

# HENDERSON FAR EAST INCOME LIMITED

Annual Report 2017



MANAGED BY

**Janus Henderson**  
— INVESTORS —

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# Strategic Report

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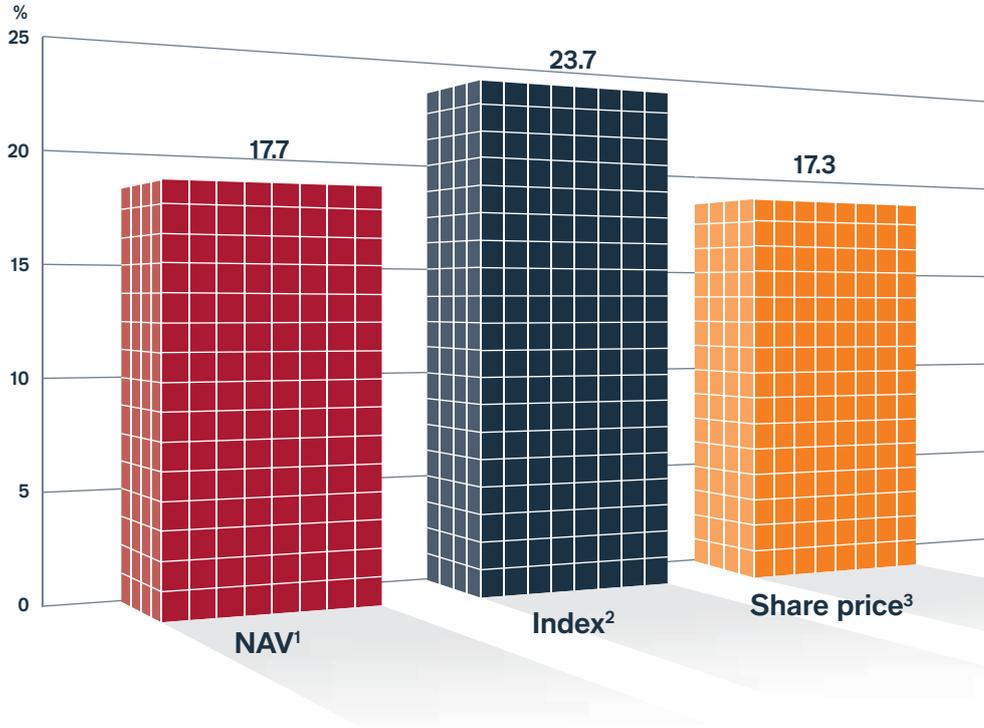
**“Despite all the global problems, the Asian region still offers a strong growth outlook and attractive opportunities for investors.”**

John Russell, Chairman

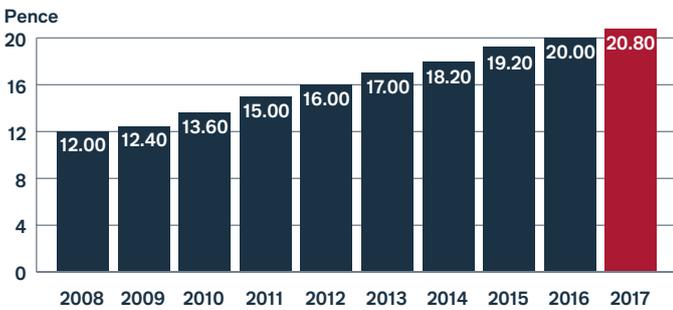


# Strategic Report: Performance Highlights

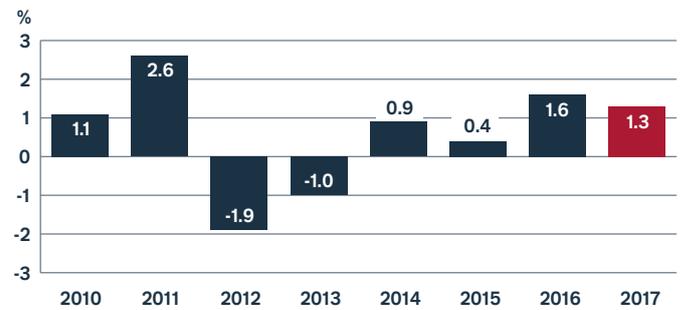
## Performance for year to 31 August 2017



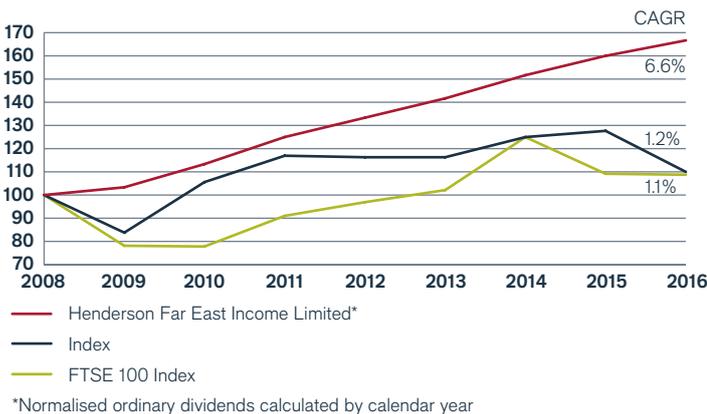
## Dividend per share<sup>4</sup>



## Premium/(discount)<sup>6</sup>



## Annual dividend growth<sup>5</sup>



## NAV and share price performance versus the Index<sup>7</sup>



# Strategic Report: Performance Highlights (continued)

## NAV per share at year end



2017 **375.19p**  
2016 **337.76p**

## Share price at year end



2017 **380.00p**  
2016 **343.00p**

## Dividend for year



2017 **20.80p**<sup>8</sup>  
2016 **20.00p**

## Dividend yield<sup>9</sup>



2017 **5.5%**  
2016 **5.8%**

## Ongoing charge for year<sup>10</sup>



2017 **1.12%**  
2016 **1.17%**

## Gearing at year end<sup>11</sup>



2017 **4.3%**  
2016 **4.6%**

## Number of investments at year end



2017 **52**  
2016 **54**

## Revenue return per share



2017 **21.94p**  
2016 **21.13p**

1 Net asset value total return (including dividends reinvested)

2 FTSE All-World Asia Pacific ex Japan Index (sterling adjusted), for comparison purposes (including dividends reinvested)

3 Share price total return (including dividends reinvested)

4 Ordinary dividend per share figures in respect of each financial year 2008-2017

5 Graph shows the annual dividend growth rates of the Company, the Index and the FTSE 100 normalised ordinary dividends calculated by calendar year

6 Graph shows the Company's share price premium/(discount) to NAV (including current year income) at the last five year ends

7 Graph shows the Company's net asset value total return and share price total return (including dividends reinvested) compared to the total return of the Index over the three years to 31 August 2017

8 This represents ordinary dividends recommended or paid in respect of the financial year. See page 43 for more details

9 Based on the share price at the year end and the dividends in respect of the financial year

10 See page 19 for more details

11 Gearing is defined on page 18

Sources: Morningstar for the AIC, Janus Henderson, Datastream

# Strategic Report: Business Model

## 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 sub-continent and Australasia.

Stocks listed in the Asia Pacific region will make up not less than 80 per cent 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.

## Investment strategy

Our focus is on well managed companies with attractive valuations which have the ability to sustain and/or grow dividends for the future. At present, we prefer domestic oriented areas which are exposed to the increasing purchasing power of the consumer across our region. The Manager thoroughly researches 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 Manager's 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.

## Management

The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority ("FCA"). References to the Manager within this report refer to the services provided by both entities. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson, following the merger of Henderson Group plc and Janus Capital Group, Inc. on 30 May 2017.

Administration services and the services of the Company Secretary are provided to the Company by BNP Paribas Securities Services S.C.A., Jersey Branch ("BNPP"), which is regulated by the Jersey Financial Services Commission.

## Fund management

The fund management team is led by Mike Kerley, the Fund Manager, who has been in place since 2007, supported by Sat Duhra who joined Janus Henderson in April 2011.

## Fees

As at 31 August 2017, the management fee payable to Janus Henderson was 0.9% per annum of net assets, calculated as 0.225% of the total value of net assets under management on 31 March, 30 June, 30 September and 31 December in each year (equivalent to 0.9% of net assets per annum). There was no performance fee.

With effect from 1 September 2017, the management fee payable to Janus Henderson is paid on a tiered basis so that the existing management fee of 0.9% per annum (calculated as 0.225% per quarter) will only apply to the first £400m of net assets with the balance above that charged at a reduced rate of 0.75% per annum (0.1875% per quarter) of net assets. There is no performance fee.

# Strategic Report: Chairman's Statement



**The Chairman of the Company, John Russell, reports on the year to 31 August 2017**

## Introduction

I am pleased to report another good year in both income and capital terms as Asian equity markets proved resilient against a global backdrop of both political and economic uncertainty. The Company has increased the dividend each year since its Jersey incorporation in 2007 and, at the period end, the ordinary shares yielded 5.5%. It is encouraging that, whilst global uncertainties will continue to drive some volatility, the outlook for dividend growth from Asian companies remains strong.

## Performance

In the year under review, the net asset value total return was 17.7% whilst the share price total return was 17.3%. Though not a benchmark for us, the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) returned 23.7% as growth companies generally did better than those paying attractive dividends.

## Dividends

A fourth interim dividend of 5.30p has been declared making a total of 20.8p for the year, an increase of 4.0%. As referred to in my introduction, the annual dividend has been increased ahead of UK inflation each year since moving to Jersey. Once again, this total was fully covered by revenue for the year and also allowed for an addition to our revenue reserve, which will underpin dividends in future years. Your Board is confident that it will be able to at least maintain this level of total dividend in the current year.

## Capital

During the year the Company issued a total of 3,400,000 new ordinary shares at a premium to asset value thereby enhancing the net asset value per share for existing shareholders, enabling the fixed costs of the Company to be spread over a wider shareholder base, and improving the liquidity of the shares in the market. As at 3 November 2017, a further 1,568,000 shares have been issued since 31 August 2017 for total proceeds (net of commissions) of £5,910,154.

## Gearing

The Company has continued to utilise its borrowing facility throughout the year to capitalise on specific stock opportunities. The Company has a two year £35 million facility with Commonwealth

Bank of Australia. At 31 August 2017 the amount drawn down stood at £31.8 million and net gearing was 4.3%. The maximum amount drawn down under the facility during the year was £34.9 million (including exchange rate movements since draw down).

## Manager

On 30 May 2017 Henderson Group plc merged with Janus Capital Group Inc. Your Board is encouraged by this move as it has enhanced the Manager's footprint in the Asia Pacific region. There will be no changes to the personnel responsible for the day to day management of your Company as a result of the merger.

## Management Fees

As announced on 26 October 2017, following a formal review of the management fee arrangements, I am pleased to report that with effect from 1 September 2017, the Board has agreed a tiering basis to the management fee arrangements so that the existing management fee of 0.9% will only apply to the first £400m of net assets with the balance above that charged at a reduced rate of 0.75%. There is no performance fee. Details of the fee arrangements are set out on page 4 of this report.

## Investment Policy and Objectives

The Board has approved certain changes to the investment objective and policy of the Company, in order to provide further clarity to investors. As such the Board has been advised the changes are deemed immaterial and so do not require shareholder consent. The updated investment objective and policy is set out in full on page 4 of this Annual Report.

## Outlook

Global tensions are rising. Populism is beginning to embed itself in mainstream politics in a number of countries with negative implications for global growth. North Korea presents a significant challenge to the region and the world. Terrorism is also increasing and deaths caused by regional wars have been rapidly rising since 2008. President Trump's approach is not helpful in a world calling out for stability. While the EU is showing better economic growth the underlying tensions and disagreements among the 28 countries remain high with no consensus in sight.

