.

Stocks listed in the Asia Pacific region will make up not less than 80% of NAV with the remaining exposure being in stocks listed or dual listed elsewhere whose principal business is in the Asia Pacific region.

The Company may use financial instruments known as derivatives for the purpose of efficient portfolio management or to generate additional income while maintaining a level of risk consistent with the risk profile of the Company.

The Company invests at least 80% of its gross assets in listed shares, equity related securities and derivative instruments. In addition, the Company may also invest in unlisted securities which are expected to list, preference shares, fixed income securities, convertible securities, warrants and collective investment schemes.

No single investment will exceed 10% of net assets at the time of investment.

The portfolio is constructed without reference to the composition of any stock market index or benchmark.

## Gearing

The Company can borrow to make additional investments with the aim of achieving a return that is greater than the cost of the borrowing. The Company may borrow up to 30% of gross assets without shareholder approval to facilitate working capital management and to seek a better total return for shareholders.

The Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the United Kingdom.

To ensure the appointed service providers continue to deliver the expected level of service, we receive regular reports from them, evaluate the control environments in place at each key service provider and formally assess their appointment annually. By doing so, we seek to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that is demanded of them.

# Business model (continued)

## Engaging with stakeholders

We, as directors, have the success of the Company foremost in our minds when making decisions. Decisions are taken with the aim of achieving our purpose and are based on information provided by a range of sources. The impact on stakeholders is assessed as part of deliberations, although the stakeholders affected may vary depending on the decision.

The table below sets out the primary ways in which we, as your Board, engage with the Company's key stakeholders.

Stakeholder	Engagement
Shareholders and potential investors	<p><b>Purpose:</b></p> <ul style="list-style-type: none"> <li>• Keep investors updated on the Company's performance.</li> <li>• Promote the Company to new shareholders.</li> </ul> <p><b>How we engage:</b></p> <ul style="list-style-type: none"> <li>• Daily NAVs and monthly factsheets are published to keep shareholders up to date with the value of the portfolio.</li> <li>• Meetings with the Fund Managers or Board members where shareholders prefer, are offered to shareholders and potential shareholders to provide insight into the portfolio.</li> <li>• Information on the Company and video updates from the Fund Managers are made available on the website and via social media channels with a view to keeping shareholders informed on the positioning of the portfolio.</li> <li>• The half-year report and annual report are published to keep shareholders informed of the Company's financial performance, its governance framework and any current issues.</li> <li>• The Fund Managers provide a presentation to shareholders and analysts following publication of the annual financial results with a view to providing insight on the Company's performance.</li> <li>• The investment manager and corporate broker run a programme of engagement with wealth managers and other professional investors throughout the year to promote the Company.</li> <li>• The Board makes additional spend available to promote the Company's investment proposition to retail investors in the UK and has, since 2019, held the annual general meeting in London enabling shareholders to attend in person and speak with directors and the Fund Managers.</li> </ul> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• Shareholders are informed and there is regular demand for the Company's shares.</li> </ul>
Investment manager	<p><b>Purpose:</b></p> <ul style="list-style-type: none"> <li>• Maintain a close working relationship with the investment manager as this is key to achieving the Company's investment objective and promoting the Company to shareholders.</li> </ul> <p><b>How we engage:</b></p> <ul style="list-style-type: none"> <li>• The Fund Managers are invited to each Board meeting to provide an update on the performance of the portfolio and to keep the directors in touch with their views on the markets and positioning of the portfolio.</li> <li>• The investment manager provides data on the key performance indicators at each meeting enabling the directors to measure performance.</li> <li>• The investment manager demonstrates compliance with the parameters of the investment mandate at each meeting and provides access to senior managers in the Operational Risk and Internal Audit teams enabling the directors to assess the effectiveness of internal controls in operation.</li> <li>• The heads of investment trust Sales and Marketing are invited to provide regular presentations to the Board on how the Company is promoted to professional and retail investors.</li> </ul> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• The Board is confident that the Company's assets are managed in line with the investment objective and within approved parameters.</li> <li>• The Board has a good understanding of how the Company is perceived in the market and whether the investment objective remains relevant in the prevailing market conditions.</li> </ul>



# Business model (continued)

Stakeholder	Engagement
Service providers	<p><b>Purpose:</b></p> <ul style="list-style-type: none"> <li>• The Company's day-to-day operations run smoothly.</li> <li>• The directors are informed of any issues which may arise and can ensure that suitable action is taken to address them.</li> </ul> <p><b>How we engage:</b></p> <ul style="list-style-type: none"> <li>• The Board receives regular reporting and presentations from its key third-party service providers throughout the year.</li> <li>• Designated staff at the investment manager engage regularly with all third-party service providers through meetings and written reporting, and keep the Board updated with any areas of concern.</li> <li>• The Management Engagement Committee annually reviews the level of services delivered by each service provider and the terms on which they are engaged, including all fee arrangements, to ensure that these remain in line with market practice.</li> </ul> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• The Board is confident in its selection of third-party service providers and maintains good oversight of the Company's operations.</li> </ul>
Investee companies	<p><b>Purpose:</b></p> <ul style="list-style-type: none"> <li>• The Board has an understanding of the Fund Managers' approach to selecting stocks for the portfolio.</li> </ul> <p><b>How we engage:</b></p> <ul style="list-style-type: none"> <li>• The shares held in the Company's portfolio are voted at general meetings and appropriate engagement undertaken with investee companies where management proposals are not supported.</li> </ul> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• The Company is a responsible investor.</li> </ul>

## Diversity

The Board's approach to the appointment of non-executive directors is always to appoint the best person for the role. The directors are mindful of diversity – gender, social and ethnic backgrounds, cognitive and personal strengths, as well as experience – when making appointments to the Board. The Board regularly considers the leadership needs of the Company, taking account of the specific skills required to provide effective oversight of the Company's activities as well as meet our regulatory obligations. As a company incorporated in the Bailiwick of Jersey, we are obliged to appoint two Jersey resident directors.

All appointments to the Board are based on objective criteria and merit and are made following a formal, rigorous and transparent process.

At the date of this report, the Board comprises one female and four male directors. The business backgrounds of the directors are varied and they bring expertise from careers in asset management, investment banking, private equity, law and accounting to the discussions of the Board. Three of the directors have substantial experience working in several jurisdictions in the Asia Pacific region and are familiar with the economic and political environment in the region.

As the Company has no employees, it does not maintain a formal policy on diversity and inclusion, and therefore has not reported further in respect of gender representation within the Company.

## Viability statement

In keeping with provisions of the Code of Corporate Governance issued by the Association of Investment Companies (the 'AIC Code'), we have assessed the prospects of the Company over a period longer than the 12 months required by the going concern provision.

We consider the Company's viability over a five-year period as we believe this is a reasonable timeframe reflecting the longer-term investment horizon for the portfolio, but which acknowledges the inherent shorter term uncertainties in equity markets. As part of the assessment, we have considered the Company's financial position, as well as its ability to liquidate the portfolio and meet expenses as they fall due. The following aspects formed part of our assessment:

- the Company's purpose and approach which means we remain a medium to long term investor;
- consideration of the principal risks and uncertainties facing the Company (set out in the table above) and determined that no materially adverse issues had been identified;

## Business model (continued)

- the nature of the portfolio which remained diverse comprising a wide range of stocks which are traded on major international exchanges meaning that, in normal market conditions, well over three quarters of the portfolio can be liquidated in ten days;
- the closed end nature of the Company which does not need to account for redemptions;
- the level of the Company's revenue reserves and banking facility, as well as the likelihood of being able to renew this facility; and
- the expenses incurred by the Company, which are predictable and modest in comparison with the assets and the fact that there are no capital commitments currently foreseen which would alter that position.

Based on the results of the viability assessment, we have a reasonable expectation that the Company will be able to continue its operations and meet its expenses and liabilities as they fall due for our assessment period of five years. We will revisit this assessment annually and provide shareholders with an update on our view.

### Fee arrangements

The Company has appointed Janus Henderson Fund Management UK Limited ('JHFMUKL', formerly Henderson Investment Funds Limited) to act as its Alternative Investment Fund Manager. JHFMUKL delegates investment management services to Janus Henderson Investors UK Limited (formerly Henderson Global Investors Limited) in accordance with an agreement effective from 22 July 2014, which can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority ('FCA') and are part of the Janus Henderson group of companies. References to 'Janus Henderson' refer to the services provided to the Company by the investment manager's group.

The Fund Managers are Mike Kerley, who has managed the Company's portfolio since 2006 and Sat Duhra, who has worked on the portfolio since 2011. Sat was formally appointed as co-Fund Manager on 20 June 2019. Mike is based in the Manager's London office and Sat, in Singapore.

For the year under review, a flat fee of 0.75% of net assets was applicable across all of the Company's assets.

The investment manager, and its subsidiaries, provide accounting, company secretarial, sales, marketing and general administrative services to the Company.

The Corporate Secretary, Janus Henderson Secretarial Services UK Limited (formerly Henderson Secretarial Services Limited), is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Correspondence from shareholders

addressed to the Chairman or the Board received at Janus Henderson's offices is forwarded to the Chairman, or addressee, in line with the established procedures in place.

BNP Paribas S.A. provides fund administration services, following its merger with BNP Paribas Securities Services S.C.A. on 1 October 2022.

### The Company's structure

The Company is Jersey incorporated and moved its tax residence to the United Kingdom with effect from 1 September 2018. The Company continues to meet its obligations under the Companies (Jersey) Law 1991 and remains regulated by the Jersey Financial Services Commission. From 1 September 2018, the Company became subject to the provisions of the Corporation Tax Act 2010, as set out in English law and as it pertains to investment trusts. The Company must therefore distribute at least 85% of its annual investment income to shareholders to preserve its investment trust status. The directors are of the opinion that the Company has conducted its affairs in compliance with s.1158 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority. The Company is listed on the Main Board of the New Zealand Stock Exchange ('NZX') and is subject to the NZX Listing Rules. 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.

The Strategic Report on pages 1 to 21 has been approved by the Board.

For and on behalf of the Board

Ronald Gould  
Chairman  
3 November 2022



# Responsible investment

As stewards we take a responsible approach to investment and the closed end nature of the Company makes it ideal for longer term investing. It provides our Fund Managers with the opportunity to engage with investee companies as they develop their environmental, social and governance ('ESG') strategies.

We recognise that there is a considerable lack of consistency in ESG implementation and articulation not only across the industry, but across the many countries making up the Asia Pacific region. The purpose of this report is therefore to provide shareholders with a clear understanding of our approach.

As an investment company, we are not required to report against the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). Many of these recommendations are relevant to 'trading' companies, but we acknowledge that we have a look-through responsibility in assessing how our investee companies approach ESG matters. The FCA has now published regulations that require the Company's investment manager to report against TCFD both at the AIFM and product level by 2024 so more information in this respect should be available to shareholders in the future.

## Stewardship

Our approach to responsible investment is twofold comprising:

- the actions we, as a Board, take in terms of our composition and diversity, as well as the values we set for ourselves and the service providers we choose to appoint; and
- the actions our appointed investment manager takes as part of their approach for responsibly and sustainably managing the Company's portfolio in line the investment objective set by our shareholders.

As a Board, we are aware of the expectations placed on companies in terms of their governance responsibilities, and we are even more keenly aware that applying such expectations as a matter of rote may cause more harm than good. We therefore take a pragmatic approach and believe in engaging with companies in the first instance rather than simply divesting or excluding investment opportunities.

Our investment manager takes a similar approach and believe their ability to have the greatest impact as active managers is through engagement with the companies in which they invest on our behalf. The exception to this, which we fully support, is our investment manager's ban on investing in munitions.

Our investment manager further 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, they 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, they have maintained a CarbonNeutral® certification since 2007 and offset all its operational Scope 1, Scope 2 and Scope 3 emissions each year.

## Investment strategy

The Fund Managers' focus is on well managed companies with attractive valuations which have the ability to sustain and/or grow dividends for the future. The portfolio retains a significant exposure to energy and materials companies with a focus on fuels and materials that are integral to the energy transition. The Fund Managers also retain the exposure to financials although are increasingly moving towards diversified financials rather than banks.

The Fund Managers thoroughly research prospects and markets using sophisticated and often proprietary techniques before selection.

Options are used on an opportunistic basis to generate additional income around transactions. Put and call options are written on individual stocks with strike prices aligned to the Fund Managers' target prices. These are used sparingly to ensure capital is not tied up by utilising this strategy. We do not employ either structural or long-term gearing, preferring to use more flexible short-term borrowings when opportunities present themselves.

## Dividend approach

One of the key investment objectives of the Company is to provide investors with a growing total annual dividend per share. This underpins the Board's approach to the dividend policy. In most years, we seek to pay dividends from current revenue and add to the revenue reserve where possible. The purpose of this reserve is to smooth the dividend in extreme market conditions.

When deciding on whether to pay each quarterly dividend, we have regard to a variety of factors, including the current and the forecasted levels of income, the sustainability of that income, cash resources and any macro economic and currency risks in relation to the countries in which the Company invests. The Fund Managers provide portfolio updates together with a projected schedule in respect of the income generated by the underlying investments to assist the Board's decision.

## Voting

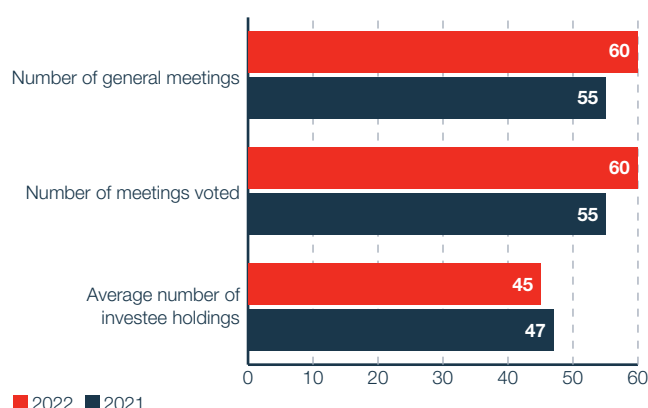
The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. We have engaged the investment manager to consider how best to vote the rights attached to the shares

# Responsible investment (continued)

in the Company's portfolio. In adopting this approach, we are able to access the expertise of the investment manager's Governance and Responsible Investment team in evaluating engagement by investee companies and the appropriateness of any resolutions which shareholders may be asked to approve.