# Strategic Report: Chairman's Statement (continued)

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Against this gloomy backdrop there are still some very positive developments. Global economic power has moved decidedly eastward to the world's most populous region in the past few decades, China and India in particular. The impact of the 2008 financial crisis would have been much worse if not for China's policy response in stimulating its economy to further improve its contribution to global GDP. It was this policy that gave rise to much debate among investors about rising debt in China and the sustainability of an economy driven by low cost manufacturing and debt. The concerns have been shown to be overstated. President Xi Jinping has clearly put China on a more sustainable economic growth path. Household aggregate demand is rising sharply, the services sector is now the major driver of economic growth and, in contrast to many western economies, the percentage of GDP going to wages is rising, further stimulating consumption. The household savings rate is also in decline as social security measures strengthen.

President Xi has also introduced supply side reforms by dissolving some non-performing state owned enterprises and introducing much tougher regulation to reduce financial risk. These measures will further improve economic performance giving him more room to tackle the severe environmental degradation that has resulted from past policies.

The risk to this optimistic view remains populist driven trade disputes. However, even on this front, the outlook seems a little better than may have been imagined following the aggressive stance taken by President Trump in his election campaign and immediately following his election. He has not declared China a currency manipulator and appears to have discovered how damaging a trade war would be to the global economy including the US. The stakes are just too high. Some mutually agreed compromise will probably be the final outcome.

The Board attended a conference in Mumbai, India in June. It was an opportunity to meet a number of Indian companies and hear from numerous experts and commentators. The energy and the growth of a wealthy middle class was very evident as was the Government's efforts in supply side reform notably the introduction of a goods and services tax and the cancellation of large denomination bank notes to reduce the size of the black economy. Much is made of India's young

population and it is no doubt a great advantage in a region where other major players, notably China and Japan, face poor demographic outlooks. However, we were confronted by the severe challenges India faces as evidenced by the very long queues of young educated people outside employment offices looking for a job. India needs to find around 15 million new jobs each year to absorb those leaving full time education. We harbour some doubts that reform in India will be fast enough to address the issue. Corruption is widespread in government and business while ethnic and religious tensions remain high. Infrastructure developments, so critical to growth, are promised but progress is very slow with an outdated and cumbersome planning process. Clearly a significant part of the population has benefited from an opening up of the economy but the vast bulk of the 1.3 billion people are still rural with average farm sizes of around 1.5 hectares with very high levels of illiteracy and inadequate infrastructure support. It is difficult to see in these circumstances how India can achieve its potential without a much more determined Government effort and deep structural reform.

Overall, despite all the global problems, the Asian region still offers a strong growth outlook and attractive opportunities for investors.

## Annual General Meeting

The Company's AGM will be held at 12.00 noon on 13 December 2017 at IFC1, The Esplanade, St. Helier, Jersey JE1 4BP and full details of the proposed resolutions are set out in the separate Notice of Meeting which has been issued with this report. As usual an open presentation to shareholders will be held at Janus Henderson's offices in London on 14 December 2017 at 11.00 am when Michael Kerley will make an investment presentation and he, I and other Board members will be happy to answer questions. If you would like to attend please complete and return the invitation card enclosed with this report.

John Russell  
Chairman  
3 November 2017

# Strategic Report: Fund Manager's Report



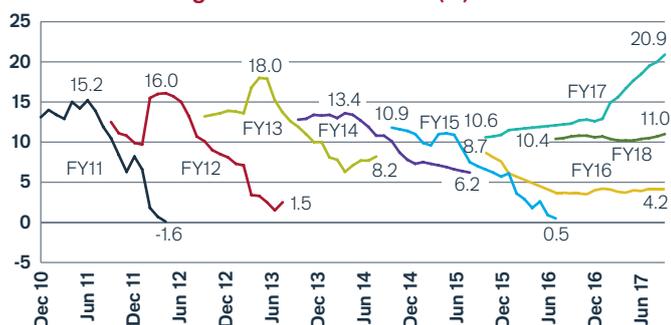
The Fund Manager, Michael Kerley, reports on the year to 31 August 2017

## Overview

Following a strong year last year I am pleased to report another good year for the net asset value ("NAV") and share price total return for your Company. The NAV total return was 17.7% and the share price total return was 17.3% in sterling terms over the twelve months to the end of August 2017. The capital returns are all the more encouraging for not being boosted by weak sterling as they were in the previous year.

In a year dominated by political, geopolitical and economic uncertainty the positive returns generated are encouraging and reflect an improvement in the underlying fundamentals of the Asia Pacific region. For the first time since 2009 Asian earnings have been upgraded since the turn of the year rather than the recent trend of downgrades which has helped Asia ex Japan outperform its developed market peers. The chart below shows the trend since 2011 where analysts' expectations start the year with double digit expectations but gradually downgrade as the year progresses. The trend for 2017 is a notable exception with consensus expectations now forecasting 20.9% earnings growth for the year.

### Consensus EPS growth forecast trend (%)



Critics will say that the improvement is down to the growth of the technology sector and in particular Tencent, Alibaba and Samsung Electronics but as the year has progressed the contribution has broadened into financials, industrials and consumer related sectors, which is a positive sign. The most notable growth is forecast for Korea where earnings are expected to grow by almost 50% in 2017.

Admittedly just over half of this is forecast to come from Samsung Electronics and SK Hynix, the memory chip manufacturers where underlying fundamentals are very strong, but 23.9% forecast growth for the rest of the Korean market is still an impressive number. From an earnings standpoint India remains the biggest disappointment. The demonetisation experiment at the end of 2016 and the implementation

of a goods and services tax in June 2017 have caused considerable disruption which has led to disappointing economic numbers and an ongoing downgrading of earnings expectations.

The improvement in the corporate sector has been accompanied by stability at the macro level. Chinese GDP growth has been better than expected while positive export momentum has been witnessed region wide. The much heralded impact of US protectionism has yet to manifest itself in any meaningful way while Asia's share of world trade continues to grow, undermining the argument that Asia and, in particular, China are becoming uncompetitive.

Despite these more positive developments there are clearly risks. The weakness in the US dollar has been supportive but as interest rates rise there is the potential that this could reverse while protectionist policies involving trade barriers, which have so far been put on hold, could resurface. The most significant risk, however, is closer to home. The escalation of tension between North Korea and the US and its allies shows no sign of abating with no easy solution visible. The options open to the US to prevent Kim Jong-un obtaining an intercontinental ballistic nuclear capability are all unpalatable and fraught with danger. So far the pressure brought to bear by the United Nations in terms of sanctions has not slowed North Korea's progress. A policy of dialogue and containment seems the most likely outcome but with the two parties led by volatile personalities this is far from certain.

The best performing market over the period was Taiwan which benefited from increased demand for tech hardware and semiconductors. Despite the stunning performance of the internet sector the performance of Taiwan suggests support for the hardware facilitators of the internet boom. Taiwan Semiconductor, the world's largest semiconductor foundry, rose 23.2% over the period in local currency terms while some of the key manufacturers of optical lenses, microphones etc. rose by considerably more. The second best performing market was China where the strong performance of the internet sector was most visible. Tencent, the social media, gaming and ecommerce behemoth, rose 65% in sterling terms over the period as China continued to embrace online services. At the end of August 2017 Tencent had a market capitalisation of over \$450 billion, comparable to Amazon and larger than Exxon Mobil. At the other end of the scale ASEAN markets underperformed with The Philippines actually posting a negative return over the period as President Duterte's combative style and fiery rhetoric have soured relations with the US and discouraged investors.

At the sector level performance was dominated by basic materials and technology. The recovery in Chinese growth expectations together with aggressive supply side reform has seen a significant rise in basic material prices. Coal and iron ore in particular have seen spectacular recoveries while copper, aluminium, zinc and steel have also benefited. The energy sector witnessed more modest returns as the tug of war between US shale and OPEC kept the oil price range bound between \$45 and \$55 per barrel over the period. With a focus on growth rather than stability and yield the more defensive sectors struggled to make headway. Utilities and healthcare made modest gains while telecommunications actually fell over the period.

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

## Performance

The portfolio failed to keep pace with the index performance over the period. The FTSE All-World Asia Pacific ex Japan index rose 23.7% in sterling terms on a total return basis. The strength of growth and especially "new economy" growth, which trades at high valuations with no dividends, was difficult to match while the performance of some of the higher yielding sectors was disappointing.

At the stock level we had some success with companies such as Star Petroleum, which rose 72% over the period, Autohome 86%, Anta Sports 56%, Hon Hai Precision 71% and KB Financial 47% but these were not enough to offset the style differentials which favoured cyclical and growth over defensiveness and yield.

Income generation remained strong with investment income rising 6.7% year on year in sterling terms while option premium rose 3.0%. The geographical breakdown of income reflects the strong growth in North Asia with China, Taiwan, South Korea and Hong Kong accounting for 65.7% of the income received. At the sector level financials account for 30.1% of the income received but the rise of technology to 13.3% of income is reflective of the change in the market structure and the ability of this sector to produce significant cash flow and dividends.

Over the period we made some notable additions to the portfolio although portfolio turnover was lower than in the year ended 31 August 2016. In the fourth quarter of 2016 we added Samsung Electronics preferred shares and Rio Tinto Ltd to the portfolio to capture the cyclical upswing in global growth and reduced some of the exposure to telecoms and REITS which are more sensitive to rising interest rates. We remain positive on the refining sector due to a lack of new capacity and added Star Petroleum to the portfolio while our positive view on online services in China resulted in the purchase of Autohome (the Auto Trader of China). Other notable purchases included Dali Foods, the Chinese snacks, drinks and soya milk producer and Anta Sports, China's largest local brand sportswear provider. The addition of Chinese banks to the portfolio in the second quarter of 2017 on

the expectation of improving profitability and lower non-performing loans resulted in a significant increase in the weighting in China (28.1% at year-end compared to 17.6% a year earlier). This increase was funded by a significant reduction to our exposure in India. We now have no exposure to this market as the stocks are expensive and the economic and corporate momentum remains negative.

## Outlook

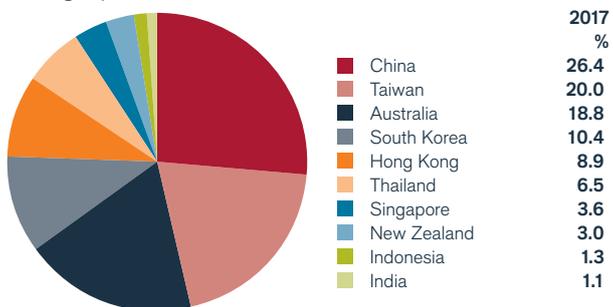
We remain cautiously optimistic on the outlook for Asia Pacific in the medium to long term. Earnings momentum is positive and, although markets have risen, valuations on a price to earnings basis have not changed markedly as earnings growth has kept up with price movements. This is not true of developed markets which are trading at, or close to, all-time highs. Without the same kind of earnings support developed markets are looking fully valued. These levels of valuations are a risk in themselves and together with the headwinds of geopolitical tension, rising interest rates and Brexit negotiations, merit some caution. For this reason the Company's level of gearing is modest and will remain so for the near term.

Despite the strong performance in some of the expensive new economy sectors we will stick to our discipline of focusing on well managed companies with attractive valuations which have the ability to sustain and grow their dividends in the years ahead. Our focus remains on domestic orientated areas which are exposed to the improving spending power of the consumer across the region.

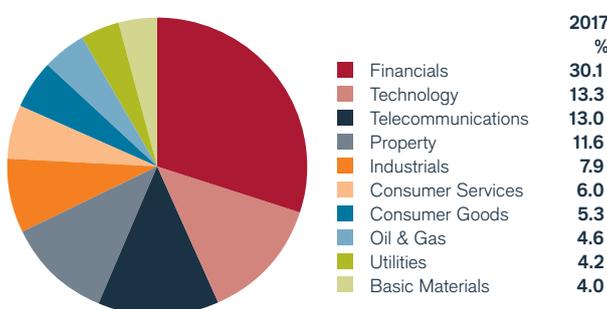
The outlook for dividends in Asia Pacific is still a compelling story. Asian companies have low levels of debt, a pragmatic view on capital expenditure and strong cash flow generation which should allow dividend pay-out ratios to continue to rise in the years ahead.