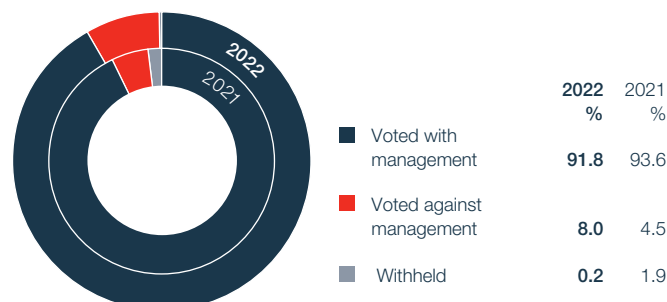
We retain oversight of the process by receiving reporting indicating how the Company's shares have been voted and by reviewing the investment manager's ESG Investment Policy, their Stewardship Policy Statement and proxy voting procedures at least annually. Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Managers, who have an in-depth understanding of the respective company's operations.

## Number of investee company general meetings

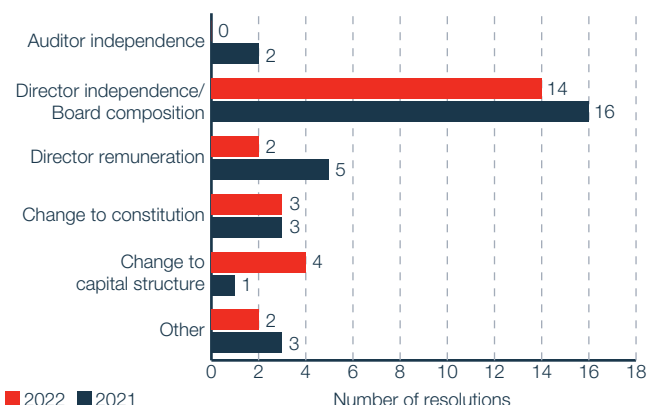


Figures in the bar chart based on the period 1 September 2021 to 31 August 2022

## How we voted our shares (number of resolutions)



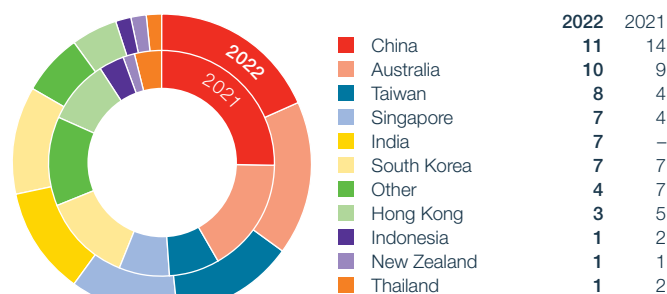
## Areas where we voted against management recommendations<sup>1</sup>



2022 2021

Number of resolutions

## Market breakdown by number of meetings voted



<sup>1</sup> Excludes votes withheld

# Managing risks

## Principal risks

Investing, by its nature, carries inherent risk. The Board, with the assistance of the investment manager, carries out a robust assessment of the principal and emerging risks and uncertainties facing the Company which could threaten the business model and future performance, solvency and liquidity of the portfolio. A matrix of these risks, along with the steps taken to mitigate them, is maintained and kept under regular review. The mitigating measures include a schedule of investment limits and restrictions within which the Fund Managers must operate. We do not believe these principal risks to have changed over the course of the year.

Our assessment includes consideration of the possibility of severe market disruption and some of the areas which we reviewed over the course of the year are outlined in the table below. The principal risks which have been identified and the steps we have taken to mitigate these are set out below:

Risk	Mitigating action
<p><b>Investment and strategy</b></p> <p>An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in underperformance against the companies in the peer group, and in the Company's shares trading on a wider discount.</p> <p>Investments in Asian markets may be impacted by political, market and financial events resulting in changes to the market value of the Company's portfolio.</p>	<p>We manage these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The investment manager operates in accordance with investment limits and restrictions determined by the Board, which include limits on the extent to which borrowings may be employed. We review compliance with limits and monitor performance at each Board meeting.</p> <p>The Board receives an update from the Fund Managers on market conditions in the region at each meeting. During the year, the Board considered China's continuing 'Zero Covid' approach and its implications for further supply chain disruption, the squeeze on energy supplies in several Asian countries, deleveraging of the real estate sector in the region's largest economy, inflation, the war in Ukraine and the heightened possibility of conflict in Taiwan, as well as the ongoing US-China strategic competition for global influence. Consideration was also given to whether climate change could impact the value of the portfolio, but the Board concluded that this was not the case at present as the investments continued to be valued based on quoted market prices.</p>
<p><b>Accounting, legal and regulatory</b></p> <p>The Company is regulated by the Jersey Financial Services Commission and is required to comply with the Companies (Jersey) Law 1991, the Financial Conduct Authority's Listing Rules, Transparency Guidance and Disclosure Rules and Prospectus Rules and the Listing Rules of the New Zealand Stock Exchange.</p> <p>To retain investment trust status, the Company must comply with the provisions of s.1158 of the Corporation Tax Act 2010.</p> <p>A breach of company law could result in the Company being subject to criminal proceedings or financial and reputational damage. A breach of the listing rules could result in the suspension of the Company's shares. A breach of s.1158 could result in capital gains realised within the portfolio being subject to corporation tax.</p>	<p>The investment manager provides investment management, company secretarial, administration and accounting services through qualified professionals. We receive quarterly internal control reports from the investment manager which demonstrate compliance with legal and regulatory requirements and assess the effectiveness of the internal control environment in operation at the investment manager and our key third-party services providers at least annually.</p>



# Managing risks (continued)

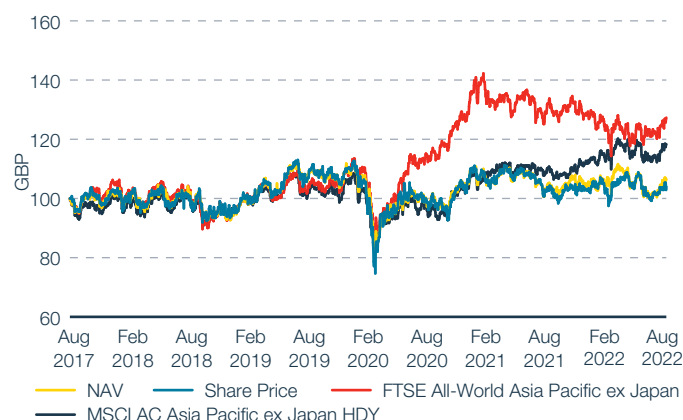
Risk	Mitigating action
<b>Operational</b>	
<p>Disruption to, or the failure of, the investment manager's or the administrator's accounting, dealing, or payment systems or the custodian's records could prevent the accurate reporting or monitoring of the Company's financial position.</p>	<p>The Board engages reputable third-party service providers and formally evaluates their performance, and terms of appointment, at least annually.</p>
<p>The Company may be exposed to cyber risk through vulnerabilities at one or more of its service providers.</p>	<p>The Audit Committee assesses the effectiveness of internal controls in place at the Company's key third-party services providers through review of their reports on the effectiveness of internal controls, quarterly internal control reports from the investment manager and monthly reporting on compliance with the investment limits and restrictions established by the Board.</p>
<b>Financial</b>	
<p>The financial risks faced by the Company include market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit risk.</p>	<p>We determine the investment parameters and monitor compliance with these at each meeting. We review the portfolio liquidity at each meeting and periodically consider the appropriateness of hedging the portfolio against currency risk.</p> <p>The Company is denominated in sterling, but receives dividends in a wide range of currencies from the Asia Pacific region. The income received is therefore subject to the impact of movements in exchange rates. The portfolio remains unhedged.</p> <p>The Board reviews the portfolio valuation at each meeting.</p> <p>Investment transactions are carried out by a large number of approved brokers whose credit standard is periodically reviewed and limits are set on the amount that may be due from any one broker, cash is only held with the depositary/ custodian or reputable banks.</p> <p>We reviewed the broad structure of the Company's capital including the need to buy back or allot ordinary shares and the extent to which revenue in excess of that which is required to be distributed, should be retained.</p> <p>Further detail on how we mitigate these risks are set out on pages 54 to 61.</p>

# Key Performance Indicators

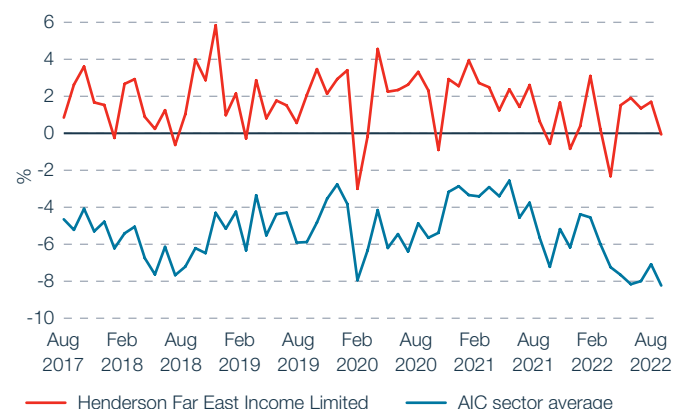
## Measuring our performance

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Fund Managers, the directors take into account a number of Key Performance Indicators ('KPIs').

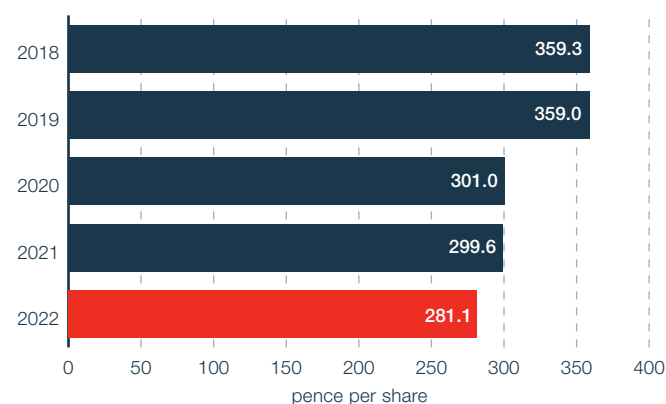
### Total return performance for the five years ended 31 August 2022



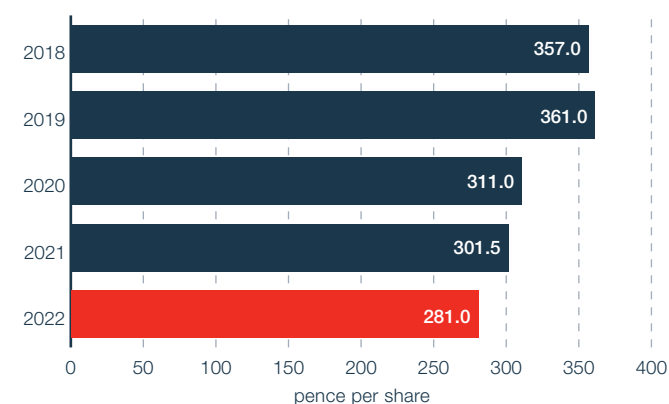
### Premium/discount for the five years ended 31 August 2022



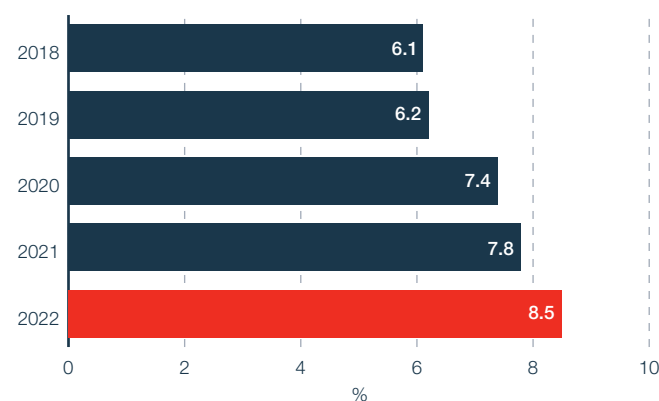
### Net asset value per share



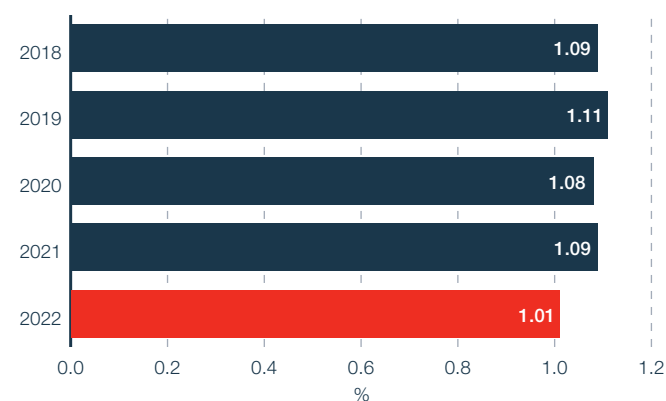
### Share price



### Dividend yield



### Ongoing charge



Source: Morningstar Direct, Janus Henderson, Refinitiv Datastream



# Governance



Bongeunsa Temple, Seoul



# Board of Directors

## The right balance of skills and knowledge

### Ronald ('Ron') Gould

Chairman (from 21 June 2022)

**Date of appointment:** 28 October 2021

**Committees:** Chairman of the Nomination Committee and Management Engagement Committee.

**Relevant skills and experience:** Ron is an investor and strategic consultant in the financial services sector in both Asia and Europe. His long career in investment management and banking led to extensive work as a government advisor in both the UK and Asia. He established the Greater China/Asia business of the Promontory Financial Group, leading efforts to improve governance, risk control and regulatory effectiveness for financial companies in Asia from a base in China. Prior to his work with Promontory, he was Chief Executive of Chi-X Asia, successfully developing new market trading venues across the Asian region.

Ron was Senior Adviser to the UK Financial Services Authority and remains a government adviser in several jurisdictions. He was Chief Executive Officer of investment bank ABG Sundal Collier, Managing Director of AXA Investment Managers and Vice Chairman of Barclays Bank asset management activities.

**External appointments:** He is Chairman of BlackRock Smaller Companies Trust plc and Think Alliance Group in Hong Kong.

### Julia Chapman

Independent non-executive director

**Date of appointment:** 30 January 2015

**Committees:** Member of the Nominations Committee, Management Engagement Committee and Audit Committee.

**Relevant skills and experience:** Julia is a lawyer qualified in England & Wales and in Jersey with over 30 years' experience in the investment fund and capital markets sector. After working at Simmons & Simmons in London, she moved to Jersey and became a partner of Maurant du Feu & Jeune (now Maurant) in 1999. She was then appointed General Counsel to Maurant International Finance Administration (the firm's fund administration division). Following its acquisition by State Street in April 2010, Julia was appointed as European Senior Counsel for State Street's alternative investment business. In July 2012, Julia left State Street to focus on the independent provision of directorship and governance services to a small number of investment fund vehicles.