Michael Kerley  
Fund Manager  
3 November 2017

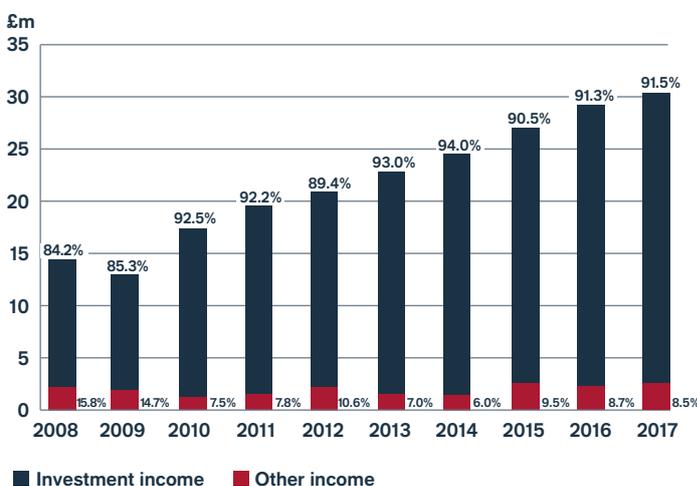
### Geographical distribution of income



### Sector distribution of income



### Financial year revenue breakdown



Source: Janus Henderson, as at 31 August 2017

# Strategic Report:

## Investment Portfolio as at 31 August 2017

### Ten largest investments

Ranking 2017	Ranking 2016	Company	Principal activities	Country of incorporation	Sector	Valuation 2017 £'000	% of portfolio
1	27	<b>Samsung Electronics<sup>1</sup></b>	Korea's largest company and a global leader in semiconductor and display manufacturing together with branded products in mobile telephony, electronics and consumer appliances.	South Korea	Technology	21,810	4.72
2	–	<b>Rio Tinto Ltd</b>	One of the world's largest international mining companies dual listed in Australia and the UK. The company is a leading producer of iron ore, aluminium and copper with further interests in coal, uranium, zinc and tin.	Australia	Basic Materials	14,107	3.06
3	15	<b>Hon Hai Precision Industry</b>	One of the world's largest providers of electronic manufacturing services for computers, communications and consumer electronics products for customers worldwide. The company is incorporated in Taiwan but manufactures mostly in China.	Taiwan	Technology	13,150	2.85
4	–	<b>Bank of China</b>	One of China's key state owned policy banks offering a complete range of banking and other financial services to corporate and retail customers with a comparatively large exposure to foreign currency and trade related business.	China	Financials	12,494	2.71
5	2	<b>Taiwan Semiconductor Manufacturing<sup>2</sup></b>	The world's leading semiconductor foundry service provider. The company manufactures and markets integrated circuits which are used in computer, communication and consumer electronics industries.	Taiwan	Technology	12,106	2.62
6	4	<b>Telekomunikasi Indonesia</b>	The largest telecom services company in Indonesia providing fixed line and mobile telephony services across all parts of the archipelago.	Indonesia	Telecommunications	11,935	2.59
7	–	<b>PTT</b>	Thailand's largest company offering fully integrated services in oil and gas. The company explores for, produces, transports and sells natural gas and crude oil directly to corporate customers and to consumers through its nationwide network of retail outlets.	Thailand	Oil & Gas	11,452	2.48
8	3	<b>Macquarie Korea Infrastructure Fund</b>	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	11,405	2.47
9	19	<b>China Yangtze Power<sup>3</sup></b>	China's largest hydroelectric power producer and operator of the Three Gorges and Gezhouba dams on the Yangtze river. The company sells power to serve predominantly central, eastern and southern China through the national grid system.	China	Utilities	11,180	2.42
10	32	<b>Star Petroleum Refining</b>	Star is one of Asia's most efficient oil refineries. The company is 60% owned by Chevron and sells refined oil products both domestically and for export.	Thailand	Oil & Gas	11,135	2.41
						<b>130,774</b>	<b>28.33</b>

The top ten investments by value account for 28.33% of the total investments (2016: £108,233,000 or 26.76%)

1 Preferred Shares

2 American Depositary Receipts

3 Participation Notes

# Strategic Report:

## Investment Portfolio as at 31 August 2017 (continued)

Ranking 2017	Ranking 2016	Company	Country of incorporation	Sector	Valuation 2017 £'000	% of portfolio
11	9	HKT Trust & HKT	Hong Kong	Telecommunications	11,048	2.39
12	25	Advanced Semiconductor Engineering	Taiwan	Technology	11,016	2.39
13	36	HSBC Holdings	UK (Hong Kong)	Financials	10,760	2.33
14	5	Spark New Zealand	New Zealand	Telecommunications	10,737	2.33
15	–	Mega Financial	Taiwan	Financials	10,642	2.30
16	8	KB Financial Group	South Korea	Financials	10,622	2.30
17	16	Amcor	Australia	Industrials	10,613	2.30
18	–	China Construction Bank	China	Financials	10,456	2.27
19	40	Lend Lease	Australia	Property	10,432	2.26
20	24	SK Innovation	South Korea	Basic Materials	10,389	2.25
<b>Top Twenty Investments</b>					<b>237,489</b>	<b>51.45</b>
21	34	Huayu Automotive Systems <sup>1</sup>	China	Consumer Goods	10,284	2.23
22	50	Anta Sports Products	China	Consumer Goods	10,242	2.22
23	13	Fairfax Media	Australia	Consumer Services	9,865	2.14
24	–	Dali Foods	China	Consumer Goods	9,749	2.11
25	46	Macquarie Group	Australia	Financials	9,624	2.09
26	6	Mapletree Greater China Commercial Trust	Hong Kong	Property	9,558	2.07
27	–	Melco Crown Entertainment <sup>2</sup>	China	Consumer Services	9,552	2.07
28	49	SK Telecom <sup>2</sup>	South Korea	Telecommunications	9,531	2.06
29	31	Scentre Group	Australia	Property	9,436	2.04
30	29	Spark Infrastructure	Australia	Utilities	9,330	2.02
<b>Top Thirty Investments</b>					<b>334,660</b>	<b>72.50</b>
31	10	Ascendas REIT	Singapore	Property	9,239	2.00
32	28	Taiwan Cement	Taiwan	Industrials	8,929	1.93
33	–	Agricultural Bank of China	China	Financials	8,928	1.93
34	17	Jiangsu Expressway	China	Industrials	8,803	1.91
35	–	China Mobile	China	Telecommunications	8,765	1.90
36	14	Zhengzhou Yutong Bus Co <sup>1</sup>	China	Industrials	8,680	1.88
37	–	Mapletree Commercial Trust	Singapore	Property	8,483	1.84
38	22	Digital Telecommunications	Thailand	Telecommunications	8,293	1.80
39	–	Quanta Computers	Taiwan	Technology	8,055	1.75
40	1	Netease <sup>2</sup>	China	Technology	7,871	1.71
<b>Top Forty Investments</b>					<b>420,706</b>	<b>91.15</b>
41	–	Powertech Technology	Taiwan	Technology	7,863	1.70
42	–	QBE Insurance	Australia	Financials	7,751	1.68
43	–	China Resources Land	China	Property	7,631	1.65
44	–	Autohome	China	Technology	7,578	1.64
45	47	CTCI Corporation	Taiwan	Industrials	6,967	1.51
46	–	Insurance Australia Group	Australia	Financials	6,555	1.42
47	–	First Financial	Taiwan	Financials	215	0.05
48	51	China Forestry Holdings	China	Basic Materials	–	–
49	–	Melco Reso Nov 17 Call 23.02806 (Expiry 22/11/17)	China	Consumer Services	(372)	(0.08)
50	–	Anta Sports Products Oct 17 Call 27.4386 (Expiry 09/10/17)	China	Consumer Goods	(594)	(0.13)
<b>Top Fifty Investments</b>					<b>464,300</b>	<b>100.59</b>
51	–	SK Innovation Nov 17 Call 177405.837 (Expiry 16/11/17)	South Korea	Basic Materials	(962)	(0.21)
52	–	Autohome Oct 17 Call 49.73331 (Expiry 02/10/17)	China	Technology	(1,743)	(0.38)
<b>Total Investments</b>					<b>461,595</b>	<b>100.00</b>

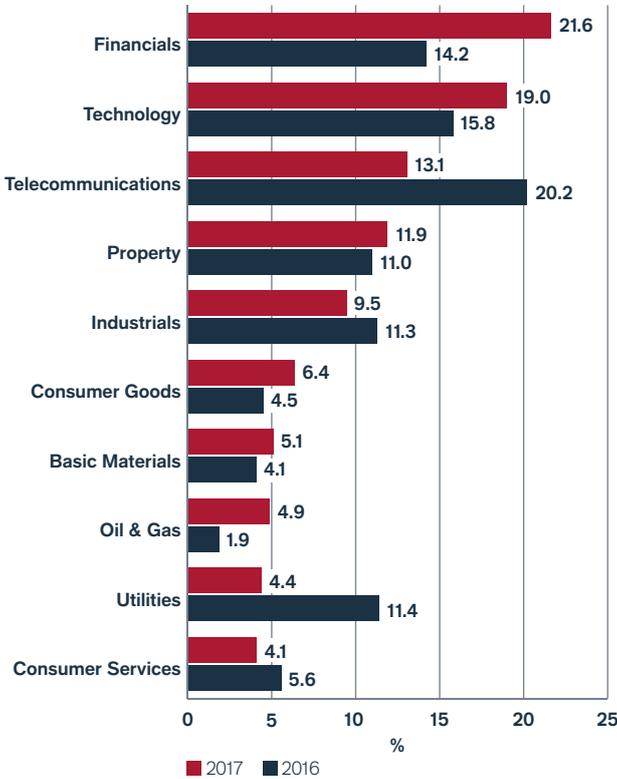
<sup>1</sup> Participation Notes

<sup>2</sup> American Depositary Receipts

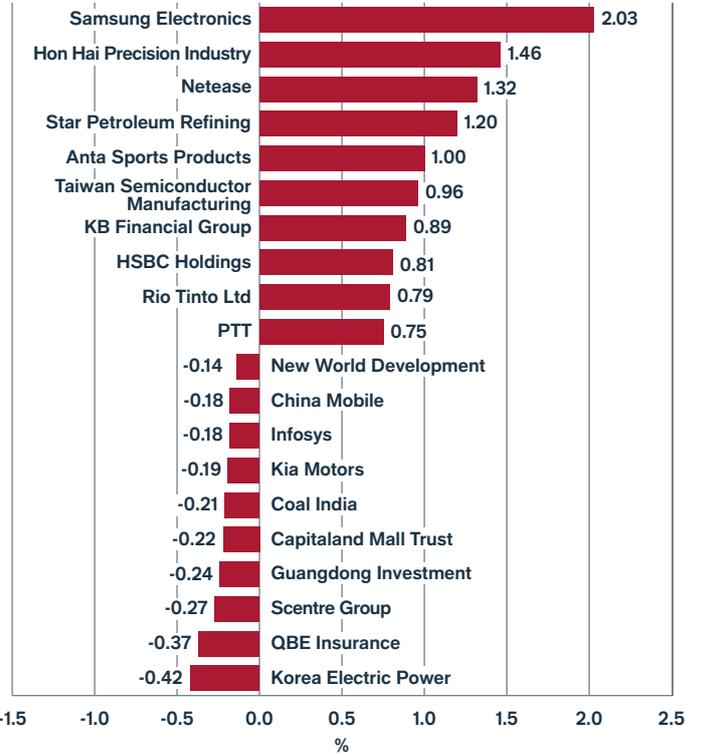
# Strategic Report: Portfolio Information