**External appointments:** Julia is a non-executive director of GCP Infrastructure Investments Limited and BH Macro Limited.

### Timothy ('Tim') Clissold

Independent non-executive director

**Date of appointment:** 3 September 2018

**Committee memberships:** Member of the Nominations Committee, Management Engagement Committee and Audit Committee.

**Relevant skills and experience:** Tim qualified as a Chartered Accountant and has worked in Australia, Hong Kong and extensively in China, where he was co-founder of one of the first private equity groups in the country. He later ran Goldman Sachs China's distressed investment business in Beijing. He co-founded another business to originate UN carbon offsets from GHG emission reduction projects in China. Tim is Chief Resolution Officer at Peony Advisers Limited, a company which helps shareholders who have been disenfranchised by Chinese companies delisting from AIM and other markets. He was a member of the Strategic Advisory Board of Braemar Energy Ventures, a New York venture capital fund focused on energy efficiency technologies. He is the author of Mr China, Chinese Rules and Cloud Chamber.

**External appointments:** Tim is Chief Resolution Officer at Peony Advisers Limited, a director of Peony Investments Limited and a non-executive director of Baillie Gifford China Growth Trust plc.



Ronald ('Ron') Gould  
Chairman



Julia Chapman  
Independent non-executive director



Timothy ('Tim') Clissold  
Independent non-executive director

**Nicholas George**

Chairman of the Audit Committee

**Date of appointment:** 20 April 2016

**Committees:** Chairman of the Audit Committee, member of the Nominations Committee and Management Engagement Committee

**Relevant skills and experience:** Nicholas is a Chartered Accountant by training and has spent almost his entire working life in various aspects of investment banking, specialising in the Asian markets. In his early career he worked for a number of leading City institutions and joined Robert Fleming Securities initially as head of Asian Securities in London and then moved to Hong Kong to establish a corporate broking division for Jardine Fleming, subsequently taken over by JPMorgan, where he remained as Managing Director. In 2003 he co-founded KGR Capital Partners, a Hong Kong based Asian hedge fund of funds registered with the Securities and Futures Commission. Since that time, he has become a non-executive director of a number of diversified businesses ranging from telecommunications, investment management, hotels to age care. He continues to travel widely throughout Asia, where he has built up an impressive network of contacts.

**External appointments:** Nicholas is a director of John Lamb Hill Oldridge Limited.

**David Mashiter**

Independent non-executive director

**Date of appointment:** 6 November 2006

**Committees:** Member of the Nominations Committee, Management Engagement Committee and Audit Committee.

**Relevant skills and experience:** David is currently managing director of Meridian Asset Management (C.I.) Limited. He is also a director of Northcross Capital Management Limited and Northcross Holdings Limited. He was formerly Head of Investment Management with the Royal Trust Company of Canada in Jersey.

**External appointments:** David is a director of Northcross Capital Management Limited and Northcross Holdings Limited.



**Nicholas George**  
Chairman of the Audit Committee



**David Mashiter**  
Independent non-executive director

# Corporate Governance Report

## Governance codes

The Board is pleased to report to shareholders on the Company's governance arrangements and how the Company has applied the principles of the Code of Corporate Governance published by the Association of Investment Companies.

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (the '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. Consequently, the Board considers the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies (the 'AIC Code'). The AIC Code addresses the principles set out in the UK Code as well as additional recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ('FRC') has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should meet their obligations in relation to the Disclosure Guidance and Transparency Rules.

The Company also maintains a listing on the New Zealand Stock Exchange ('NZX') where it is classified as a Foreign Exempt Issuer. The Listing Rules of the NZX therefore require the Company to comply with the provisions applicable to its Home Exchange, being the London Stock Exchange, at all times, notifying the NZX of any changes pertinent to the listing on the Home Exchange and ensuring that any announcements made to the Home Exchange are simultaneously released to the market in New Zealand. Accordingly, the Company reports against its compliance with the AIC Code rather than the NZX Corporate Governance Code.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: [www.theaic.co.uk](http://www.theaic.co.uk) and [www.frc.org.uk](http://www.frc.org.uk). The AIC Code published in January 2019 includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

## Statement of Compliance

The Board has considered the principles of the AIC Code and confirms that, with the exception of the appointment of a senior independent director and the annual evaluation of the effectiveness of the Board, it has complied with these throughout the reporting period. A senior independent director has not been appointed given the size of the Board and nature of the Company's operations. The Audit Committee Chairman is available to shareholders should the need arise and David Mashiter facilitates the evaluation of the Chairman and in leading directors in meetings where the Chairman does not attend. The annual performance evaluation of the Board, its committees and individual directors was deferred to January 2023 following the change in Chairman during the period.

The Company has no executive directors so does not consider executive remuneration. As a fully managed investment company, the Company has no internal operations so does not maintain an internal audit function, although the Audit Committee regularly considers the need for it.

## Overview

The Board is comprised entirely of non-executive directors and has constituted three principal committees: the Audit Committee, the Management Engagement Committee and the Nominations Committee. The Board has also constituted an Insider Committee which meets when required to assist the Board in discharging its responsibilities under the Market Abuse Regulations.

The terms of reference for each Committee are kept under regular review by the Board and are available on the Company's website [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com).

The Board engages third-party service providers to deliver the operations of the Company. Janus Henderson has been appointed to manage the investment portfolio and is the Company's Alternative Investment Fund Manager.

The investment manager provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary, and a custodian, who are responsible for the safe custody of the Company's other assets. The Company has appointed a registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their internal control systems in relation to the affairs of the Company. The Board and its committees maintain oversight of third-party service providers through regular and ad hoc reporting and ongoing monitoring by the investment manager.

## Board leadership and purpose

The Board is responsible for providing leadership and setting the tone from the top in terms of the Company's culture and values. The Board appoints all third-party service providers and monitors their performance throughout the year. The directors formally evaluate the quality of the service provided by each third-party service provider and consider the appropriateness of the terms of their engagement at least annually. The Board aligns the Company's risk appetite with the investment objective set by shareholders and establishes investment restrictions accordingly. The Board keeps under regular review the risks faced by the Company and assesses the effectiveness of internal controls put in place to mitigate these.

As well as making the strategic decisions regarding the Company's purpose and establishing the risk management framework, the Board's purpose is to provide independent oversight of the operations delivered by the Company's third-party service providers and to challenge the decisions



# Corporate Governance Report (continued)

and recommendations made by them, particularly the investment manager. The Board does this by meeting formally at least four times a year, with additional Board or committee meetings arranged when required. The directors have regular contact with the Fund Managers and other employees of the investment manager in connection with the delivery of company secretarial, sales, marketing and other administrative services.

The Board has a formal schedule of matters specifically reserved for its decision, which includes setting strategy and providing oversight of performance against agreed measures. It approves any changes to the structure and capital arrangements for the Company, has oversight of financial reporting and assesses the effectiveness of the internal control framework. The Board approves communications with shareholders, the appointment of new directors, oversees governance matters and is responsible for determining the remuneration of individual directors. Each meeting follows an agenda agreed with the Chairman and includes a review of the Company's investment performance, financial position, compliance with the investment parameters and a review of notable changes to the share register, along with any sales and marketing activities undertaken. This reporting enables

the Board to ensure that control is maintained over the Company's affairs.

The investment manager ensures that the directors receive relevant management, regulatory and financial information. Employees of the investment manager attend each Board meeting enabling the directors to probe further on matters of concern. The Chairman is able to attend meetings of all the chairmen of the investment companies managed by Janus Henderson which provides a forum to discuss industry matters. The directors have access to the advice and services of the Corporate Secretary through its designated representative who is responsible for ensuring that Board and Committee procedures are followed. The proceedings of all Board and Committee meetings are minuted, with any particular concerns raised by the directors appropriately recorded. The Board and the investment manager operate in a supportive, co-operative and open environment.

The Company has a procedure for directors to take independent professional advice at the expense of the Company in the furtherance of their duties. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information.

## Division of responsibilities

Role	Primary responsibilities
Shareholders	<p><b>The Company's shareholders are responsible for:</b></p> <ul style="list-style-type: none"> <li>• approving the Company's investment objective and policy;</li> <li>• making decisions regarding changes to the Company's constitution;</li> <li>• electing and re-electing directors to the Board, or removing them from office if deemed appropriate;</li> <li>• determining the overall limit for directors' remuneration; and</li> <li>• formally appointing the statutory auditor.</li> </ul>
Chairman	<p><b>The Chairman of the Board is responsible for:</b></p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• leading the Nominations Committee in developing succession planning and the identification of potential candidates for appointment to the Board (except when considering his own succession);</li> <li>• leading the Board in determining its governance framework, culture and values;</li> <li>• representing the Company, alongside the Fund Managers, externally at business, and community level; and</li> <li>• managing the relationship with the investment manager.</li> </ul>

# Corporate Governance Report (continued)

Role	Primary responsibilities
Independent non-executive directors	<p><b>The independent non-executive directors are responsible for:</b></p> <ul style="list-style-type: none"> <li>• providing constructive and effective challenge, especially to the decisions of the investment manager;</li> <li>• scrutinising and holding to account the performance of the: <ul style="list-style-type: none"> <li>– Fund Managers in meeting the investment objective;</li> <li>– investment manager in the promotion of the Company and day-to-day smooth operation of the Company's business; and</li> </ul> </li> <li>• providing strategic guidance and offering specialist advice.</li> </ul>
Committee chairs	<p><b>The Committee chairs are responsible for:</b></p> <ul style="list-style-type: none"> <li>• the leadership and governance of their committee;</li> <li>• maintaining the relationships with specialist service providers delivering services within the remit of their committees;</li> <li>• reporting on the activities of their committee to the Board; and</li> <li>• seeking approval from the Board for the responsibilities set out in their respective terms of reference.</li> </ul>
Investment manager	<p><b>The investment manager is the Company's appointed Alternative Investment Fund Manager and is responsible for:</b></p> <ul style="list-style-type: none"> <li>• promoting the Company's investment proposition to professional and retail investors;</li> <li>• making the necessary reporting to the FCA regarding the Company's status as an Alternative Investment Fund;</li> <li>• providing accounting, company secretarial and other administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions; and</li> <li>• coordinating the delivery of services provided by the Company's other third-party service providers.</li> </ul>
Fund Managers	<p><b>The Fund Managers and their team are responsible for:</b></p> <ul style="list-style-type: none"> <li>• selecting the stocks held within the portfolio;</li> <li>• diversification and risk management through stock selection and size of investment;</li> <li>• determining the volume and timing of acquisitions and disposals; and</li> <li>• determining the frequency and level of gearing within the overall limits set by the Board.</li> </ul>

## Board composition

At the date of this report, the Board comprises five non-executive directors. Their business experience is set out on pages 23 and 24.

## Appointment, tenure and retirement of directors

The Board may appoint directors at any time during the year. Any director so appointed stands for election by shareholders at the next annual general meeting. Directors are generally expected to serve two terms of three years, which may be extended to a third term, and occasionally beyond, at the discretion of the Board and subject to satisfactory performance evaluation and annual re-election by shareholders. This approach takes account of the entirely non-executive membership of the Board and the outsourced business model which the Company uses.

All directors stand for re-election by shareholders annually in keeping with the provisions of the AIC Code. The articles permit shareholders to remove a director before the end of his or her term by passing an ordinary resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

## Chairman's tenure

Given the entirely non-executive nature of the Board and the fact that the Chairman may not be appointed as such at the time of their initial appointment as a director, the Chairman's tenure may be longer where this is considered by the Board to be in the best interests of the Company. As with all directors, the continuing appointment of the Chairman is subject to satisfactory performance evaluation, annual re-election by shareholders and may be further subject to the particular circumstances of the Company at the time he intends to retire from the Board.

# Corporate Governance Report (continued)

## Directors' independence

The independence of the directors is determined with reference to the AIC Code and is reviewed by the Nominations Committee at least annually. The Committee considers each of the director's other appointments and commitments, as well as their tenure and any connections they may have with the investment manager or other key service providers. Following completion of the evaluation, the Committee concluded that all directors continued to be independent in character and judgement.

David Mashiter has been on the Board for over nine years. The Board considers him to be an independent non-executive director. Independence stems from the ability to make decisions that conflict with the interest of management and this is a function of confidence, integrity and judgement. The Board is firmly of the view that length of service does not automatically impair a director's ability to act independently, but that the longer perspective adds value to the deliberations of the Board, especially in light of its entirely non-executive nature.

## Conflicts of interest

The articles 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 process in place for directors to declare situational conflicts to be authorised 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. The directors may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts which are considered, are recorded in the minutes.

## Induction and ongoing training

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

Directors are provided with information on the Company's policies, regulatory and statutory requirements affecting the Company, as well as changes to the directors' responsibilities as they arise. They are encouraged to attend external training and industry seminars, and may do so at the expense of the Company.

## Directors' time commitment

The Board expects directors to be able to devote sufficient time to meet the demands of the business. Directors should

attend all scheduled meetings except when unforeseen and serious circumstances arise at short notice, such as sudden illness or death in the close family. The Board expects directors to be able to make themselves available at reasonably short notice to consider any ad hoc matters that may arise.

Directors' other commitments are considered as part of the candidate selection process for new appointments and annually as part of the overall performance evaluation of each director.

The table below sets out individual directors' meeting attendance for the period under review.

Director	Board	Audit Committee	Nominations Committee	Management Engagement Committee
Number of meetings	4	2	2	1
Ronald Gould <sup>1</sup>	3	1	1	1
John Russell <sup>2</sup>	4	2	2	1
Julia Chapman	4	2	2	1
Timothy Clissold	4	2	2	1
Nicholas George	4	2	2	1
David Mashiter	4	2	2	1

<sup>1</sup> Appointed as a director on 28 October 2021

<sup>2</sup> Retired as the Chairman on 21 June 2022

## Succession planning

To be effective the Board must maintain a balance of skills and experience, and seek to refresh these on a regular basis to ensure that the Board's oversight of the Company's operations is robust.

As the Board is comprised entirely of non-executive directors and all operations are outsourced, ensuring a suitable balance of skill and experience includes retaining a detailed knowledge of the Board's deliberations and decisions over the long term, which may mean some directors remain on the Board for longer than nine years. The Board usually considers its membership annually following individual performance evaluation and when recommending directors to shareholders for re-election. The Board maintains a succession plan which remains subject to the challenges facing the Company at the time these plans are implemented, the skills the Board believes it requires to ensure the safeguarding of shareholders' assets and the obligations placed on it by the Jersey regulator in respect of the number of Jersey based directors who must be appointed to the Board.

## Performance evaluation

The annual evaluation of the effectiveness of the Board, its committees and individual directors has been deferred to January 2023 following the change in Chairman during the period.



# Corporate Governance Report (continued)

## Risk management and internal control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. 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 year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting;
- regular financial 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 investment manager and all other third-party service providers. The Board reviews performance levels and adherence to relevant provisions in the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;
- the review of controls at the investment manager and other third-party service providers. The Board receives quarterly reporting from the investment manager and depositary, and reviews assurance reports on the effectiveness of the control environments at the Company's key service providers;
- review of additional reporting provided by:
  - the investment manager's Operational Risk team on the control environment in operation at the investment manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the investment manager's Internal Audit team on areas of operation 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 and is satisfied that it has not identified or been advised of any failings or weaknesses that have been determined as significant.

By order of the Board

Janus Henderson Secretarial Services UK Limited  
Corporate Secretary  
3 November 2022

# Nominations Committee Report

The Nominations Committee is responsible for ensuring the Board retains an appropriate balance of skills, experience and diversity, has a formal, rigorous and transparent approach to the appointment of directors and maintains an effective framework for succession planning.

## Membership

The Committee is chaired by the Chairman of the Board, except when discussing succession planning for his role.

All of the independent non-executive directors are members of the Committee.

## Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

## Role and responsibilities

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

- the composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each director and whether the diversity of these continued to contribute to the success of the Company;
- the 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 commitments;
- the time commitment of the directors and whether this had been sufficient over the course of the year;
- succession planning for appointments to the Board, the tenure of the current directors and recommendations of the AIC Code in respect of the length of service of directors and the Chairman; and
- the contribution of the directors standing for re-election at the forthcoming annual general meeting.

Following completion of its reviews, the Committee concluded that the Board continued to operate effectively and that each director continued to commit the time required to fulfil their duties to the Company.

## Directors for re-election

The Committee considered the performance of the directors standing for re-election at the forthcoming annual general meeting and concluded that all directors should be supported. The Committee believes that the directors continued to bring their knowledge and experience to bear in making decisions regarding the Company and could commit additional time at short notice to keep up to date with movements in global markets and their impact on the Company's portfolio. As part of its assessment, the Committee noted the tenure of directors and the restrictions imposed by the Jersey Financial Services Commission in terms of having two Jersey based directors on the Board.

## Board diversity

At the date of this report, 20% of Board membership comprises female directors. The Company does not presently meet the ethnic diversity targets set out in Listing Rule 9.8.6(9). In part this is due to the additional restriction placed on the Company which requires it to have two Jersey based directors on the Board at all times. This notably reduces the pool from which candidates can be considered in respect of 40% of the Board's membership. The Board is actively engaging with the Jersey regulator to find a successful way forward in this respect.

The Board is cognisant of the benefits of diversity when making appointments and remains committed to selecting the best candidate for any role.

## Appointment of Chairman

Ronald Gould succeeded John Russell, who retired as Chairman of the Board on 21 June 2022. Ronald was appointed as a non-executive director on 28 October 2021 following a recruitment process led by the Committee and chaired by David Mashiter for this purpose. Details of this process can be found in the Committee's report in the Annual Report 2021.

Ronald Gould  
Chairman  
3 November 2022

# Management Engagement Committee Report

The Management Engagement Committee is responsible for formally evaluating the overall performance of and terms of engagement of the investment manager and other third-party service providers engaged by the Company.

## Membership

The Committee is chaired by the Chairman of the Board.

All of the independent non-executive directors are members of the Committee.

## Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

## Role and responsibilities

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

- the investment performance of the Company, taking account of the comparator indices and performance of competitors in the closed end and open ended sectors, the share price, the level of premium and, for a short period, the discount, as well as the gearing;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its closed end competitors and other, similar sized investment companies;
- the key clauses of the investment agreement, how the investment manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the broker, depositary, custodian, registrar, research providers, legal counsel and the Company's accountants.

## Re-appointment of the investment manager

Following completion of its reviews, the Committee concluded that the continued appointment of the investment manager remained in the best interests of the Company and its shareholders, and therefore recommended to the Board the re-appointment of Janus Henderson for a further year.

Ronald Gould  
Chairman  
3 November 2022

# 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 auditor.

## Membership

All of the independent non-executive directors are members of the Committee, excluding the Chairman of the Board. The Committee is chaired by Nicholas George, who is considered by the Board to have recent and relevant financial experience.

## Meetings

The Committee usually meets three times a year. The Company's auditors, the Fund Managers and the investment manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis, as is the Chairman of the Board. Other representatives of the investment manager and BNP Paribas S.A. may also be invited to attend if deemed necessary by the Committee.

## Role and responsibilities

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

- the appropriateness of the Company's accounting policies and of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- the Company's annual report and half-year financial statements and the use of the going concern basis for preparation;
- the assessment of the principal risks facing the Company and the long term viability of the Company in light of these risks;
- the independently reviewed reports on the effectiveness of internal controls in operation at the Company's key third-party service providers;
- the need for a separate internal audit function;
- the nature and scope of the statutory audit, agreeing the auditors' fee and reviewing their findings;
- the policy on the provision of non-audit services that may be provided by the auditor;
- audit tender presentations from audit firms and making a recommendation to the Board regarding the appointment of PricewaterhouseCoopers LLP for the year ending 31 August 2023; and
- the whistleblowing arrangements in place at the investment manager enabling staff to raise concerns about possible improprieties in confidence.

## 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, principal among them, the investment manager. 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 investment manager.

The investment manager's Operational Risk team support the Audit Committee in considering the independently reviewed reports on the effectiveness of internal controls in place at the Company's third-party service providers. The investment manager's Internal Audit department provides regular reporting to the Board on the operations at the investment manager and presents at least annually to the Audit Committee. The Audit Committee has therefore concluded, and accordingly made a recommendation to the Board, that it is not necessary for the Company to have its own internal audit function at the present time.

## Appointment and tenure of the auditors

The Company follows the EU Audit Directive and Regulation which sets out that the Company should conduct an audit tender every ten years and rotate audit firms every 20 years.

The Audit Committee carried out an audit tender process in the first half of the 2022 calendar year. Five firms were invited to participate in the process and following due consideration of the merits of each firm, the Audit Committee recommended the appointment of PricewaterhouseCoopers LLP ('PwC') to the Board for appointment in respect of the year ending 31 August 2023.

The Board will recommend the appointment of PwC to shareholders at the forthcoming annual general meeting.

Subject to the audit being effective and shareholder re-election of PwC as the statutory auditor, the Audit Committee does not envisage conducting a further audit tender process until 2032.

The Audit Committee would like to thank KPMG Channel Islands Limited ('KPMG') for their diligent work on the financial statements during their tenure as the Company's auditors.



# Audit Committee Report (continued)

## 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.

KPMG confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

## Policy on non-audit services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the 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 EU 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 preceding the financial period to which the cap applies. Such services require approval in advance by the Audit Committee, or Audit Committee Chairman, following due consideration of the proposed services.

## Significant matters

In relation to the annual report for the year ended 31 August 2022, the following significant matters were considered by the Committee:

Significant matter	How the issue was addressed
Valuation and ownership of the Company's investments	<p>The directors have appointed the investment manager to perform the valuation of the Company's assets in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, the investment manager 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. The options are valued by reference to the Black-Scholes model.</p> <p>Ownership of listed investments is verified by reconciliation to the custodian's records and the directors have received quarterly reports from the depositary, who has responsibility for overseeing the Company's operations, including verification of ownership and valuation.</p>
Recognition of income	<p>Income received, including special dividends, is accounted for in line with the Company's accounting policy (as set out on page 47). Special dividends, and their treatment as revenue or capital, have been reviewed by the Committee and the rationale agreed.</p> <p>The Board reviews revenue forecasts at each Board meeting in support of the Company's future dividends.</p>
Maintaining investment trust status	<p>The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from the investment manager and BNP Paribas S.A.</p>

## Effectiveness of the external audit

The Committee's process for evaluating the effectiveness of the external audit comprises two components: consideration is usually given to the findings of the latest audit quality review report and a post-audit assessment is carried out led by the Committee Chairman. On this occasion, the audit quality review report was not available, although KPMG confirmed that no adverse findings had been identified. In assessing the effectiveness of the audit process, the Committee Chairman invites views from the directors, Fund Managers and other members of the investment 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.

On completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by KPMG.

Nicholas George  
Chairman of the Audit Committee  
3 November 2022

# Directors' Remuneration Report

## Remuneration Policy

The Remuneration Policy (the '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 21 January 2021 and will next be considered in 2024.

The Company's approach is that fees should:

- reflect the time spent on the Company's affairs;
- reflect the responsibilities borne by the directors;
- be sufficient to promote the long-term success of the Company; and
- not exceed the aggregate limit established by shareholders in the articles (currently £200,000 per annum).

Directors are remunerated in the form of fees payable quarterly in arrears. All directors, including any new appointments to the Board, are paid at the same rate. The Chairman of the Board and Chairman of the Audit Committee are paid higher fees in recognition of their additional responsibilities. 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, is put to shareholders at intervals of not more than three years.

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 and as such, a director may resign by notice in writing to the Board at any time, with no compensation payable.

## Annual report on implementation

As the Company has no employees and the Board is comprised entirely of non-executive directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole within the parameters approved by shareholders.

As part of their usual business, the Board considers the fees paid to directors by the other constituents of the AIC sector and of other investment companies with a similar size and nature to the Company. Following completion of the review in 2021, the Board concluded that no changes to fees should be made.

Given that Board meetings are held in the UK and that certain directors' expenses are taxable, the Board has determined that non-UK resident directors would be paid an additional amount of £3,000 per annum in lieu of claiming expenses so as not to disadvantage or deter them from serving on the Board. The arrangement became effective on 1 July 2019.

Directors' fees were last increased on 1 September 2016.

## Annual remuneration

Directors' fees are set out in the table below. Other than the Chairman of the Audit Committee, no fees are payable for membership of the Board's other committees.

Role	Rate at 31 August 2022	Rate at 31 August 2021	% change
Chairman of the Board	39,000	39,000	–
Chairman of the Audit Committee	34,000	34,000	–
Non-executive director <sup>1</sup>	28,000	28,000	–

<sup>1</sup> Non-UK resident directors are paid an additional £3,000 per annum in lieu of claiming travel expenses

## Directors' interests in shares

	Ordinary shares of no par value	
	31 August 2022	1 September 2021
Ronald Gould <sup>1</sup>	27,324	–
John Russell <sup>2</sup>	n/a	70,306
Julia Chapman	2,616	2,616
Timothy Clissold	70,000	20,000
Nicholas George	47,550	15,000
David Mashiter	5,000	5,000

<sup>1</sup> Appointed as a director on 28 October 2021

<sup>2</sup> Retired as Chairman of the Board on 21 June 2022

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the directors' holdings in the period 1 September 2022 to the date of this report.

# Directors' Remuneration Report (continued)

## Directors' fees

The fees 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 Fees £	Year ended 31 August 2021 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 £
John Russell <sup>1</sup>	31,512	39,000	1,209	–	32,721	39,000
Julia Chapman	31,000	31,000	–	–	31,000	31,000
Timothy Clissold	28,000	28,000	–	–	28,000	28,000
Nicholas George <sup>2</sup>	34,000	34,000	38	–	34,038	34,000
David Mashiter	31,000	31,000	–	–	31,000	31,000
Ronald Gould <sup>3</sup>	25,768	–	–	–	25,768	–
<b>Total</b>	<b>181,280</b>	<b>163,000</b>	<b>1,247</b>	<b>–</b>	<b>182,527</b>	<b>163,000</b>

### Notes:

No payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made to directors.

1 Retired as Chairman and a non-executive director on 21 June 2022

2 Chairman of the Audit Committee. Highest paid director

3 Appointed as a non-executive director on 28 October 2021 and became Chairman on 21 June 2022

Ronald Gould  
Chairman  
3 November 2022

# Directors' Report

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

The Corporate Governance Report, committee reports and Additional information on pages 25 to 33 and 65 to 69, form part of this report.

## Share capital

The Company's share capital comprises ordinary shares of no par value, with each share carrying one vote per share. As at 31 August 2022 there were 154,948,564 ordinary shares in issue with total voting rights in the same amount.

The directors seek annual authority from shareholders to allot shares, disapply pre-emption rights in respect of these allotments and to buy back, whether to be cancelled or held in treasury, the Company's ordinary shares. At the annual general meeting held on 21 January 2022, shareholders authorised the directors to allot and disapply pre-emption rights in respect of 15,109,356 shares and to repurchase up to 22,648,925 shares. The directors have issued 4,230,000 shares up to the date of this report.

During the year, 3,855,000 shares (representing 2.6% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities, the Company's broker, at prices ranging from 272.50p to 300.50p for total proceeds (net of commissions and costs) of £11.0m. Subsequent to the year end, the Company issued a further 375,000 shares to the Company's broker at prices ranging between 251.50p to 257.50p per ordinary share.

There are no restrictions concerning the transfer of shares in the Company, no special rights with regard to control attached to shares, no restrictions on voting, no agreements between holders of shares regarding their transfer known to the Company and no agreement to which the Company is party that affects its control following a takeover bid. The holders of ordinary shares are entitled to all capital growth in the Company and all the income from the Company that is resolved by the directors to be distributed. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

## Holdings in the Company's shares

The Company has not received any declarations of interests in the voting rights in the year up to 31 August 2022 or in the period to the date of this report.

## Related party transactions

The Company's current related parties are its directors and the investment manager. There have been no material transactions between the Company and the directors during the year, with the only amounts paid to them being in respect of remuneration. In relation to the provision of services by the investment 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 investment manager affecting the financial position of the Company during the year under review. More details on transactions with the investment manager, including amounts outstanding at the year end, are given in note 19 on page 63.

## Annual General Meeting

The Company's annual general meeting will be held at 11.00 am on Thursday, 27 January 2023 at 201 Bishopsgate, London, EC2M 3AE. For those unable to travel, the event will be streamed live on the internet: [www.janushenderson.com/trustslive](http://www.janushenderson.com/trustslive).

No live voting will be available via this medium so members not attending the physical meeting are encouraged to submit their votes via proxy, or through their share dealing platform, ahead of the respective deadlines. Any changes to the format of the meeting will be notified to shareholders via a Regulatory Information Service announcement.