## Sector exposure

As a percentage of the investment portfolio excluding cash

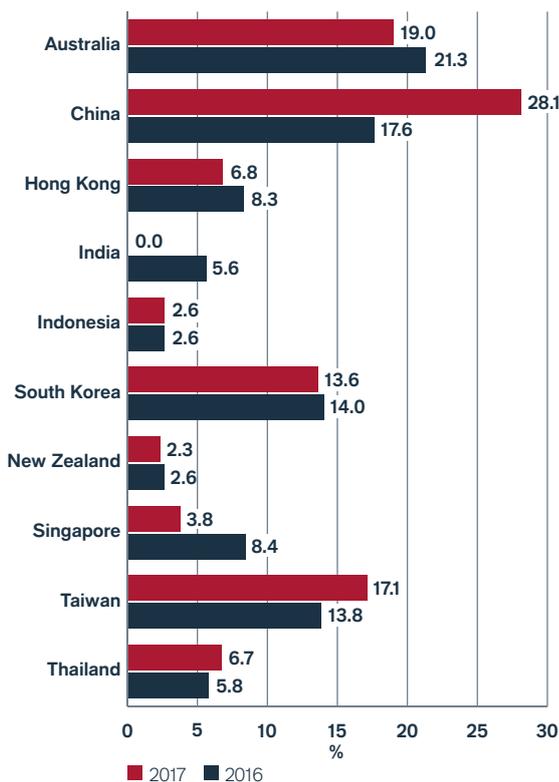


## Top ten contributors to and bottom ten detractors from return

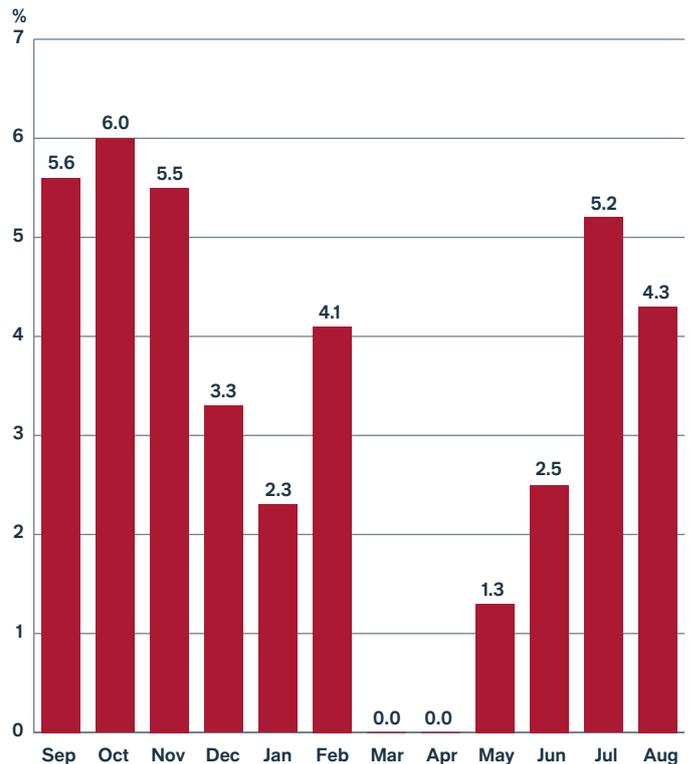


## Geographic focus

As a percentage of the investment portfolio excluding cash



## Gearing levels over the year\*

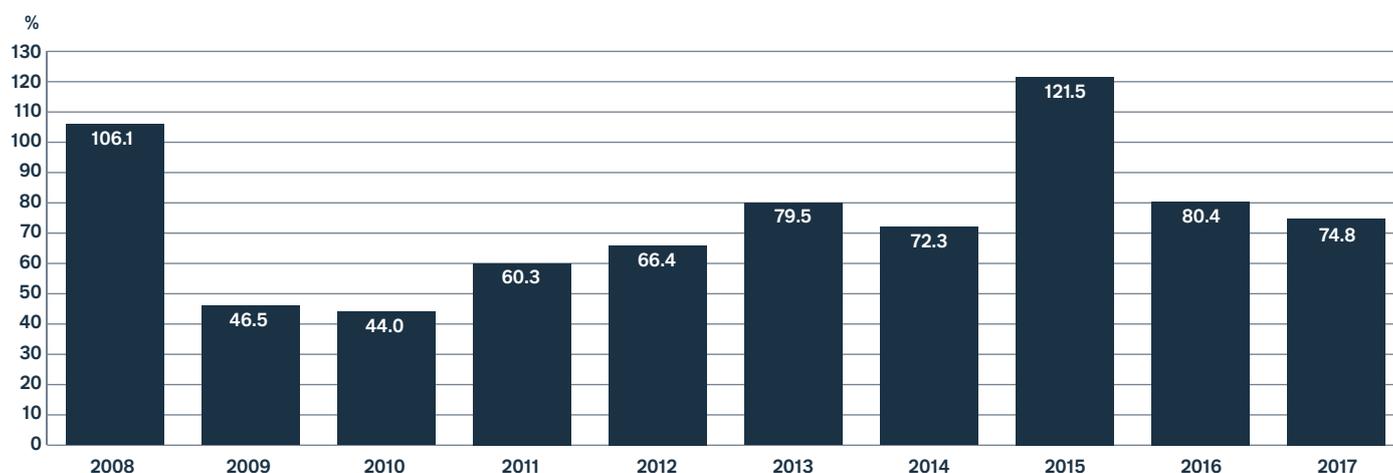


\*Gearing is defined on page 18

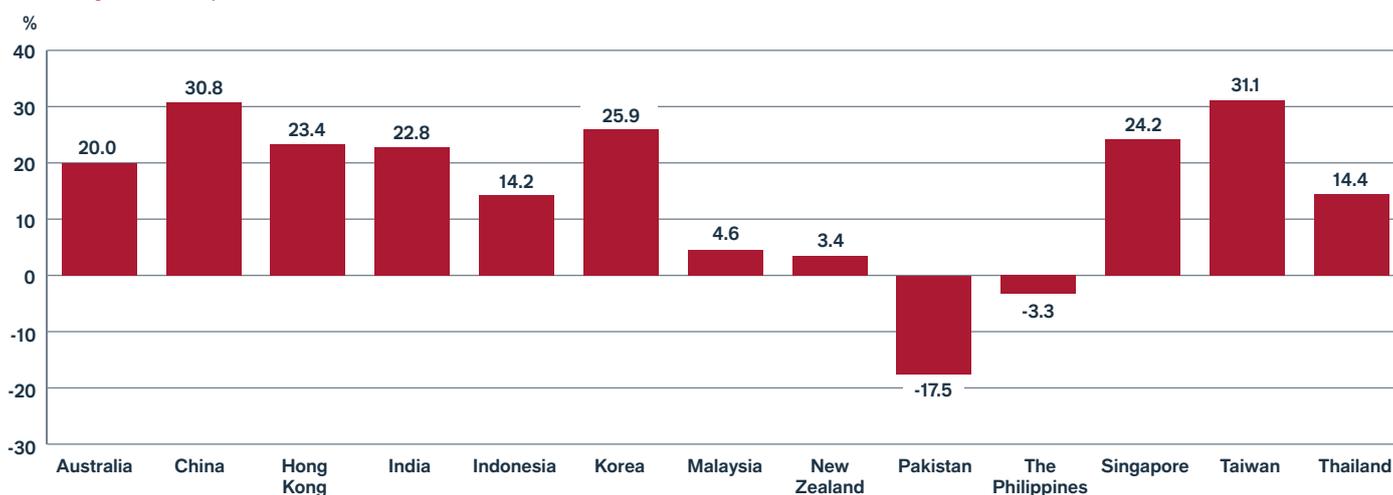
Source: Janus Henderson

# Strategic Report: Portfolio Information (continued)

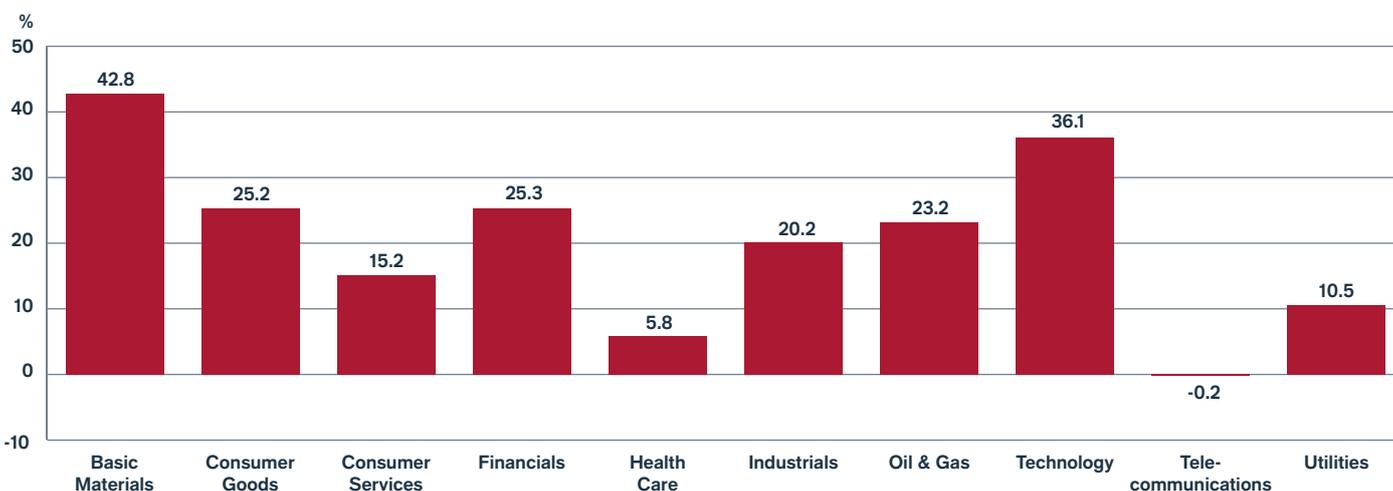
## Portfolio turnover<sup>1</sup>



## Country index performance<sup>2</sup>



## Sector index performance<sup>2</sup>



Source: Janus Henderson

<sup>1</sup> Calculated as the lower of purchases and sales over net assets at the year end

<sup>2</sup> FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) total return including dividends reinvested

# Strategic Report: Historical Performance and Financial Information

## Total return performance (including dividends reinvested)

	1 year %	3 years %	5 years %
Net Asset Value per ordinary share <sup>1</sup>	17.7	37.6	69.6
AIC Asia Pacific (excluding Japan) Sector (Peer Group) Average <sup>2</sup>	22.2	47.3	85.1
FTSE All-World Asia Pacific ex Japan Index (sterling adjusted)	23.7	46.7	82.6
FTSE All-World Asia Pacific incl Japan Index (sterling adjusted)	20.9	52.5	93.6

<sup>1</sup> Source: Morningstar for the AIC including income fair value NAV

<sup>2</sup> Size weighted average (shareholders' funds)

## Share price movement against indices since launch



## 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 %
2008	203,134	261.69	238.25	(8.9)	3,519	15.68	(11.14)	4.53	12.00	–
2009	215,496	258.52	269.50	4.2	7,732	13.76	(3.97)	9.79	12.40	–
2010	284,916	295.00	295.25	0.1	43,782	15.35	32.43	47.78	13.60	1.23
2011	287,389	287.09	294.50	2.6	5,676	16.49	(10.75)	5.74	15.00	1.21
2012	300,500	295.82	290.13	(1.9)	24,767	17.31	7.19	24.50	16.00	1.21
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
<b>2017</b>	<b>442,482</b>	<b>375.19</b>	<b>380.00</b>	<b>1.3</b>	<b>67,211</b>	<b>21.94</b>	<b>36.09</b>	<b>58.03</b>	<b>20.80</b>	<b>1.12</b>

# Strategic Report: Corporate Information

## Directors

The Directors appointed to the Board at the date of this report are:

### John Russell

**Position:** Non-Executive Chairman of the Board

**Date of appointment:** 6 November 2006

John has over 30 years' experience in investment banking. He was a member of the Australian Stock Exchange and a partner at Bain & Company. He has had 20 years' experience in London and New York as head of Bain's branches in those cities. In 1992 Bain was acquired by Deutsche Bank AG and John continued as senior director of Deutsche Bank Australia in Europe until the end of 1999. John was previously a director of Henderson Far East Income Trust plc.