Instructions on attending the meeting and details of resolutions to be put to shareholders are included in the Notice of Meeting enclosed with this annual report. If shareholders would like to submit any questions in advance, they are welcome to send these to the corporate secretary at [itsecretariat@janushenderson.com](mailto:itsecretariat@janushenderson.com).

## Single identifiable table

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. There are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed opposite under 'Share Capital'.

## 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 he or she has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

## Borrowings

The Company has a £50 million multi-currency loan facility with SMBC Bank International plc which expires in August 2023. The Company will seek to renew the facility before expiry and does not anticipate difficulties in doing so.

The maximum amount drawn during the reporting period was £38.2m (2021: £49.8m) with borrowing costs and interest totalling £560,000 (2021: £260,000).



# Directors' Report (continued)

## Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the directors against certain liabilities arising from the carrying out of their duties. The Company's articles of association further permit indemnities to be put in place for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising from their position as directors, of which they are acquitted or judgement is given in their favour. No such indemnities were in place during the reporting period or up to the date of this report.

By order of the Board

Janus Henderson Secretarial Services UK Limited  
Corporate Secretary  
3 November 2022

# Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. 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 profit 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, relevant and reliable;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

## Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the directors, who are listed on pages 23 and 24, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRS as adopted by the European Union on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit 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.

For and on behalf of the Board

Ronald Gould  
Chairman  
3 November 2022

The financial statements are published on the Company's website, [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com), the maintenance and integrity of which is the responsibility of Janus Henderson. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial Statements



# Independent auditors' report to the members of Henderson Far East Income Limited

## Our opinion is unmodified

We have audited the financial statements of Henderson Far East Income Limited (the 'Company'), which comprise the Balance Sheet as at 31 August 2022, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 August 2022, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2021):

	The risk	Our response
<p><b>Valuation of investments at fair value through profit or loss (the 'investments'):</b></p> <p>Investments held at fair value through profit or loss.</p> <p>Assets: £438,527,000 (2021: 462,525,000).</p> <p>Investments held at fair value through profit or loss – written options</p> <p>Liabilities: £1,031,000 (2021: £440,000).</p> <p>Refer to page 33 of the Audit Committee Report, notes 2(c) and 2(p) of the accounting policies and notes 10 and 13.</p>	<p><b>Basis:</b></p> <p>The Company invests in a diversified portfolio of investments which have exposure to the Asia Pacific region. Investments are primarily in listed equities and options.</p> <p>Listed equities and options make up 100.2% and (0.2%) respectively of the fair value of the total investment portfolio as at 31 August 2022.</p> <p><b>Risk:</b></p> <p>The valuation of the Company's investments, given it represents the majority of the total assets and net assets of the Company, is a significant area of our audit.</p>	<p><b>Our audit procedures included:</b></p> <p><b>Use of KPMG specialists:</b></p> <p>We engaged our valuation specialist to:</p> <ol style="list-style-type: none"> <li>1) agree 100% of the fair values of the listed equities to third party prices; and</li> <li>2) challenge the fair values of the options through comparison to available market observable input parameters derived from comparable instruments in the market.</li> </ol> <p><b>Assessing disclosures:</b></p> <p>We also considered the Company's disclosures (see note 2(p)) in relation to the use of estimates and judgements regarding the valuation of investments and the Company's investment valuation policies adopted in note 2(c) and fair value disclosures in notes 10 and 13 for compliance with IFRS.</p>



# Independent auditors' report to the members of Henderson Far East Income Limited (continued)

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, 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.

## We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 38, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Shaun Farley  
For and on behalf of KPMG Channel Islands Limited  
Chartered Accountants and Recognised Auditors  
Jersey  
3 November 2022

# Statement of Comprehensive Income

Notes		Year ended 31 August 2022			Year ended 31 August 2021		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
3	Investment income	40,646	–	40,646	37,236	–	37,236
4	Other income	2,925	–	2,925	3,103	–	3,103
10	Losses on investments held at fair value through profit or loss	–	(22,592)	(22,592)	–	(1,791)	(1,791)
	Net foreign exchange loss excluding foreign exchange losses on investments	–	(4,552)	(4,552)	–	(216)	(216)
	<b>Total income</b>	<b>43,571</b>	<b>(27,144)</b>	<b>16,427</b>	<b>40,339</b>	<b>(2,007)</b>	<b>38,332</b>
	<i>Expenses</i>						
	Management fees	(1,679)	(1,679)	(3,358)	(2,022)	(2,023)	(4,045)
5	Other expenses	(567)	(567)	(1,134)	(469)	(469)	(938)
	<b>Profit/(loss) before finance costs and taxation</b>	<b>41,325</b>	<b>(29,390)</b>	<b>11,935</b>	<b>37,848</b>	<b>(4,499)</b>	<b>33,349</b>
6	Finance costs	(200)	(200)	(400)	(87)	(87)	(174)
	<b>Profit/(loss) before taxation</b>	<b>41,125</b>	<b>(29,590)</b>	<b>11,535</b>	<b>37,761</b>	<b>(4,586)</b>	<b>33,175</b>
7	Taxation	(4,023)	445	(3,578)	(3,988)	490	(3,498)
	<b>Profit/(loss) for the year and total comprehensive income</b>	<b>37,102</b>	<b>(29,145)</b>	<b>7,957</b>	<b>33,773</b>	<b>(4,096)</b>	<b>29,677</b>
8	Earnings/(losses) per ordinary share – basic and diluted	24.41p	(19.18p)	5.23p	23.22p	(2.82p)	20.40p

The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

# Statement of Changes in Equity

Notes	Year ended 31 August 2022				
	Stated share capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	235,955	180,471	10,557	25,661	452,644
Total equity at 31 August 2021					
Total comprehensive income:					
(Loss)/profit for the year	–	–	(29,145)	37,102	7,957
Transactions with owners, recorded directly to equity:					
9 Dividends paid	–	–	–	(36,067)	(36,067)
14 Shares issued	11,064	–	–	–	11,064
14 Share issue costs	(22)	–	–	–	(22)
<b>Total equity at 31 August 2022</b>	<b>246,997</b>	<b>180,471</b>	<b>(18,588)</b>	<b>26,696</b>	<b>435,576</b>

Notes	Year ended 31 August 2021				
	Stated share capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	204,875	180,471	14,653	25,928	425,927
Total equity at 31 August 2020					
Total comprehensive income:					
(Loss)/profit for the year	–	–	(4,096)	33,773	29,677
Transactions with owners, recorded directly to equity:					
9 Dividends paid	–	–	–	(34,040)	(34,040)
14 Shares issued	31,188	–	–	–	31,188
14 Share issue costs	(108)	–	–	–	(108)
<b>Total equity at 31 August 2021</b>	<b>235,955</b>	<b>180,471</b>	<b>10,557</b>	<b>25,661</b>	<b>452,644</b>

The total column of this statement represents the Statement of Changes in Equity, prepared in accordance with IFRS as adopted by the European Union.

The Statement of Changes in Equity is presented in a columnar basis to include separate disclosure of share capital and the various reserves under guidance published by the Association of Investment Companies.

# Balance Sheet

Notes		31 August 2022 £'000	31 August 2021 £'000
	<b>Non current assets</b>		
10	Investments held at fair value through profit or loss	438,527	462,525
	<b>Current assets</b>		
11	Other receivables	3,673	5,351
	Cash and cash equivalents	14,310	13,693
		<b>17,983</b>	<b>19,044</b>
	<b>Total assets</b>	<b>456,510</b>	<b>481,569</b>
	<b>Current liabilities</b>		
10	Investments held at fair value through profit or loss – written options	(1,031)	(440)
7(c)	Deferred taxation	(155)	(78)
12(a)	Other payables	(2,542)	(2,953)
12(b)	Bank loans	(17,206)	(25,454)
		<b>(20,934)</b>	<b>(28,925)</b>
	<b>Net assets</b>	<b>435,576</b>	<b>452,644</b>
	<b>Equity attributable to equity shareholders</b>		
14	Stated share capital	246,997	235,955
15	Distributable reserve	180,471	180,471
	Retained earnings:		
16	Capital reserves	(18,588)	10,557
	Revenue reserves	26,696	25,661
	<b>Total equity</b>	<b>435,576</b>	<b>452,644</b>
17	Net asset value per ordinary share	<b>281.11p</b>	<b>299.58p</b>

The financial statements on pages 42 to 63 were approved by the Board of Directors on 3 November 2022 and were signed on its behalf by:

Ronald Gould  
Chairman



# Statement of Cash Flows

Notes		Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
	<b>Operating activities</b>		
	Profit before taxation	11,535	33,175
	Add back finance costs payable	400	174
10	Losses on investments held at fair value through profit or loss	22,592	1,791
	Net foreign exchange loss excluding foreign exchange losses on investments	4,552	216
10	Sales of investments	449,586	478,991
10	Purchases of investments	(447,589)	(520,263)
	Decrease/(increase) in prepayments and accrued income	1,876	(1,555)
	(Increase)/decrease in amounts due from brokers	(37)	10,797
	Decrease in amounts due to brokers	–	(5,231)
	(Decrease)/increase in other payables	(435)	943
	<b>Net cash inflow/(outflow) from operating activities before interest and taxation</b>	<b>42,480</b>	<b>(962)</b>
	Interest paid	(376)	(175)
	Taxation paid	–	(210)
	Withholding tax on investment income	(3,662)	(3,648)
	<b>Net cash inflow/(outflow) from operating activities after interest and taxation</b>	<b>38,442</b>	<b>(4,995)</b>
	<b>Financing activities</b>		
	Loan drawdown	88,078	145,124
	Loan repayment	(100,658)	(127,859)
9	Equity dividends paid	(36,067)	(34,040)
14	Share issue proceeds	11,064	31,188
14	Share issue costs	(22)	(108)
	<b>Net cash (outflow)/inflow from financing</b>	<b>(37,605)</b>	<b>14,305</b>
	<b>Increase in cash and cash equivalents</b>	<b>837</b>	<b>9,310</b>
	Cash and cash equivalents at the start of the year	13,693	3,879
	Exchange movements	(220)	504
	<b>Cash and cash equivalents at the end of the year</b>	<b>14,310</b>	<b>13,693</b>

The notes on pages 46 to 63 form part of these financial statements

# Notes to the Financial Statements

## 1 General information

The entity is a closed end company, registered as a no par value company under the Companies (Jersey) Law 1991, with its shares listed on the London and New Zealand stock exchanges. The Company's registered office is IFC1, The Esplanade, St Helier, Jersey JE1 4BP and its principal place of business is 201 Bishopsgate, London EC2M 3AE.

The Company was incorporated on 6 November 2006.

## 2 Accounting policies

### a) Basis of preparation

The Company's financial statements for the year ended 31 August 2022 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted by the European Union.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of financial assets and liabilities designated as held at fair value through profit and loss.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (the 'SORP') for investment trusts issued by the Association of Investment Companies (the 'AIC') in April 2021 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

### Accounting standards

- (i) The following new and amended standards are relevant and applicable to the Company and have been adopted although they have had no material impact on the financial statements:

Amendments to IFRS as adopted by the E.U. Pronouncements issued and effective for current year end:

		Effective for annual periods beginning on or after
IAS 39, IFRS 4, 7, 9 and 16 Amendments	Interest Benchmark Reform Phase 2	1 January 2021

- (ii) The following are relevant new standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company. These standards are expected to have no material impact on the financial statements:

		Effective for annual periods beginning on or after
IAS 1 Amendments	Classification of liabilities as Current or Non-current	1 January 2023
IAS 1 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

### b) Going concern

The assets of the Company consist almost entirely of securities that are listed and regularly traded and, accordingly, the directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The directors have reviewed cash flow forecasting, covenant compliance and the liquidity of the portfolio. Further consideration has been given to the likelihood of being able to renew the Company's loan facility, which the directors do not believe will be problematic. They have concluded that they are able to meet their financial obligations, including the repayments of the bank loan, as they fall due for at least twelve months from the date of this report. Despite the net current liability position as at 31 August 2022, having assessed the above factors, including the ability of the Company to draw down under the existing bank loan facility, and the principal risks and other matters discussed in connection with the viability statement, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

# Notes to the Financial Statements (continued)

## 2 Accounting policies (continued)

### c) Investments held at fair value through profit or loss

All investments are classified upon initial recognition as held at fair value through profit or loss. Financial assets are recognised/de-recognised at the trade date of the purchase/disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale less any transaction costs. The fair value of the financial assets is based on their quoted bid price at the Balance Sheet date, without deduction of the estimated future selling costs. The fair value of option contracts is determined by reference to the Black-Scholes model.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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

### d) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

### e) Income

Dividends receivable on equity shares are recognised as revenue for the period on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Bank interest is accounted for on an accruals basis. Option premium income is recognised upon the trade date of the option contracts.

### f) Expenses

All administration expenses, including the management fee and finance costs are accounted for on an accruals basis. On the basis of the Board's expected long term split of returns equally between capital gains and income, the Company charges 50% of operating expenses to capital. Expenses which are incidental to the purchase or sale of an investment are charged to the capital column of the Statement of Comprehensive Income and allocated to capital reserves.

### g) Taxation

The tax expense represents a current tax and deferred tax charge.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income 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 liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under s.1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

# Notes to the Financial Statements (continued)

## 2 Accounting policies (continued)

### h) Foreign currency

For the purposes of the financial statements, the results and financial position of the Company is expressed in sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates. The Company is a closed end investment company, incorporated in Jersey, with its shares listed on the London and New Zealand stock exchanges. Sterling is the currency in which the majority of the costs of the Company are incurred, capital is raised and dividends are paid.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities denominated in overseas currencies at the Balance Sheet date are translated into sterling at the exchange rates ruling at that date. Exchange gains and losses on investments held at fair value through profit or loss are included in 'Gains or losses on investments held at fair value through profit or loss'. Exchange gains and losses on other balances are disclosed separately in the Statement of Comprehensive Income.

### i) Cash and cash equivalents

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

### j) Bank loans

Interest-bearing bank loans are recorded as the proceeds are received net of direct issue costs, which approximates fair value. Loans are subsequently carried at amortised cost. The Company de-recognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### k) Amounts due to/from brokers

Amounts due to or from brokers are accounted for at the value of the outstanding trades at the year end.