### David Staples

**Position:** Non-Executive Director

**Date of appointment:** 18 January 2011

David is a fellow Chartered Accountant and an associate of the Chartered Institute of Taxation. For thirteen years, until 2003, he was a partner with PricewaterhouseCoopers in the UK. He is currently a non-executive director of the following listed companies; MedicX Fund Limited, which he Chairs, Aberdeen Private Equity Fund Limited and Global Fixed Income Realisation Limited. His other non-executive directorships are of five private equity funds advised by Apax Partners.

### David Mashiter

**Position:** Non-Executive Director

**Date of appointment:** 6 November 2006

David is currently managing director of Meridian Asset Management (C.I.) Limited. He is also a director of Northcross Capital Management Limited, Northcross Holdings Limited, RBC Regent Strategy Fund Limited and Broadwalk Select Services Fund Limited. He was formerly head of investment management with the Royal Trust Company of Canada in Jersey.

### Julia Chapman

**Position:** Non-Executive Director

**Date of appointment:** 30 January 2015

Julia is a lawyer qualified in England & Wales and in Jersey with over 25 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 Mourant du Feu & Jeune (now Mourant Ozannes) in 1999. She was then appointed general counsel to Mourant International Finance Administration (the firm's fund administration division). Following its acquisition by State Street in April 2010, Julia was appointed 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. Her other listed directorships are GCP Infrastructure Investments Limited and BH Global Limited.

### Nicholas George

**Position:** Non-Executive Director

**Date of appointment:** 20 April 2016

Nicholas is a chartered accountant by training but 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 in 1993 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, an HK SFC registered Hong Kong based Asian hedge fund of funds. Since that time he has become a non-executive director of a number of diversified businesses ranging from telecommunications, investment management and healthcare and continues to travel widely throughout Asia where he has built up an impressive network of contacts.

All of the Directors are non-executive and are members of the Audit Committee, the Management Engagement Committee and the Nominations Committee.

## Fund Management

The fund management team is led by Mike Kerley who has been in place since 2007, supported by Sat Duhra, who joined Janus Henderson in April 2011.



**Mike Kerley**



**Sat Duhra**

# Strategic Report: Corporate Information (continued)

## Registered office

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

## Other service providers

**Alternative Investment Fund Manager**  
Henderson Investment Funds Limited  
201 Bishopsgate, London EC2M 3AE

## Depository

J.P. Morgan Trust Company (Jersey) Limited  
Forum 4, Grenville Street, St. Helier  
Jersey JE4 8QH

## Custodian

JP Morgan Chase Bank N.A. (Jersey branch)  
JP Morgan House, Grenville Street, St. Helier  
Jersey JE4 8QH

## Independent auditors

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

## Company Secretary and Administrator

BNP Paribas Securities Services S.C.A Jersey Branch  
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  
Queensway House, Hilgrove 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

## Financial calendar

Financial period end	31 August 2017
Annual General Meeting <sup>1</sup>	13 December 2017
Shareholder Event <sup>2</sup>	14 December 2017
4th Interim dividend	30 November 2017
1st Interim dividend	28 February 2018
2nd Interim dividend	31 May 2018
3rd Interim dividend	31 August 2018

## Information sources

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

## HGi

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

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



Follow Investment Trusts on Twitter, YouTube and Facebook



## Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 08457 22 5525, email [Henderson@halifax.co.uk](mailto:Henderson@halifax.co.uk) or visit their website [www.halifax.co.uk/sharedealing](http://www.halifax.co.uk/sharedealing).

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

## Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman. Investors via Halifax Share Dealing receive all shareholder communications and a voting instruction form is provided to facilitate voting at general meetings of the Company.

<sup>1</sup> At the Company's registered office at 12.00 noon

<sup>2</sup> At Janus Henderson's offices, 201 Bishopsgate, London EC2M 3AE at 11.00 am

# Strategic Report: Corporate Information (continued)

## Status

The Company is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 95064. In addition, the Company constitutes and is certified as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988 ("the Jersey Funds law"). The Company has obtained a Fund Certificate under Article 7 of the Jersey Funds Law from the Jersey Financial Services Commission to operate as a Certified Fund within the Island of Jersey. The Company has a premium listing on the main market of the London Stock Exchange and a secondary listing on the New Zealand Stock Exchange. It is subject to the UK Listing Authority's Listing Rules and also the listing rules of the New Zealand Stock Exchange. It is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company is a member of the Association of Investment Companies ("AIC").

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an Individual Savings Account ("ISA").

## Principal risks and uncertainties

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. In carrying out this assessment, the Board also considered both regional and global geopolitical risks, as well as the political instability arising from the UK's negotiations to leave the European Union, which the Board does not consider to be material except for the impact on currency movements.

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

### Investment and strategy

An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in under performance against the companies in the peer group, and also in the Company's shares trading on a wider discount. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Manager operates in accordance with an investment limits and restrictions policy determined by the Board, which includes limits on the extent to which borrowings may be employed. The Board reviews the limits and restrictions on a regular basis and Janus Henderson confirms adherence to them every month. Janus Henderson provides the Board with management information, including performance data and reports and shareholder analyses. The Directors monitor the implementation and results of the investment process with the Manager at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.

### Accounting, legal and regulatory

The Company is regulated by the Jersey Financial Services Commission and complies with the regulatory requirements in Jersey. The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the FCA Listing Rules. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the Listing Rules

could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and FCA and New Zealand Stock Exchange Rules.

## Operational

Disruption to, or the failure of, Janus Henderson'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. The Administrator, BNP Paribas Securities Services S.C.A. (Jersey Branch), sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Securities Services. Details of how the Board monitors the services provided by Janus Henderson and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement.

## Financial

The financial risks faced by the Company include market risk (market price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Company does not employ financial instruments to mitigate risk. Further details are disclosed in Note 13 on pages 44 to 51. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

## Borrowing

The Company has a two year £35 million revolving multi-currency loan facility with Commonwealth Bank of Australia which is under regular review and unless renewed will expire on 27 February 2018 (see Note 13.2). The maximum amount drawn down under the period was £34.9 million (including exchange rate movements since draw down) with borrowing costs including interest for the year totalling £387,000 (2016: £344,000). Net gearing (defined as the difference between investments including written call options and equity shareholders' funds divided by equity shareholders' funds) at 31 August 2017 was 4.3% of net asset value (2016: 4.6%).

## Viability statement

The Company is a medium to longer term investor and, as such, the Directors believe it is appropriate to assess the Company's viability over a five year period in recognition of the Company's investment horizon and what the Directors believe to be investors' horizons.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular investment strategy and performance absolutely and against certain indices and other funds with a similar mandate, whether from asset allocation, the level of gearing, and market risk in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the liquidity of the portfolio. Nearly all of the Company's investments are in listed companies which are frequently traded on recognised markets. The portfolio comprises investments in approximately 50 companies spread over a wide range of sectors and geographical areas and hence there is little concentration. The Directors also considered the borrowing facility the Company has in terms of its duration, the headroom available under any covenants and how a breach of any of those covenants could impact on the Company's net asset value and share price.

Based on their assessment and the fact that the Company's financial commitments are small in relation to the current value of the portfolio, which is highly liquid, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

The Directors' view is that only a cataclysmic financial crisis affecting the global economy could have an impact on this assessment.

# Strategic Report: Corporate Information (continued)

## Future developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

## Key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

### Returns and net asset value

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price of the Company. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) for comparison purposes only.

### Discount/premium to net asset value ("NAV")

At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and includes current financial year revenue on the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical comparison.

### Yield

At each Board meeting, the Directors examine the revenue forecast and consider the yield on the portfolio and the amount of revenue available for distribution.

### Performance against other Asian funds

The Board considers the performance of other Asian funds, particularly income funds, at each Board meeting.

### Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments and performance fees. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charge and monitors the expenses incurred by the Company. Ongoing charge at 31 August 2017 was 1.12% (2016: 1.17%) of net asset value.

The charts and tables on pages 2, 3, 8 and 11-13 show how the Company has performed against these key performance indicators.

## Corporate responsibility

### Responsible investment, voting and the UK Stewardship Code

The Board delegates the Company's investment management activities, including corporate governance and corporate responsibility in respect of investee companies, to Janus Henderson. The Board retains oversight as to how duties in this area are discharged by reviewing the Responsible Investment Policy (the "RI Policy") and receiving regular reporting on how the RI Policy has been applied in respect of the shares in its portfolio.

The Manager's RI Policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients. This includes environmental, social and ethical issues, its approach to proxy voting and the application of the UK Stewardship Code.

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. Voting recommendations are guided by the best interests of the investee companies' shareholders and, depending on the nature of the resolution, the Fund Manager may give specific instructions on voting non-routine and unusual or controversial resolutions.

The Responsible Investment Policy can be found on the Manager's website at [www.janushenderson.com](http://www.janushenderson.com).

### Employees, social, community, human rights and environmental matters

The Company's core activities are undertaken by Janus Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues here, Janus Henderson's policies are included in its annual report which can be found on its website [www.janushenderson.com](http://www.janushenderson.com).

Janus Henderson's corporate responsibility statement is included on the website stated above. In 2012 it was granted CarbonNeutral® Company status which it has committed to maintain at least until the end of 2018.

The Company's annual report is printed on paper produced using 50% recycled post consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council, the printing company used is certified as Carbon Neutral®.

The Board has reviewed the implications of the Bribery Act 2010 which came into force on 1 July 2011 and Corruption (Jersey) Law 2006, and confirmed its zero tolerance to bribery and corruption in its business activities. It has sought assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents. The Directors have adopted a procedure whereby they are required to report any potential acts of bribery and corruption in respect of the Company to the Money Laundering Reporting Officer at BNPP in Jersey.

Since the year end, the Board considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

### Board diversity

Currently, four of the Company's Directors are male and one is female. The Directors consider diversity when making appointments to the Board, taking into account relevant skills, experience, knowledge and gender. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

John Russell  
Chairman  
3 November 2017

# Strategic Report: Glossary

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## Alternative Investment Fund Managers Directive (“AIFMD”)

Issued by the European Parliament and written into UK and Jersey 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 is based in the European Union (“EU”) and as the Company 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 Index (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 AIF’s including the Company, were required to appoint a depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary confirms that it has not discharged liability in relation to any of the Company’s assets.

## Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security. 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.

## Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market and is calculated by taking the difference between total investments and equity shareholders’ funds, dividing this by equity shareholders’ funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

## Investment companies

Investment companies are 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 will tend to depress the price that might be negotiated for a sale.

## Market capitalisation (“market cap”)

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

## Net asset value (“NAV”) per ordinary share

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

## Strategic Report: Glossary (continued)

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### Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs excluding any performance fees in accordance with the AIC methodology and is the annualised ongoing charge expressed as a percentage of the average aggregate NAV in the period.

### Premium/discount

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

### Revenue earnings per ordinary share

The revenue profit divided by the weighted average number of ordinary shares in issue during the year.

### Share price and NAV total return

This is the return on the share price and includes reinvesting dividends in the month that the share price goes ex-dividend. NAV total return is the return on the NAV and assumes reinvesting the same dividends in the NAV of the Company in the month that the shares go ex-dividend. For performance statistics, dividend reinvestment is deemed to be at the end of the month when the shares go ex-dividend in line with the AIC methodology, although graphical data assumes reinvestment on the ex-dividend date.

### Yield

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

### Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services (Jersey) Ltd, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the number provided on page 15.

# Corporate Report

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# Report of The Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 September 2016 to 31 August 2017. Henderson Far East Income Limited ("the Company"), is registered in Jersey with registered number 95064.

## Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 24 and 25 provides information on the remuneration and share interests of the Directors.