### l) Segmental reporting

Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker ('CODM') being the investment manager with oversight from the Board in deciding how to allocate resources and in assessing performance. The financial information reported to the CODM is based on IFRS. Therefore no reconciliation between the financial statements and operating segment financial information has been presented. The directors meet regularly to consider investment strategy and to monitor the Company's performance. The Fund Managers attend all Board meetings at which investment strategy and performance are discussed. The directors consider that the Company is organised as one operating segment which invests in equity securities, debt instruments and related derivatives. All of the Company's activities are interrelated and each activity is dependent on the others.

The business is not managed on a geographical basis, however, for the convenience of investors, disclosure by geographical segment has been provided in note 3. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

The Company is not exposed to a single investment that generates revenue greater than 10% of total revenue (2021: nil).

### m) Share issue costs

Issue costs incurred in respect of new ordinary shares issued are offset against the proceeds received and dealt with in stated share capital.

### n) Dividends payable to shareholders

Interim dividends payable to shareholders are recognised in the financial statements when they are paid. Dividends are recorded in the Statement of Changes in Equity. Dividends can be paid from the distributable reserve, the capital reserve arising on revaluation of investments and the revenue reserve.



# Notes to the Financial Statements (continued)

## 2 Accounting policies (continued)

### o) Capital and reserves

#### Capital reserve

The following are accounted for in this reserve:

- gains and losses on the disposals of investments;
- expenses and finance costs allocated to capital;
- realised and unrealised foreign exchange differences of a capital nature; and
- increases and decreases in the valuation of investments held at the year end.

#### Revenue reserve

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

#### Distributable reserve

The distributable reserve represents the net proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006 and was established following the confirmation by the Royal Court of Jersey of the reduction of the Company's Capital account on 23 January 2007. Further detail is set out in note 15.

#### Stated share capital

The stated share capital represents the net proceeds from the issue of ordinary shares.

### p) Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions except as indicated below. In respect of special dividends, the accounting treatment as a revenue or capital return is assessed depending on the facts of each individual case.

The obligations relating to the options valued at £1,031,000 (2021: £440,000) are valued by reference to the Black-Scholes model. The position in China Forestry was written down to zero value (cost: £5,507,000) following a missed coupon payment, delayed publication of annual report and accounts and resignation of Chief Financial Officer and Company Secretary in June 2014 and in the Board's opinion it is still appropriate to value this investment at nil at 31 August 2022 (2021: same).

## 3 Investment income

	2022 £'000	2021 £'000
Overseas investment income	40,570	37,236
Stock dividends	76	–
	<b>40,646</b>	<b>37,236</b>
<b>Analysis of investment income by geography:</b>		
Australia	7,966	6,294
China	13,571	12,437
Hong Kong	2,899	2,582
India	972	1,121
Indonesia	547	905
New Zealand	907	637
Singapore	1,722	868
South Korea	3,759	4,814
Taiwan	6,926	5,996
Thailand	1,016	1,311
Vietnam	361	271
	<b>40,646</b>	<b>37,236</b>

All of the above income is derived from equity related investments.

# Notes to the Financial Statements (continued)

## 4 Other income

	2022 £'000	2021 £'000
Bank and other interest	3	1
Option premium income	2,922	3,102
	<b>2,925</b>	<b>3,103</b>

## 5 Other expenses

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total return £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000
Directors' fees (see the Directors' Remuneration Report on page 35)	91	92	183	82	81	163
Auditors' remuneration						
– statutory audit	29	29	58	23	24	47
Bank and custody charges	142	142	284	124	124	248
Loan arrangement and non-utilisation fees	80	80	160	43	43	86
Marketing fees <sup>1</sup>	81	81	162	72	72	144
Registrar's fees	21	20	41	20	20	40
Depository fees	10	10	20	12	11	23
Printing and stationery	12	12	24	8	8	16
Broker fees	9	9	18	9	9	18
AIC subscriptions	10	11	21	10	11	21
Stock Exchange fees	26	26	52	25	25	50
Other expenses	56	55	111	41	41	82
	<b>567</b>	<b>567</b>	<b>1,134</b>	<b>469</b>	<b>469</b>	<b>938</b>

<sup>1</sup> Payable to Janus Henderson

## 6 Finance costs

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total return £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000
Bank loans	200	200	400	87	87	174
	<b>200</b>	<b>200</b>	<b>400</b>	<b>87</b>	<b>87</b>	<b>174</b>

# Notes to the Financial Statements (continued)

## 7 Taxation

### a) Analysis of the charge for the year

	Revenue return £'000	2022 Capital return £'000	Total return £'000	Revenue return £'000	2021 Capital return £'000	Total return £'000
Corporation tax	109	–	109	184	–	184
Double tax relief	(109)	–	(109)	(184)	–	(184)
Tax relief from capital	465	(465)	–	490	(490)	–
Overseas withholding tax	3,481	20	3,501	3,484	–	3,484
<b>Total current tax charge for the year</b>	<b>3,946</b>	<b>(445)</b>	<b>3,501</b>	<b>3,974</b>	<b>(490)</b>	<b>3,484</b>
Deferred tax	77	–	77	14	–	14
<b>Total deferred tax charge for the year (see note 7c)</b>	<b>77</b>	<b>–</b>	<b>77</b>	<b>14</b>	<b>–</b>	<b>14</b>
<b>Total tax charge for the year (see note 7b)</b>	<b>4,023</b>	<b>(445)</b>	<b>3,578</b>	<b>3,988</b>	<b>(490)</b>	<b>3,498</b>

### b) Factors affecting the tax charge for the year

The UK corporation tax rate is 19%. The tax charge for the year is different from the corporation tax rate.

The differences are explained below:

	Revenue return £'000	2022 Capital return £'000	Total return £'000	Revenue return £'000	2021 Capital return £'000	Total return £'000
Profit/(loss) before taxation	41,125	(29,590)	11,535	37,761	(4,586)	33,175
Corporation tax at 19% (2021: 19%)	7,814	(5,622)	2,192	7,175	(871)	6,304
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss	–	4,292	4,292	–	340	340
Non-taxable overseas dividends	(7,134)	–	(7,134)	(6,480)	–	(6,480)
Currency losses	–	866	866	–	41	41
Overseas tax	3,481	21	3,502	3,484	–	3,484
Excess management expenses	(570)	465	(105)	(510)	490	(20)
Other non-taxable income	–	(2)	(2)	–	–	–
Tax relief from capital	465	(465)	–	490	(490)	–
Double tax relief	(138)	–	(138)	(191)	–	(191)
Effect of income taxable in different periods	105	–	105	20	–	20
<b>Total tax charge for the year (see note 7a)</b>	<b>4,023</b>	<b>(445)</b>	<b>3,578</b>	<b>3,988</b>	<b>(490)</b>	<b>3,498</b>

### c) Deferred taxation

	Revenue return £'000	2022 Capital return £'000	Total return £'000	Revenue return £'000	2021 Capital return £'000	Total return £'000
Provision at start of the year	78	–	78	64	–	64
Deferred tax charge for the year	77	–	77	14	–	14
<b>Provision at end of the year</b>	<b>155</b>	<b>–</b>	<b>155</b>	<b>78</b>	<b>–</b>	<b>78</b>

With effect from 1 April 2023 the corporation tax rate will increase from 19% to 25% for the calculation of deferred taxation.

# Notes to the Financial Statements (continued)

## 8 Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit for the year of £7,957,000 (2021: £29,677,000) and on the weighted average number of ordinary shares in issue during the year of 152,008,180 (2021: 145,462,386).

The earnings per ordinary share figure can be further analysed between revenue and capital, as below:

	2022 £'000	2021 £'000
Net revenue profit	37,102	33,773
Net capital loss	(29,145)	(4,096)
<b>Net total profit</b>	<b>7,957</b>	<b>29,677</b>
Weighted average number of ordinary shares in issue during the year	152,008,180	145,462,386

	2022 Pence	2021 Pence
Revenue earnings per ordinary share	24.41	23.22
Capital losses per ordinary share	(19.18)	(2.82)
<b>Total earnings per ordinary share</b>	<b>5.23</b>	<b>20.40</b>

The Company has no securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted earnings per ordinary share are the same.

## 9 Dividends

Dividends	Record Date	Pay Date	2022 £'000	2021 £'000
Fourth interim dividend 5.80p for the year ended 2020	30 October 2020	27 November 2020	–	8,237
First interim dividend 5.80p for the year ended 2021	29 January 2021	26 February 2021	–	8,343
Second interim dividend 5.80p for the year ended 2021	30 April 2021	28 May 2021	–	8,563
Third interim dividend 5.90p for the year ended 2021	30 July 2021	27 August 2021	–	8,897
Fourth interim dividend 5.90p for the year ended 2021	29 October 2021	26 November 2021	8,914	–
First interim dividend 5.90p for the year ended 2022	28 January 2022	25 February 2022	8,931	–
Second interim dividend 5.90p for the year ended 2022	29 April 2022	27 May 2022	8,943	–
Third interim dividend 6.00p for the year ended 2022	29 July 2022	26 August 2022	9,279	–
			<b>36,067</b>	<b>34,040</b>

The fourth interim dividend for the year ended 31 August 2022 has not been included as a liability in these financial statements as it was announced and paid after the year end. The table which follows sets out the total dividends paid and to be paid in respect of the financial year and the previous year. The revenue available for distribution by way of dividend for the year is £37,102,000 (2021: £33,773,000).

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

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	37,102	33,773
First interim dividend of 5.90p (2021: 5.80p) paid 25 February 2022 (26 February 2021)	(8,931)	(8,343)
Second interim dividend of 5.90p (2021: 5.80p) paid 27 May 2022 (28 May 2021)	(8,943)	(8,563)
Third interim dividend of 6.00p (2021: 5.90p) paid 26 August 2022 (27 August 2021)	(9,279)	(8,897)
Fourth interim dividend for the year ended 31 August 2022 of 6.00p (2021: 5.90p) (based on 155,323,564 shares in issue at 28 October 2022) (2021: 151,093,564)	(9,319)	(8,915)
<b>Undistributed revenue/(transfer from revenue reserve) for s.1158 purposes</b>	<b>630</b>	<b>(945)</b>



# Notes to the Financial Statements (continued)

## 10 Investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Cost at beginning of year	411,879	388,540
Investment holding gain at the beginning of the year	50,206	34,064
<b>Valuation of investments and options written at the beginning of the year</b>	<b>462,085</b>	<b>422,604</b>
Movements in the year:		
Purchases at cost	447,589	520,263
Sales – proceeds	(449,586)	(478,991)
– realised losses on sales	(21,067)	(17,933)
(Decrease)/increase in investment holding gains	(1,525)	16,142
<b>Closing value of investments and options written at the end of the year</b>	<b>437,496</b>	<b>462,085</b>
Cost at the end of the year	388,815	411,879
Investment holding gain	48,681	50,206
<b>Closing value of investments and options written at the end of the year</b>	<b>437,496</b>	<b>462,085</b>

Total investments:

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	438,527	462,525
Written options	(1,031)	(440)
	<b>437,496</b>	<b>462,085</b>

The Company received £449,586,000 (2021: £478,991,000) from investments sold in the year. The book cost of these investments when they were purchased was £470,653,000 (2021: £496,924,000). 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.

There is one unquoted investment, China Forestry, which was written down to zero value in 2014.

	2022 £'000	2021 £'000
<b>Losses on investments held at fair value</b>		
Realised losses on sales of investments	(21,067)	(17,933)
(Decrease)/increase in investment holding gains	(1,525)	16,142
	<b>(22,592)</b>	<b>(1,791)</b>

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital reserve and are included within losses on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

	2022 £'000	2021 £'000
Purchases	584	615
Sales	943	888
	<b>1,527</b>	<b>1,503</b>

# Notes to the Financial Statements (continued)

## 11 Other receivables

	2022 £'000	2021 £'000
Withholding tax recoverable	433	272
Corporation tax recoverable	44	44
Prepayments and accrued income	3,159	5,035
Amounts due from brokers	37	–
	<b>3,673</b>	<b>5,351</b>

## 12 Other payables

	2022 £'000	2021 £'000
<b>a) Other payables</b>		
Other payables	2,542	2,953
	<b>2,542</b>	<b>2,953</b>
	2022 £'000	2021 £'000
<b>b) Bank loans (unsecured)</b>	<b>17,206</b>	<b>25,454</b>

The interest rates applicable to the loans is at a margin over SONIA, or its relevant currency equivalent, with the margin being 0.85% per annum. Further detail on the bank loan is provided in note 13.2.

The loan agreement with SMBC provides that net asset value will not be less than £150,000,000 throughout the year and consolidated gross borrowings will not exceed 30% of NAV. The Company may not deliver a Utilisation Request if, as a result of the proposed utilisation, more than twelve loans would be outstanding. The conditions of the loan agreement were met throughout the year.

## 13 Risk management policies and procedures

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

These financial risks, market risk (comprising market 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 and Janus Henderson co-ordinate the Company's risk management and there are various risk management systems in place.

The Board determines the objectives, policies and processes for managing the risks, and these are set out overleaf under the relevant risk category. The policies for the management of risk have not changed from the previous accounting period.

The Company has a spread of investments which by their nature are lower risk than placing the entire amount of the Company's assets in solely one investment. Over the long term, equities generally outperform cash deposits and bonds. Performance of equities has been and is likely to continue to be volatile over shorter periods.

### 13.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 13.1.1), currency risk (see note 13.1.2) and interest rate risk (see note 13.1.3). The investment manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.1.1 Market price risk

Market price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of the quoted investments.

#### Management of the risk

When appropriate, the Company may buy or sell put or call options on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. The Board manages the risks inherent in the investment portfolio by full and timely review of relevant information from the investment manager. Investment performance is reviewed at each Board meeting. The Board monitors the investment manager's compliance with the Company's investment limits and restrictions.

The Company's exposure to changes in market prices at 31 August 2022 on its investments amounted to £438,527,000 (2021: £462,525,000) and £1,031,000 (2021: £440,000) in respect of liabilities on option derivatives.

#### Concentration of exposure to market price risks

A geographical analysis of the Company's investment portfolio is shown on page 10. 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.

#### Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and total equity at the year end to an increase or decrease of 10% (2021: 10%) 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 each Balance Sheet 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
Statement of Comprehensive Income – profit/(loss) after tax				
Revenue return	(164)	164	(208)	208
Capital return	43,586	(43,586)	46,001	(46,001)
<b>Impact on total return after tax for the year and shareholders' funds</b>	<b>43,422</b>	<b>(43,422)</b>	<b>45,793</b>	<b>(45,793)</b>

### 13.1.2 Currency risk

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

#### Management of the risk

The investment manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The investment 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.