## Directors' conflicts of interest

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

## Related party transactions

The Company's current related parties are its Directors and Janus Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end.

In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with Janus Henderson affecting the financial position of the Company during the year under review. More details on transactions with Janus Henderson, including amounts outstanding at the year end, are given in note 19 on page 52.

## Stated share capital

As at 31 August 2017 the Company's stated share capital consisted of 117,935,564 ordinary shares of no par value. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no restrictions on voting, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. 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.

The holders of the Company's ordinary shares are entitled to one vote for every share held. Therefore, as at 31 August 2017 the voting rights were 117,935,564 votes. During the year, 3,400,000 shares (representing 3.0% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities (the Company's broker) at a price range of 344.5p to 384.5p for total proceeds (net of commissions) of £12,313,000.

Since 31 August 2017 a further 1,568,000 ordinary shares have been issued for a total proceeds (net of commissions) of £5,910,154. The number of shares in issue at the date of this report was 119,503,564. All new shares are issued at a premium to net asset value.

The Directors have a discount management policy through the use of share buy backs, should the shares trade at a substantial discount to net asset value for a significant period. The Directors seek annual authority to allot new shares, to disapply pre-emption rights and to buy back shares for cancellation, or to hold in Treasury.

Subject to annual shareholder approval, the Company may purchase its own ordinary shares at a discount to net asset value ("NAV") per share. At the Annual General Meeting ("AGM") on 13 December 2016 shareholders gave the Board authority to buy back 14.99% of the ordinary shares in issue at that date during the following 15 months for cancellation. To date this authority has not been used.

These powers give the Directors additional flexibility going forward and the Board considers that it will be in the interests of the Company that such powers be available.

## Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2017 in accordance with the disclosure and transparency rules were as follows:

	% of voting rights
Rathbone Brothers plc	6.01%

No changes have been notified in the period 1 September 2017 to the date of this report.

At 31 August 2017, 7.50% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is part of Lloyds Banking Group. In accordance with the arrangements made between HSDL and Janus Henderson, the participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

# Report of The Directors (continued)

The Company is also aware of the following top five holdings on the share register as at 31 August 2017:

	% of voting rights
Hargreaves Lansdown	9.44
Speirs and Jeffrey	7.59
Halifax Share Dealing	7.50
Rathbones	6.31
Alliance Trust Savings	5.74

## Global greenhouse gas emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 August 2017 (2016: same) and has no responsibility for any other emissions producing sources.

## Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 21 under stated share capital.

## Corporate governance

The corporate governance disclosures in this report are contained in the Corporate Governance Statement on pages 26 to 29 which forms part of the Report of the Directors.

## Annual General Meeting

The AGM will be held on 13 December 2017 at 12.00 p.m. at the Company's registered office. The Notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

## Shareholder event

All General Meetings of the Company are held in Jersey. The Board recognises that many shareholders are unable to travel to Jersey, but would like to meet members of the Board and hear from the Fund Manager on a regular basis.

Janus Henderson has therefore arranged a shareholder event to be held at Janus Henderson's offices at 201 Bishopsgate, London EC2M 3AE on Thursday 14 December 2017 at 11.00 a.m. The event will provide the opportunity for the Fund Manager, Michael Kerley, to give a presentation on the investment strategy and performance. The event will include light refreshments. If you wish to attend, please return the yellow card which is enclosed with this report. The event will be live streamed so shareholders who cannot attend in person can view the meeting live as it happens online at [www.janushenderson.com/trustslive](http://www.janushenderson.com/trustslive).

## 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.

The Directors also consider that the Annual Report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Julia Chapman  
Director  
3 November 2017

# Statement of Directors' Responsibilities

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

Jersey Company law 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 ("IFRSs") 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 and prudent;
- state whether applicable IFRSs 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 the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and financial statements 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 DTR 4.1.12

Each of the Directors, who are listed on page 14, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRSs 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 Strategic Report, Report of the Directors, Corporate Governance Statement, Remuneration 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.

Julia Chapman  
Director  
3 November 2017

The financial statements are published on a 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.

# Directors' Remuneration Report

## Introduction

This report is submitted on the same basis as would be required by Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies (Jersey) Law 1991 ('Jersey Law') and the FCA Listing Rules and describes how the Board has applied the principles relating to Directors' remuneration.

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

## Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £200,000 per annum. Subject to this overall limit, the Board's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to promote the long term success of the Company. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place. No Director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable.

An ordinary resolution to approve the remuneration policy was last approved at the AGM held on 17 December 2014. There have been no changes to the policy which will again be put to shareholders at the forthcoming AGM on 13 December 2017. Subject to approval, the policy will remain in place until 2020, unless amended by way of an ordinary resolution put to the shareholders at a General Meeting.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

## Annual statement

During 2016, Optimus Group Limited carried out a review of Directors' remuneration which included a comparative peer assessment of directors' fees. Optimus Group Limited has no other connection with the Company. The Board reviewed the findings as a result of which, Directors fees were increased with effect from 1 September 2016. These increases were to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new Directors. Please see page 25 for further information on Directors' fees.

## Annual report on remuneration

Directors' interests in shares

	Ordinary shares of no par value	
	31 August 2017	1 September 2016
John Russell	60,306	60,306
David Mashiter	5,000	5,000
David Staples	21,000	21,000
Julia Chapman	2,616	2,616
Nicholas George	8,750	8,750

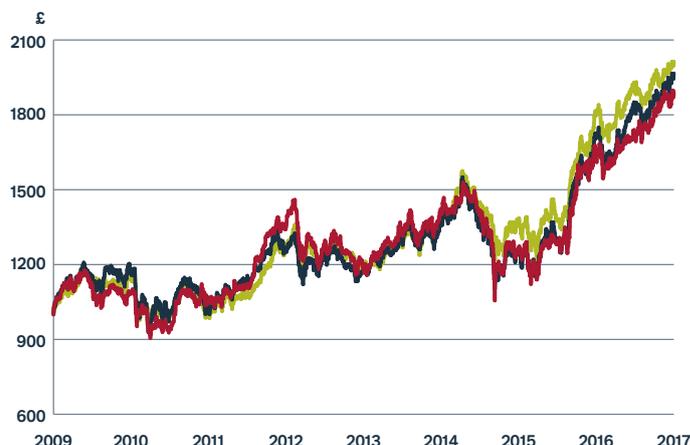
The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 September 2017 to the date of this report.

# Directors' Remuneration Report (continued)

## Performance

The graph compares the total return of the Company's ordinary shares over the eight year period ended 31 August 2017 with the return from the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) and the FTSE All-World Asia Pacific including Japan Index (sterling adjusted) over the same period.

- Henderson Far East Income Limited share price total return, assuming the investment of £1,000 on 31 August 2009 and the reinvestment of all dividends (excluding dealing expenses). (Source: Morningstar for the AIC)
- FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) total return, assuming the notional investment of £1,000 on 31 August 2009 and the reinvestment of all income (excluding dealing expenses). (Source: Datastream)
- FTSE All-World Asia Pacific incl Japan Index (sterling adjusted) total return, assuming the notional investment of £1,000 on 31 August 2009 and the reinvestment of all income (excluding dealing expenses). (Source: Datastream)



## Directors' fees

The fees and expenses paid to the Directors who served during the years ended 31 August 2017 and 31 August 2016 were as follows:

	Year ended 31 August 2017 Total £	Year ended 31 August 2016 Total £
John Russell <sup>1</sup>	39,000	37,500
David Mashiter	28,000	24,000
Simon Meredith Hardy <sup>2</sup>	–	9,846
Richard Povey <sup>3</sup>	–	7,022
David Staples <sup>4</sup>	34,000	28,000
Julia Chapman	28,000	24,000
Nicholas George <sup>5</sup>	28,000	8,747
<b>Total</b>	<b>157,000</b>	<b>139,115</b>

### Notes:

The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made

1 Chairman and highest paid Director

3 Retired on 16 December 2015

5 Appointed on 20 April 2016

2 Retired on 28 January 2016

4 Chairman of the Audit Committee

No taxable benefits have been paid or are payable. No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

## Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividend. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2017	2016	Change
Total remuneration paid to Directors	£157,000	£139,115	£17,885
Ordinary dividend paid during the year	£23,901,026	£22,605,767	£1,295,259

## Statement of voting at Annual General Meeting ("AGM")

At the 2016 AGM 15,651,232 votes (98.4%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 141,742 (0.9%) were against, 111,724 (0.7%) were at the discretion of the Chairman and were voted for and 107,005 were withheld; the percentage of votes excludes votes withheld.

In relation to the approval of the Company's remuneration policy, approved at the December 2014 AGM, 23,162,970 votes (98.0%) were received voting for the resolution, 319,042 (1.3%) were against, 156,359 (0.7%) were discretionary and 440,049 were withheld.

For and on behalf of the Board

Julia Chapman  
Director  
3 November 2017

# Corporate Governance Statement

## Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment company, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") in April 2016 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the AIC Code of Corporate Governance ("the AIC Code") and the AIC Corporate Governance Guide for Jersey domiciled member companies ("the AIC Guide"), both published in July 2016. The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: [www.theaic.co.uk](http://www.theaic.co.uk) and [www.frc.org.uk](http://www.frc.org.uk).

## Statement of compliance

The Directors believe that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal audit operations. The Company has therefore not reported further in respect of these provisions.

## Directors

### Board composition

The Board currently consists of five non-executive Directors and the biographies of those holding office at the date of this report are included on page 14. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All current Directors served throughout the year under review.

### Directors' appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the shareholders at the next Annual General Meeting ('AGM') in accordance with the Articles of Association.

The AIC Code states that any non-executive director who has served for more than nine years is subject to annual re-election. In keeping with this provision, both David Mashiter and John Russell will stand for re-election at the 2017 AGM.

The AIC Code further requires all Directors to retire at intervals of not more than three years. The Company's Articles of Association also provide that each Director who shall have been a Director at each of the two preceding AGMs and who was not appointed or re-appointed by the Company in general meeting since such meeting shall retire and submit themselves for re-election. Therefore David Staples will stand for re-election at the 2017 AGM in accordance with this provision.

The contribution and performance of each of the Directors seeking re-election was reviewed by the Nominations Committee at its meeting in January 2017.

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

### Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in January 2017, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Janus Henderson. The Board believes that length of service does not compromise the effectiveness or independence of a Director as experience and knowledge of the Company is a positive factor and can be of significant benefit to the Company and to its shareholders. It believes that longer serving Directors are less likely to take a short-term view, which belief is supported by the AIC Code. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

# Corporate Governance Statement (continued)

A Senior Independent Director has not been appointed in view of the small size of the Board and that all Directors are non-executive.

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

## Directors' professional development

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

## Directors' insurance and indemnification

Directors' and officers' liability insurance cover was in place in respect of the Directors throughout the financial year and remains in place at the date of this report. The Company's Articles of Association provide an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court.

## The Board

### Responsibilities of the Board and its Committees

The Board, which is chaired by John Russell who is an independent non-executive Director, meets formally at least four times a year, with additional Board or Committee meetings arranged when required. The Directors have regular contact with the Fund Manager and representatives of the Company Secretary between formal meetings. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management and structure, financial reporting and other communications, Board membership and other appointments, internal controls and corporate governance.

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 August 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

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

### Committees of the Board

The Board has three principal Committees: the Audit Committee, the Management Engagement Committee and the Nominations Committee. The Company also has an Insider Committee to deal with the obligations of the Market Abuse Regulations. The terms of reference for these Committees are available on the website [www.hendersonfareastincome.com](http://www.hendersonfareastincome.com) or via the Company Secretary.

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the remuneration policy set out on page 24, which is subject to periodic shareholder approval.

### Nominations Committee

All Directors are members of the Nominations Committee. The Chairman of the Board is the Chairman of the Committee but would not chair the Committee when the Chairman's successor was being considered. The Committee is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees, and the appointment of new Directors.

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

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to gender diversity. Candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when the requirement to recruit an additional Board member becomes necessary.

# Corporate Governance Statement (continued)

The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee does not consider that length of service disqualifies a Director from being recommended for re-appointment but will take into account the mix of skills and experience of the current Board members. In accordance with the AIC Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his or her contribution.

## Performance evaluation

During the year the Board conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by the Chairman having a private discussion with each Director. The Directors also meet without the Chairman present in order to review his performance. It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company; the Chairman continues to display effective leadership; and the Directors seeking re-election at the Company's AGM merit re-election by shareholders.

## Management Engagement Committee

All Directors are members of the Management Engagement Committee, which is chaired by the Chairman of the Board.

The Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders and also for reviewing the performance and cost effectiveness of the Company's other service providers.

## Continued appointment of Janus Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are contained on page 4. In addition to the monitoring of investment performance at each meeting, in June 2017 the Management Engagement Committee conducted an annual review of the Company's investment performance over both the short and longer terms, together with the quality of other services provided by the Manager.

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

## Insider Committee

All the Directors are members of the Insider Committee, which is chaired by the Chairman of the Board. The Committee is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

## Board attendance

The table below sets out the number of full Board meetings held during the year under review and the number of meetings attended by each Director.

	Board	AC	MEC	NC
<b>Number of meetings</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>
John Russell	4	3	1	1
David Mashiter	4	3	1	1
David Staples	4	3	1	1
Julia Chapman	4	3	1	1
Nicholas George	4	3	1	1

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

The Directors and Committees of the Board also met during the year to undertake business of a routine nature and the approval of the Company's results and dividends. The Annual General Meeting was held in December 2016.

## Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board.

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2017. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed regularly.

Janus Henderson has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Janus Henderson's compliance, internal audit and risk departments on a continuing basis. The Board receives a formal reports on a quarterly basis which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Janus Henderson, and which reports the details of any known internal control failures. The Board receives a report on Janus Henderson's internal controls each year which includes a report from Janus Henderson's auditors on the control policies and procedures in operation.

# Corporate Governance Statement (continued)

The ongoing process for identifying, evaluating and managing principal risks faced by the Company has been in place throughout the year under review and up to the date of this report. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. As all of the Company's management functions are delegated to third parties, and the Board monitors the controls in place through Janus Henderson's internal audit department, the Board considers that there is currently no need for the Company to have its own internal audit function.

## Accountability and relationship with Janus Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 23, the Independent Auditor's Report on pages 32 and 33 and the statement of going concern on page 39.

The Board has delegated contractually to external third parties, including the Manager and BNPP, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depository as explained on page 18), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment companies managed by Janus Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager and BNPP also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Company Secretary through BNPP which is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board, the Manager and BNPP operate in a supportive, co-operative and open environment.

The Manager and BNPP have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

## Stated share capital

Please see the Report of the Directors on page 21.

## Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Annual Report and the Half Year Update Statements which aim to provide shareholders with a clear and informative understanding of the Company's activities and its results. This information is supplemented by the daily publication on the London Stock Exchange and New Zealand Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet. The Manager also provides information on the Company and videos of the Fund Manager on the Company's website, via various brand media channels and through the HGI content platform.

It is the intention of the Board that the Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the registered office address on page 15. At other times the Company responds to letters from shareholders on a range of issues.

General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

The Board recognises that few shareholders are able to travel to Jersey to attend the AGM so a shareholder event will be held in London on Thursday 14 December 2017 to give shareholders the chance to meet the Chairman and to receive a presentation from the Fund Manager. Full details are set out on page 22. The shareholder event will be live streamed so that shareholders who are unable to attend in person can view the meeting online at [www.janushenderson.com/trustslive](http://www.janushenderson.com/trustslive).

## New Zealand listing

It should be noted that the UK Codes of Corporate Governance may materially differ from the New Zealand Stock Exchange's corporate governance rules and principles of the Corporate Best Practice Code.

The Company is an exempt entity under the Financial Markets Conduct (Overseas FMC Reporting Entities) Exemption Notice 2016 (New Zealand) and does not need to comply with any additional New Zealand financial reporting requirements.

For and on behalf of the Board

Julia Chapman  
Director  
3 November 2017

# Report of the Audit Committee

## Meetings

The Audit Committee is chaired by David Staples. The Audit Committee met three times during the year under review. The Company's auditors are invited to attend meetings as necessary. Representatives of Janus Henderson and BNPP may also be invited. The Board considers that at least one of the Directors has recent and relevant financial experience.

## Role and responsibilities

The role of the Audit Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the auditors. The responsibilities are set out in formal terms of reference which are regularly reviewed. In the year under review the main duties undertaken were:

- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Janus Henderson;
- consideration of the valuation of the Company's investments, including unquoted investments;
- consideration of the internal controls in place at Janus Henderson and BNPP as administrator as set out on pages 28 and 29, and Janus Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- consideration of the nature and scope of the external audit and the findings therefrom;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board, as described on page 29;
- consideration of the appointment of the auditors, and their performance and remuneration;
- consideration of the auditor's independence, effectiveness and objectivity and the provision of any non-audit services (as explained further on page 31); and
- consideration of the whistleblowing policy that Janus Henderson and BNPP have put in place for their staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action.

## Significant issues

In relation to the Annual Report for the year ended 31 August 2017 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
<b>Valuation of the Company's investments</b>	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors and Participation Notes are valued by reference to the underlying stocks. The liabilities relating to options are valued by reference to the Black-Scholes model. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both Janus Henderson's Global Fair Value Pricing Committee and by the Directors at least twice each year.
<b>Maintaining internal controls</b>	The Committee receives regular reports on internal controls from Janus Henderson and BNPP and has access to the relevant personnel of Janus Henderson and BNPP who have a responsibility for risk management and internal audit. The Committee regularly reviews the adequacy and effectiveness of these controls.

# Report of the Audit Committee (continued)

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## Policy on non-audit services

The provision of non-audit services by the Company's auditors is considered and approved by the Audit Committee on a case by case basis. The policy set by the Audit Committee, which is kept under review, ensures that consideration is given to the following factors when considering the provision of non-audit services by the auditors:

- whether the audit firm is the most suitable supplier of non-audit services;
- the impact on the auditor's independence and objectivity and what safeguards can be put in place to eliminate or reduce any threat in this regard; and
- the cost-effectiveness of the services.

The Board has determined that the auditors will never be considered for the provision of services related to accounting and preparation of the financial statements, internal audit and custody.

## Auditor's appointment

KPMG Channel Islands Limited ("KPMG") were appointed as auditor to the Company on 13 February 2013, following a formal tender process being undertaken by the Board on the recommendation of the Audit Committee. Ernst and Young LLP were previously engaged as the Company's auditor from 2006, until the appointment of KPMG.

The Statutory Auditors and Third Country Auditors Regulations came into force on 17 June 2016. These regulations, that are applicable in the UK, require companies to rotate their audit firm after a period of 10 years. This period may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Company intends to follow these regulations as best practice. The auditor is required to rotate the Audit Partner every 5 years. This is the second year that the current Audit Partner has been in place.

The Audit Committee reviews the effectiveness of the audit provided by KPMG on an annual basis and remains satisfied with the effectiveness of the audit based on their performance. On the basis of the auditor's performance the Audit Committee recommended their continuing appointment to the Board with no tender necessary. The auditors have indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of KPMG as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Fees paid or payable to the auditors are detailed in note 5 on page 41.

For and on behalf of the Board

David Staples  
Audit Committee Chairman  
3 November 2017

# Independent Auditor's 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 2017, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and the related 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 2017, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of 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 FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 2016):

The risk	Our response
<p><b>Valuation of investments at fair value through profit or loss (the "investments")</b></p> <p>Investments at fair value through profit or loss – Assets (in £'000): £465,266 (2016: £405,131)</p> <p>Investments at fair value through profit or loss – Liabilities (in £'000): (£3,671) (2016: (£635))</p> <p>Refer to page 30, Report of the Audit Committee, note 2 accounting policies, note 10 and note 13.5 disclosures</p>	<p><b>Basis:</b></p> <p>The Company invests in a diversified portfolio of securities which have exposure to the Asia Pacific region. For the current year, the investments are primarily in listed equities, participation notes and OTC call options. Listed equities, participation notes and options make up 94.3%, 6.5% and (0.8%) of the fair value of the total investment portfolio, respectively at 31 August 2017.</p> <p><b>Risk:</b></p> <p>The valuation of the Company's investments, given it represents the majority of the total net assets of the Company, is a significant area of our audit.</p> <p><b>Our response</b></p> <p>Our audit procedures included:</p> <p><b>Internal Controls:</b></p> <ul style="list-style-type: none"> <li>• We assessed the design and implementation of the controls in place at the administrator in relation to the pricing of securities including reviewing their latest service organisation controls report.</li> </ul> <p><b>Use of KPMG Specialists:</b></p> <ul style="list-style-type: none"> <li>• We engaged our valuation specialist to: (1) agree 100% of the listed equity securities fair values to third party prices; and (2) challenge the fair values of 100% of the participation notes and options through comparison to available market observable input parameters derived from comparable assets in the market.</li> </ul> <p><b>Assessing disclosures:</b></p> <ul style="list-style-type: none"> <li>• We engaged our valuation specialist to assess the fair value levelling of the investments held by the Company at year-end.</li> </ul>

# Independent Auditor's Report to the Members of Henderson Far East Income Limited (continued)

## We have nothing to report on the other Information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. 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.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report to you in this respect.

## 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:

- proper accounting records have not been kept by the Company; or
- the 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.

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 23, 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.

## Auditor's 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.

Andrew P. Quinn

For and on behalf of KPMG Channel Islands Limited  
Chartered Accountants and Recognised Auditors  
St. Helier  
Jersey  
3 November 2017

# Statement of Comprehensive Income

Notes		Year ended 31 August 2017			Year ended 31 August 2016		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
3	Investment income	27,702	–	27,702	25,974	–	25,974
4	Other income	2,563	–	2,563	2,489	–	2,489
10	Gains on investments held at fair value through profit or loss	–	45,754	45,754	–	75,636	75,636
	Net foreign exchange loss excluding foreign exchange gains/(losses) on investments	–	(1,498)	(1,498)	–	(2,275)	(2,275)
	<b>Total income</b>	<b>30,265</b>	<b>44,256</b>	<b>74,521</b>	<b>28,463</b>	<b>73,361</b>	<b>101,824</b>
	Expenses						
	Management fees	(1,865)	(1,865)	(3,730)	(1,565)	(1,565)	(3,130)
5	Other expenses	(421)	(421)	(842)	(403)	(403)	(806)
	<b>Profit before finance costs and taxation</b>	<b>27,979</b>	<b>41,970</b>	<b>69,949</b>	<b>26,495</b>	<b>71,393</b>	<b>97,888</b>
6	Finance costs	(169)	(169)	(338)	(142)	(143)	(285)
	<b>Profit before taxation</b>	<b>27,810</b>	<b>41,801</b>	<b>69,611</b>	<b>26,353</b>	<b>71,250</b>	<b>97,603</b>
7	Taxation	(2,400)	–	(2,400)	(2,228)	–	(2,228)
	<b>Profit for the year and total comprehensive income</b>	<b>25,410</b>	<b>41,801</b>	<b>67,211</b>	<b>24,125</b>	<b>71,250</b>	<b>95,375</b>
8	Earnings per ordinary share – basic and diluted	21.94p	36.09p	58.03p	21.13p	62.41p	83.54p

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 2017				
		Stated share capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2016	109,471	180,471	75,759	21,158	386,859
	Total comprehensive income:					
	Profit for the year	–	–	41,801	25,410	67,211
	Transactions with owners, recorded directly to equity:					
9	Dividends paid	–	–	–	(23,901)	(23,901)
14	Shares issued	12,362	–	–	–	12,362
14	Share issue costs	(49)	–	–	–	(49)
	<b>Total equity at 31 August 2017</b>	<b>121,784</b>	<b>180,471</b>	<b>117,560</b>	<b>22,667</b>	<b>442,482</b>
Notes		Year ended 31 August 2016				
		Stated share capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2015	103,202	180,471	4,509	19,639	307,821
	Total comprehensive income:					
	Profit for the year	–	–	71,250	24,125	95,375
	Transactions with owners, recorded directly to equity:					
9	Dividends paid	–	–	–	(22,606)	(22,606)
14	Shares issued	6,294	–	–	–	6,294
14	Share issue costs	(25)	–	–	–	(25)
	<b>Total equity at 31 August 2016</b>	<b>109,471</b>	<b>180,471</b>	<b>75,759</b>	<b>21,158</b>	<b>386,859</b>