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

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.1.2 Currency risk (continued)

#### Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure as at 31 August 2022 and 2021 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. Exposure to other currencies in the table below includes the Indonesian rupiah, Indian rupee, New Zealand dollar and Thai baht.

2022	AUS\$ £'000	TW\$ £'000	KRW £'000	CNY £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	799	562	–	–	570	395	–	1,045
Cash and cash equivalents	150	–	–	–	–	–	1,651	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	–	(29)	–
Bank loans	–	–	–	–	–	–	(17,206)	–
<b>Total foreign currency exposure on net monetary items</b>	<b>949</b>	<b>562</b>	<b>–</b>	<b>–</b>	<b>570</b>	<b>395</b>	<b>(15,584)</b>	<b>1,045</b>
Investments at fair value through profit or loss that are equities	106,245	28,639	48,267	–	115,862	44,865	22,493	57,032
<b>Total net foreign currency exposures</b>	<b>107,194</b>	<b>29,201</b>	<b>48,267</b>	<b>–</b>	<b>116,432</b>	<b>45,260</b>	<b>6,909</b>	<b>58,077</b>
2021	AUS\$ £'000	TW\$ £'000	KRW £'000	CNY £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	1,578	2,037	–	–	333	104	–	1,178
Cash and cash equivalents	399	–	–	–	–	–	3,321	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	–	(5)	–
Bank loans	–	–	–	–	–	–	(25,454)	–
<b>Total foreign currency exposure on net monetary items</b>	<b>1,977</b>	<b>2,037</b>	<b>–</b>	<b>–</b>	<b>333</b>	<b>104</b>	<b>(22,138)</b>	<b>1,178</b>
Investments at fair value through profit or loss that are equities	99,095	71,324	53,139	4,395	121,868	26,844	28,108	42,834
<b>Total net foreign currency exposures</b>	<b>101,072</b>	<b>73,361</b>	<b>53,139</b>	<b>4,395</b>	<b>122,201</b>	<b>26,948</b>	<b>5,970</b>	<b>44,012</b>

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

#### Foreign currency sensitivity

The following table overleaf illustrates the sensitivity of the profit/(loss) return after tax for the year and the net assets in regard to movements in the Company's foreign currency financial assets, financial liabilities and income caused by changes in the exchange rates (+/-10%) for sterling against each currency set out in the table.

These percentages are deemed reasonable based on the average market volatility in exchange rates in recent years. The sensitivity analysis is based on the Company's financial assets and financial liabilities held at each Balance Sheet date. Whilst some exchange rates may have been more volatile in the twelve months prior to the Balance Sheet date, a 10% movement is deemed reasonable based on longer term volatility and market conditions at the Balance Sheet date. Higher sensitivity levels for each currency can be extrapolated from the 10% level that is shown in the table.



# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.1.2 Currency risk (continued)

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

2022	AUS\$ £'000	TW\$ £'000	KRW £'000	CNY £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –								
Revenue return	574	729	219	823	619	118	331	278
Capital return	11,758	3,167	5,342	(3)	12,823	4,966	2,488	6,312
<b>Total return after tax for the year</b>	<b>12,332</b>	<b>3,896</b>	<b>5,561</b>	<b>820</b>	<b>13,442</b>	<b>5,084</b>	<b>2,819</b>	<b>6,590</b>

2021	AUS\$ £'000	TW\$ £'000	KRW £'000	CNY £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –								
Revenue return	529	468	343	633	848	64	189	263
Capital return	10,959	7,887	5,876	483	13,476	2,969	3,108	4,736
<b>Total return after tax for the year</b>	<b>11,488</b>	<b>8,355</b>	<b>6,219</b>	<b>1,116</b>	<b>14,324</b>	<b>3,033</b>	<b>3,297</b>	<b>4,999</b>

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

2022	AUS\$ £'000	TW\$ £'000	KRW £'000	CNY £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –								
Revenue return	(582)	(731)	(222)	(823)	(628)	(121)	(333)	(282)
Capital return	(9,620)	(2,591)	(4,370)	3	(10,491)	(4,063)	(2,036)	(5,164)
<b>Total return after tax for the year</b>	<b>(10,202)</b>	<b>(3,322)</b>	<b>(4,592)</b>	<b>(820)</b>	<b>(11,119)</b>	<b>(4,184)</b>	<b>(2,369)</b>	<b>(5,446)</b>

2021	AUS\$ £'000	TW\$ £'000	KRW £'000	CNY £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –								
Revenue return	(432)	(383)	(281)	(518)	(694)	(52)	(130)	(215)
Capital return	(8,966)	(6,453)	(4,808)	(396)	(11,026)	(2,428)	(2,543)	(3,875)
<b>Total return after tax for the year</b>	<b>(9,398)</b>	<b>(6,836)</b>	<b>(5,089)</b>	<b>(914)</b>	<b>(11,720)</b>	<b>(2,480)</b>	<b>(2,673)</b>	<b>(4,090)</b>

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.1.3 Interest rate risk

Interest rate movements may affect the level of interest receivable from cash at bank and on deposit, and the interest payable on the Company's short term borrowings.

#### 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.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Company finances part of its activities through borrowings at levels approved and monitored by the Board.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

#### Interest rate exposure

The exposure at 31 August 2022 of financial assets can be found on the Balance Sheet under the heading 'Cash and cash equivalents' and the financial liabilities exposure to interest rate risk to floating interest rates is shown under note 12(b).

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank loans, is at a margin over SONIA or its foreign currency equivalent (2021: SONIA).

The year end amounts are not representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made, borrowings are drawn down and repaid, and the mix of borrowings subject to floating or to fixed interest rates changes.

#### Interest rate sensitivity

Based on the Company's financial instruments at each Balance Sheet date, an increase or decrease of 100 basis points in interest rates would decrease or increase revenue return after tax by £57,000 (2021: £9,000), capital return after tax by £86,000 (2021: £127,000), total profit after tax and shareholders' funds by £29,000 (2021: £118,000).

This level of change is considered to be reasonably possible based on observation of current market conditions.

This is not representative of the year as a whole, since the exposure changes as investments are made. In the context of the Company's Balance Sheet, the outcome is not considered to be material.

### 13.2 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 monitored by the investment manager on a daily basis to ensure that financial liabilities can be paid as they fall due. The majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has an overdraft facility with the custodian the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The overdraft facility was not drawn down at 31 August 2022.

The Company has a 24 month multi-currency loan facility of £50 million (2021: £50 million) of which £17,206,000 (2021: £25,454,000) was drawn down at the year end. This facility is under regular review and unless renewed will expire on 20 August 2023. The directors currently anticipate renewing the facility without significant difficulty.

The Board gives guidance to the investment manager as to the maximum amount of the Company's resources that should be invested in any one investment. The policy is that the Company should generally remain fully invested and that short term borrowings be used to manage short term cash requirements and also to take advantage of specific investment opportunities.

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.2 Liquidity risk (continued)

#### Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 August 2022 and 31 August 2021, based on the earliest date on which payment could be required was as follows:

	2022		2021	
	Due within 3 months £'000	Due between 3 months and one year £'000	Due within 3 months £'000	Due between 3 months and one year £'000
Bank loans <sup>1</sup>	17,206	–	25,455	–
Written options <sup>2</sup>	12,532	–	4,650	–
Amounts due to brokers and accruals	2,542	–	2,953	–
	<b>32,280</b>	<b>–</b>	<b>33,058</b>	<b>–</b>

<sup>1</sup> Includes interest on loans payable to maturity date

<sup>2</sup> Calculated as the contractual maturity value of the options

### 13.3 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:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker; and
- cash at banks is held only with reputable banks with high quality external credit ratings and which are reviewed regularly by the investment manager's Credit Risk Committee.

There was £1,200,000 of cash in collateral accounts at 31 August 2022 (2021: £700,000). None of the other financial assets or liabilities of the Company are secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year. In summary, the exposure to credit risk at 31 August 2022 was to cash and cash equivalents of £14,310,000 (2021: £13,693,000) and to other receivables of £3,618,000 (2021: £5,288,000).

The Company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The majority of the Company's cash balances are held by the custodian J.P. Morgan Chase. The directors believe this counterparty to be of high quality therefore the Company has minimal exposure to credit risk.

The Company has an ongoing contract with the custodian for the provision of custody services. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The depositary has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties. The Board has direct access to the depositary and receives regular reports from it via the investment manager.

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

Financial assets and financial liabilities, are either carried in the Balance Sheet at their fair value (investments and derivatives) or the Balance Sheet amount is a reasonable approximation of fair value (due from brokers, dividends and taxation receivable, due to brokers, accruals, cash at bank and bank loans).

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

Financial assets and liabilities at fair value through profit or loss at 31 August 2022	Level 1 £'000	Level 2 £'000	Level 3 <sup>1</sup> £'000	Total £'000
Equity investments	438,527	–	–	438,527
OTC derivatives (options)	–	(1,031)	–	(1,031)
	<b>438,527</b>	<b>(1,031)</b>	<b>–</b>	<b>437,496</b>

Financial assets and liabilities at fair value through profit or loss at 31 August 2021	Level 1 £'000	Level 2 £'000	Level 3 <sup>1</sup> £'000	Total £'000
Equity investments	462,525	–	–	462,525
OTC derivatives (options)	–	(440)	–	(440)
	<b>462,525</b>	<b>(440)</b>	<b>–</b>	<b>462,085</b>

<sup>1</sup> Level 3 investments related to one holding of China Forestry, transferred into level 3 in 2012, written to zero market value during 2014 following a missed coupon payment, delayed publication of annual report and accounts and resignation of Chief Financial Officer and Company Secretary. This investment has continued to be held at zero value throughout 2021 and 2022

The table below sets out the OTC derivatives that were unsettled at 31 August 2022.

Description of open position	Nominal amount	Currency	Strike Price (Currency)
JD.com Call Option (Expiry 28/09/22)	202,000	HK\$	273.3
Goodman Group Put Option (Expiry 07/11/22)	540,000	AUS\$	19.8
Li-Ning Call Option (Expiry 15/11/22)	798,500	HK\$	75.9
IGO Put Option (Expiry 21/11/22)	920,000	AUS\$	11.5

The table below sets out the OTC derivatives that were unsettled at 31 August 2021.

Description of open position	Nominal amount	Currency	Strike Price (Currency)
Chinasoft Call Option (Expiry 16/09/21)	4,000,000	HK\$	13.5
NetEase Put Option (Expiry 25/11/21)	380,000	HK\$	131.0

Level 3 investments at fair value through profit or loss	2022 £'000	2021 £'000
Opening balance	–	–
<b>Closing balance</b>	<b>–</b>	<b>–</b>

The Company recognises transfers between levels of the fair value hierarchy at the half year and year end reporting period during which the change has occurred.

There have been no transfers between levels of the fair value hierarchy during the year ended 31 August 2022 and year ended 31 August 2021.

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 – inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Company's holdings in over-the-counter options are included within Level 2.

Level 3 – inputs are unobservable inputs for the asset or liability. The valuation techniques used by the Company are explained in the accounting policies note on page 47.



# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 13.6 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 portfolio includes one unquoted investment, which was written down to zero fair value in 2014. The Company writes over-the-counter options resulting in a liability of £1,031,000 (2021: £440,000).

The Company's capital at 31 August 2022 comprises its equity share capital, reserves and bank debt that are shown in the Balance Sheet as a total of £452,782,000 (2021: £478,098,000).

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

- the desirability of buying back shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the opportunity for new issues of shares;
- the extent to which revenue should be retained; and
- the level of gearing.

The Company is subject to additional externally imposed capital requirements:

- under a multi-currency loan facility the total net asset value should not be less than £150m and consolidated gross borrowings should not exceed 30%; and
- as a public company, the Company should have a minimum share capital of £50,000.

These requirements are materially unchanged since last year and were readily met by the Company throughout the year.

## 14 Stated share capital

	Authorised	2022		2021	
		Issued and fully paid	£'000	Issued and fully paid	£'000
Opening balance at 1 September					
Ordinary shares of no par value	Unlimited	151,093,564	235,955	141,493,564	204,875
Issued during the year		3,855,000	11,064	9,600,000	31,188
Share issue costs		–	(22)	–	(108)
<b>Closing balance at 31 August</b>		<b>154,948,564</b>	<b>246,997</b>	<b>151,093,564</b>	<b>235,955</b>

The holders of ordinary shares are entitled to all the capital growth in the Company and all the income from the Company that is resolved by the directors to be distributed. Each shareholder present at a general meeting has one vote on a show of hands and on a poll every member present in person or by proxy has one vote for each share held. The Company has no significant or controlling shareholders.

During the year, the Company issued 3,855,000 (2021: 9,600,000) shares for net proceeds of £11,042,000 (2021: £31,080,000) net of costs.

# Notes to the Financial Statements (continued)

## 15 Distributable reserve

	2022 £'000	2021 £'000
<b>At 31 August</b>	<b>180,471</b>	<b>180,471</b>

The Royal Court of Jersey confirmed the reduction of Capital account in the Company by an amount of £180,983,000 less issue costs of £512,000 on 23 January 2007 being the proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006.

## 16 Capital reserves

	2022 £'000	2021 £'000
Start of the year	10,557	14,653
Foreign exchange losses	(4,552)	(216)
Movement in investment holding gains	(1,525)	16,142
Realised losses on investments	(21,067)	(17,933)
Costs charged to capital	(2,001)	(2,089)
<b>At 31 August</b>	<b>(18,588)</b>	<b>10,557</b>

The reserve reflects any gains or losses on investments realised in the period, together with any increases or decreases in the fair value of investments held that have been recognised in the Statement of Comprehensive Income.

## 17 Net asset value per share

The basic net asset value per ordinary share and the net asset value attributable to ordinary shareholders at the year end calculated in accordance with the articles of association were as follows:

	2022		2021	
	Net asset value per share pence	Net asset value attributable £'000	Net asset value per share pence	Net asset value attributable £'000
Ordinary shares	281.11p	435,576	299.58p	452,644

The basic net asset value per ordinary share is based on 154,948,564 (2021: 151,093,564) ordinary shares, being the number of ordinary shares in issue.

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

	2022 £'000	2021 £'000
Net assets attributable to ordinary shares at beginning of year	452,644	425,927
Total net profit after taxation	7,957	29,677
Dividends paid	(36,067)	(34,040)
Issue of ordinary shares net of issue costs	11,042	31,080
	<b>435,576</b>	<b>452,644</b>

## 18 Contingent liabilities

There were no contingent liabilities as at 31 August 2022 (2021: £nil).

# Notes to the Financial Statements (continued)

## 19 Transactions with the investment manager and directors

Under the terms of an agreement effective from 22 July 2014 the Company has appointed Janus Henderson to provide investment management, company secretarial, sales and marketing, and general administrative services.

Details of the fee arrangements for these services are given on page 15. The management fees payable to Janus Henderson under the agreement in respect of the year ended 31 August 2022 were £3,358,000 (2021: £4,045,000). The amount outstanding at 31 August 2022 was £2,196,000 (2021: £2,731,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Total amounts paid to Janus Henderson in respect of marketing, including VAT, for the period ended 31 August 2022 amounted to £162,000 (2021: £144,000). The amount outstanding at 31 August 2022 was £111,000 (2021: £68,000).

Fees paid to the directors are considered to be related party transactions. Details of the amounts paid are included in note 5 on page 50. These amounts do not include national insurance contributions on the directors' fees of £13,000 (2021: £6,000) which are included in other expenses. Directors' shareholdings are shown on page 34.

Henderson Global Investors (Holdings) Limited, a wholly owned subsidiary of Janus Henderson, is the registered holder of 3,000 shares in the Company.

## 20 Subsequent events

On 19 October 2022, the Company announced a dividend of 6.00p per ordinary share in respect of the year ended 31 August 2022. The dividend will be paid on 25 November 2022 to shareholders on the register at 28 October 2022. The shares will be quoted ex-dividend on 27 October 2022.

Subsequent to the year end, the Company has issued 375,000 shares at prices ranging between 251.50p and 257.50p per ordinary share.

## 21 Reconciliation of net debt

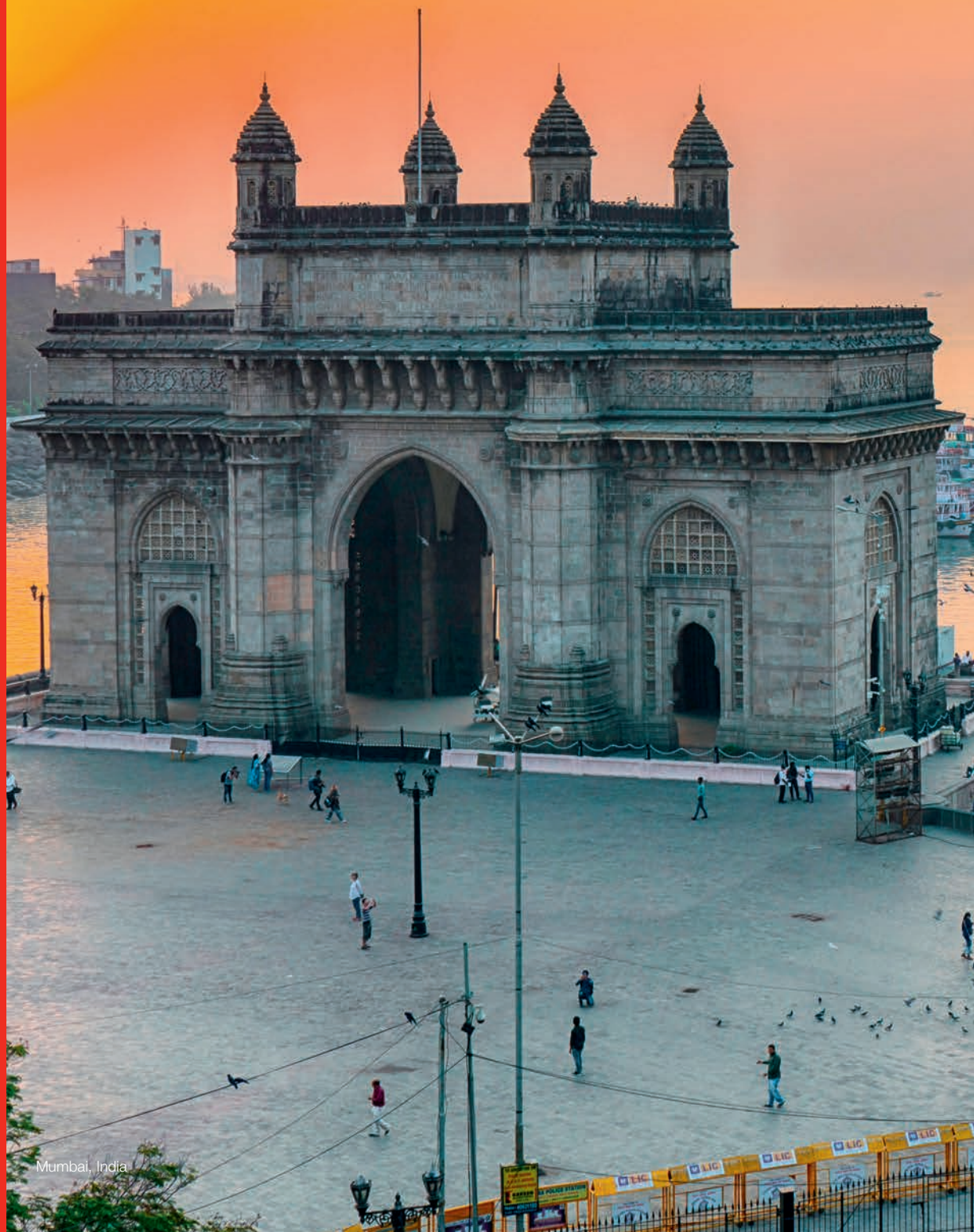
The following tables show the movements during the year of net debt in the Balance Sheet:

	Notes	At 1 September 2021 £'000	Net cash flows £'000	Foreign exchange movement £'000	At 31 August 2022 £'000
<b>Financing activities</b>					
Bank loans	12(b)	25,454	(12,580)	4,332	17,206
		<b>25,454</b>	<b>(12,580)</b>	<b>4,332</b>	<b>17,206</b>
<b>Non-financing activities</b>					
Cash and cash equivalents		(13,693)	(837)	220	(14,310)
		<b>(13,693)</b>	<b>(837)</b>	<b>220</b>	<b>(14,310)</b>
<b>Net debt</b>		<b>11,761</b>	<b>(13,417)</b>	<b>4,552</b>	<b>2,896</b>

	Notes	At 1 September 2020 £'000	Net cash flows £'000	Foreign exchange movement £'000	At 31 August 2021 £'000
<b>Financing activities</b>					
Bank loans	12(b)	7,469	17,265	720	25,454
		<b>7,469</b>	<b>17,265</b>	<b>720</b>	<b>25,454</b>
<b>Non-financing activities</b>					
Cash and cash equivalents		(3,879)	(9,310)	(504)	(13,693)
		<b>(3,879)</b>	<b>(9,310)</b>	<b>(504)</b>	<b>(13,693)</b>
<b>Net debt</b>		<b>3,590</b>	<b>7,955</b>	<b>216</b>	<b>11,761</b>

# Additional Information



Mumbai, India



# Glossary

## Alternative Investment Fund Managers Directive (AIFMD)

Issued by the European Parliament and written into English 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). As the Company's AIFM intends to market itself in the EU, a depositary must be appointed to manage and oversee the operations of the investment vehicle. The Board retains responsibility for strategy, operations and compliance. The directors retain a fiduciary duty to all shareholders.

## Association of Investment Companies (AIC)

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

## Benchmark

An index against which performance is compared. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan and MSCI AC Asia Pacific ex Japan High Dividend Yield indices (sterling adjusted) for comparison purposes only.

## Custodian

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

## Depositary

From 22 July 2014 all AIFs including the Company, were required to appoint a depositary which has responsibility for overseeing the operations of the Company including safekeeping of other assets.

## Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security. The fluctuations in value are usually greater than the fluctuations in the underlying security's value therefore some derivatives are a form of gearing. Examples of

derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

## Dividend dates

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

## Investment companies

Investment companies are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments.

## Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers and sellers 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 or seller will tend to depress or increase the price that might be negotiated for a sale or purchase. Investment companies can use allotment or buy back powers to assist the market liquidity in their shares.

## 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.



# Alternative Performance Measures (unaudited)

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 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 Pence	Share price Pence	(Discount)/ premium to NAV %
At 31 August 2022	281.11	281.00	0.0
At 31 August 2021	299.58	301.50	0.6

## Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is a 'net cash' position and no gearing.

		2022	2021
Investments held at fair value through profit or loss (page 44) (£'000)	(A)	437,496	462,085
Net assets (page 44) (£'000)	(B)	435,576	452,644
Gearing (C = A/B - 1) (%)	(C)	0.4	2.1

## Net asset value (NAV) per ordinary share

The value of the Company's assets (i.e. investments (see note 10) and cash held (see Balance Sheet) less any liabilities (i.e. bank loans (see Note 12b)) for which the Company is responsible divided by the number of shares in issue (see note 14). The aggregate NAV is also referred to as total equity in the Balance Sheet. The NAV per share is published daily and the year end NAV can be found on page 44 and further information is available on page 62 in note 17 within the notes to the financial statements.

## Ongoing charge

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

	2022 £'000	2021 £'000
Management fees	3,358	4,045
Other expenses (note 5)	1,134	938
Less: non-recurring expenses	(16)	(23)
<b>Ongoing charges</b>	<b>4,476</b>	<b>4,960</b>
<b>Average net assets<sup>1</sup></b>	<b>441,580</b>	<b>456,050</b>
<b>Ongoing charges ratio</b>	<b>1.01%</b>	<b>1.09%</b>

<sup>1</sup> Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Investor Document ('KID') is calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs and look through to costs incurred by other investment trusts and funds that the Company invests in.

# Alternative Performance Measures (unaudited) (continued)

## Total Return

The total return on the share price or NAV takes 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 total return). Dividends paid and payable are set out in note 9 on page 52.

	NAV per share	Share price
NAV/Share price per share at 31 August 2021 (pence)	299.58	301.50
NAV/Share price per share at 31 August 2022 (pence)	281.11	281.00
Change in the year (%)	(6.2)	(6.8)
Impact of dividends reinvested (%)	8.6	8.4
<b>Total return for the year (%)</b>	<b>1.9</b>	<b>1.0</b>

## Dividend 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)	23.80	23.40
Share price (pence)	(B)	281.00	301.50
Yield (C=A/B) (%)	(C)	8.5	7.8

# General shareholder information

## AIFMD disclosures

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

## Key Investor 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 a 'Key Investor Document' 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 Systems). Mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar (the address is given on page 69) 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 (CRS)

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

## Equality Act

Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the registrar, Computershare Investor Services (Jersey) Limited, 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), enter 18001 followed by the number you wish to dial.

## Foreign Account Tax Compliance Act (FATCA)

FATCA is a United States federal law enacted in 2010 intended to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on

their non-U.S. financial accounts. The Company makes an annual assessment, before the FATCA return is due, to determine whether the shares represent financial accounts. Where they do, US reportable accounts are notified to the local tax authority as required.

## General Data Protection Regulation (GDPR)

GDPR came into force on 25 May 2018. A privacy statement can be found on the website [www.janushenderson.com](http://www.janushenderson.com).

## Non-mainstream pooled investments (NMPI) status

The Company currently conducts its affairs so that its ordinary shares can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## ISA

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

## Share price and NAV

Details of the Company's share price and NAV can be found on the website at: [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com).

The Company's NAV is published daily and the market prices of the Company's shares can 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 via [www.computershare.com](http://www.computershare.com). Please note that to gain access to your details on the Computershare site you will need the shareholder reference number shown on your share certificate.

## New Zealand listing

The Company's shares are also listed on the New Zealand Stock Exchange so that New Zealand shareholders can trade their shares more easily and, in addition, receive dividends in New Zealand dollars. A New Zealand shareholder may transfer shares to the Auckland register by contacting the registrars in New Zealand, Computershare Investor Services Limited.

## 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.

# Service providers

## Registered office

IFC1, The Esplanade, St. Helier  
Jersey JE1 4BP

## Principal place of business

201 Bishopsgate, London EC2M 3AE

## 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

### Depository

J.P. Morgan Trust Company (Jersey) Limited  
4th Floor, Ensign House, 29 Seaton Place, St. Helier, Jersey  
JE2 3QL

### Custodian

JP Morgan Chase Bank N.A. (Jersey branch)  
4th Floor, Ensign House, 29 Seaton Place, St. Helier, Jersey  
JE2 3QL

### Administrator

BNP Paribas S.A.  
IFC1, The Esplanade, St. Helier, Jersey JE1 4BP  
Telephone: 01534 813800

### UK Stockbrokers

Cenkos Securities Limited  
6, 7, 8 Tokenhouse Yard, London EC2R 7AS

### New Zealand Stockbrokers

First NZ Capital Securities Limited  
10th Floor, Caltex Tower  
282-292 Lambton Quay  
PO Box 3394, Wellington, New Zealand

### Registrar

Computershare Investor Services (Jersey) Limited  
13 Castle Street, St Helier, Jersey JE1 1ES  
Telephone: 0370 707 4040  
info@computershare.co.je

### New Zealand Registrar

Computershare Investor Services Limited  
PO Box 92119, Auckland 1142, New Zealand  
Telephone: (0064) 9 488 8777

## Independent auditors

KPMG Channel Islands Limited  
37 The Esplanade, St. Helier, Jersey JE4 8WQ

## Financial calendar

Financial period end	31 August
4th Interim dividend	25 November 2022
Annual General Meeting	27 January 2023
1st Interim dividend	24 February 2023
2nd Interim dividend	26 May 2023
3rd Interim dividend	25 August 2023

Dividend dates refer to the payment date

## Information sources

For more information about Henderson Far East Income Limited, visit the website at **[www.hendersonfareastincome.com](http://www.hendersonfareastincome.com)**.

To receive regular insights on investment trusts from the investment manager, visit: **[www.janushenderson.com/en-gb/investor/subscriptions/](http://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.

## Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Henderson Far East Income Limited  
Registered as an investment company in Jersey with registration number 95064  
Registered office: IFC1, The Esplanade, St Helier, Jersey JE1 4BP  
Principal place of business: 201 Bishopsgate, London, EC2M 3AE

Regulated by the Jersey Financial Services Commission

SEDOL/ISIN number: B1GXH75/JE00B1GXH751  
London Stock Exchange (TIDM) code: HFEL  
New Zealand Stock Exchange code: HFL  
Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.826  
Legal Entity Identifier (LEI): 2138008DIQREOD38O596

Telephone: **0800 832 832**

Email: **support@janushenderson.com**

**www.hendersonfareastincome.com**

MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
The Association of  
Investment Companies



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