# Balance Sheet

Notes		31 August 2017 £'000	31 August 2016 £'000
	<b>Non current assets</b>		
10	Investments held at fair value through profit or loss	465,266	405,131
	<b>Current assets</b>		
11	Other receivables	3,420	3,321
	Cash and cash equivalents	10,241	5,944
		<b>13,661</b>	<b>9,265</b>
	<b>Total assets</b>	<b>478,927</b>	<b>414,396</b>
	<b>Current liabilities</b>		
10	Investments held at fair value through profit or loss – written options	(3,671)	(635)
12(a)	Other payables	(941)	(1,581)
12(b)	Bank loans	(31,833)	(25,321)
		<b>(36,445)</b>	<b>(27,537)</b>
	<b>Net assets</b>	<b>442,482</b>	<b>386,859</b>
	<b>Equity attributable to equity shareholders</b>		
14	Stated share capital	121,784	109,471
15	Distributable reserve	180,471	180,471
	Retained earnings:		
16	Other capital reserves	117,560	75,759
	Revenue reserves	22,667	21,158
	<b>Total equity</b>	<b>442,482</b>	<b>386,859</b>
17	Net asset value per ordinary share	375.19p	337.76p

The financial statements on pages 34 to 52 were approved by the Board of Directors on 3 November 2017 and were signed on its behalf by:

Julia Chapman  
Director

# Statement of Cash Flows

Notes		31 August 2017 £'000	31 August 2016 £'000
	<b>Operating activities</b>		
	Profit before taxation	69,611	97,603
	Add back interest payable	338	285
10	Gains on investments held at fair value through profit or loss	(45,754)	(75,636)
	Net foreign exchange loss excluding foreign exchange gains/(losses) on investments	1,498	2,275
10	Sales of investments	331,080	310,929
10	Purchases of investments	(342,222)	(316,188)
	(Increase)/decrease in prepayments and accrued income	(208)	170
	Decrease in amounts due from brokers	109	4,093
	(Decrease)/increase in other payables	(677)	1,153
	Stock dividends included in investment income	(203)	(134)
	<b>Net cash inflow from operating activities before interest and taxation</b>	<b>13,572</b>	<b>24,550</b>
	Interest paid	(301)	(289)
	Withholding tax on investment income	(2,400)	(2,228)
	<b>Net cash inflow from operating activities after interest and taxation</b>	<b>10,871</b>	<b>22,033</b>
	<b>Financing activities</b>		
	Net loan drawdown/(repayment)	5,232	(12,231)
9	Equity dividends paid	(23,901)	(22,606)
14	Share issue proceeds	12,362	6,294
14	Share issue costs	(49)	(25)
	<b>Net cash outflow from financing</b>	<b>(6,356)</b>	<b>(28,568)</b>
	<b>Increase/(decrease) in cash and cash equivalents</b>	<b>4,515</b>	<b>(6,535)</b>
	Cash and cash equivalents at the start of the year	5,944	11,681
	Exchange movements	(218)	798
	<b>Cash and cash equivalents at the end of the year</b>	<b>10,241</b>	<b>5,944</b>

# 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 was incorporated on 6 November 2006.

## 2 Accounting policies

### a) Basis of preparation

The Company's financial statements for the year ended 31 August 2017 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 November 2014 and updated in January 2017 with consequential amendments 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) New and amended standards adopted by the Company

The following new or amended standards were adopted by the Company during the year.

- IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2016) – These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports, effective for annual periods beginning on or after 1 January 2016. There was no material impact on the financial statements.

#### (ii) New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company

- IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018) – addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company holds its financial instruments at fair value through profit or loss so does not anticipate a significant impact on implementation. The Company intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018.
- IAS 7, 'Statement of cash flows' (effective for annual periods beginning on or after 1 January 2017) – introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, subject to endorsement by the EU. The Company is yet to assess the full impact of the amendments to IAS 7 on the financial statements but does not expect these to be significant.
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018) – addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The guidance aims to reduce diversity in practice. The Company will carry out a detailed assessment of IFRIC 22's impact in the coming year and intends to adopt IFRIC 22 no later than the accounting period beginning on or after 1 January 2018, subject to endorsement by the European Union.

#### (iii) New standards, amendments and interpretations issued but not effective for the current financial year and not relevant to the Company's operations.

A number of new standards, amendments and interpretations have been issued that are not effective for the current financial year end and not relevant to the Company's operations. They will therefore have no impact on the Company's financial statements when they become effective.

## Notes to the Financial Statements (continued)

### 2 Accounting policies (continued)

#### 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. Having assessed these factors, 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.

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

All investments are designated upon initial recognition as held at fair value through profit or loss. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. 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. Participation notes are fair valued by reference to underlying stocks. The fair value of option contracts is determined by reference to the Black-Scholes model. The fair values of unquoted financial instruments within the portfolio are based on their last audited net asset values discounted where necessary to arrive at a fair value.

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 and participation notes 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 expiration or settlement 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 Company is subject to Jersey income tax at a rate of 0%. The States of Jersey introduced a Goods & Services Tax ('GST') with effect from 1 May 2008. The Company does not suffer any irrecoverable GST as it has applied to the Controller of Income Tax for inclusion on the list of 'International Services Entities' of its administrator BNP Paribas Securities Services S.C.A. Jersey Branch, pursuant to the Goods & Services Tax (Jersey) Law 2007 and payment of the relevant application fees. As a result the tax charge (of the Company) consists solely of withholding tax suffered on income from overseas investments.

#### 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 currency of the Company and the presentation 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 Stock Exchange and the New Zealand Stock Exchange. 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.

# Notes to the Financial Statements (continued)

## 2 Accounting policies (continued)

### j) Bank loans

Interest-bearing bank loans are recorded as the proceeds are received, net of direct issue costs. Loans (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue. Loans are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans are derecognised, as well as through the amortisation process. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### k) 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") (the Fund 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 Manager, who has been appointed to manage the Company's investments, attends 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 (2016: nil).

### l) 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.

### m) Dividends payable to shareholders

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

### n) 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.

### o) 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.

The Company's holdings in Participation Notes are valued at £30,144,000 (2016: £46,015,000). These are valued by reference to the underlying stock. The obligations relating to the options valued at £3,671,000 (2016: £635,000) 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 (2016: same).

## Notes to the Financial Statements (continued)

### 3 Investment income

	2017 £'000	2016 £'000
Overseas investment income	25,997	23,485
Participation Note income	1,502	2,355
Stock dividends	203	134
	<b>27,702</b>	<b>25,974</b>
<b>Analysis of investment income by geography:</b>		
Australia	5,199	5,615
China	7,301	5,779
Hong Kong	2,462	2,173
India	309	1,265
Indonesia	349	254
Japan	–	262
Malaysia	–	394
New Zealand	824	660
Singapore	1,005	1,628
South Korea	2,887	2,173
Taiwan	5,552	4,255
Thailand	1,814	1,516
	<b>27,702</b>	<b>25,974</b>

All of the above income is derived from equity investments.

### 4 Other income

	2017 £'000	2016 £'000
Bank and other interest	31	14
Option premium income	2,532	2,475
	<b>2,563</b>	<b>2,489</b>

### 5 Other expenses

	2017			2016		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Directors' fees (see the Directors' Remuneration Report on page 25)	79	78	157	70	69	139
Auditors' remuneration						
– statutory audit	16	15	31	17	17	34
– interim accounts review	3	3	6	3	3	6
Bank and custody charges	107	107	214	97	96	193
Loan arrangement and non-utilisation fees	24	25	49	30	29	59
Marketing fees <sup>1</sup>	52	51	103	39	39	78
Registrar's fees	25	25	50	25	25	50
Depositary fees	10	10	20	9	11	20
Printing and stationery	11	11	22	12	12	24
Asia Board visit	15	15	30	13	13	26
Broker fees	17	18	35	18	18	36
AIC	10	10	20	10	10	20
Stock Exchange fees	18	19	37	20	20	40
Other expenses	34	34	68	40	41	81
	<b>421</b>	<b>421</b>	<b>842</b>	<b>403</b>	<b>403</b>	<b>806</b>

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

## Notes to the Financial Statements (continued)

### 6 Finance costs

	2017			2016		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Bank loans finance costs	169	169	338	142	143	285
	<b>169</b>	<b>169</b>	<b>338</b>	<b>142</b>	<b>143</b>	<b>285</b>

### 7 Taxation

	2017			2016		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
The taxation charge for the year comprises:						
Foreign withholding tax suffered	2,400	–	2,400	2,228	–	2,228
	<b>2,400</b>	<b>–</b>	<b>2,400</b>	<b>2,228</b>	<b>–</b>	<b>2,228</b>

Profits arising in the Company for the year ended 31 August 2017 are subject to Jersey income tax at the rate of 0% (2016: 0%).

### 8 Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit for the year of £67,211,000 (2016: £95,375,000) and on the weighted average number of ordinary shares in issue during the year of 115,829,263 (2016: 114,161,274).

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

	2017 £'000	2016 £'000
Net revenue profit	25,410	24,125
Net capital profit	41,801	71,250
<b>Net total profit</b>	<b>67,211</b>	<b>95,375</b>
Weighted average number of ordinary shares in issue during the year	115,829,263	114,161,274

	2017 Pence	2016 Pence
Revenue earnings per ordinary share	21.94	21.13
Capital earnings per ordinary share	36.09	62.41
<b>Total earnings per ordinary share</b>	<b>58.03</b>	<b>83.54</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	2017 £'000	2016 £'000
Fourth interim dividend 4.90p for the year ended 2015	6 November 2015	30 November 2015	–	5,540
First interim dividend 4.90p for the year ended 2016	5 February 2016	29 February 2016	–	5,612
Second interim dividend 4.90p for the year ended 2016	6 May 2016	31 May 2016	–	5,612
Third interim dividend 5.10p for the year ended 2016	5 August 2016	31 August 2016	–	5,842
Fourth interim dividend 5.10p for the year ended 2016	4 November 2016	30 November 2016	5,859	–
First interim dividend 5.10p for the year ended 2017	3 February 2017	28 February 2017	5,894	–
Second interim dividend 5.10p for the year ended 2017	5 May 2017	31 May 2017	5,924	–
Third interim dividend 5.30p for the year ended 2017	4 August 2017	31 August 2017	6,224	–
			<b>23,901</b>	<b>22,606</b>

## Notes to the Financial Statements (continued)

### 9 Dividends (continued)

The fourth interim dividend for the year ended 31 August 2017 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 £25,410,000 (2016: £24,125,000).

	2017 £'000	2016 £'000
First interim dividend for 2017 – 5.10p (2016: 4.90p)	5,894	5,612
Second interim dividend for 2017 – 5.10p (2016: 4.90p)	5,924	5,612
Third interim dividend for 2017 – 5.30p (2016: 5.10p)	6,224	5,842
Fourth interim dividend for 2017 – 5.30p (2016: 5.10p) (payable 30 November 2017 based on 119,503,564 shares in issue at 3 November 2017)	6,334	5,859
	<b>24,376</b>	<b>22,925</b>

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

	2017 £'000	2016 £'000
Cost at beginning of year	322,494	344,247
Investment holding gain/(loss) at the beginning of the year	82,002	(20,780)
<b>Valuation of investments and options written at the beginning of the year</b>	<b>404,496</b>	<b>323,467</b>
Movements in the year:		
Purchases at cost	342,425	316,322
Sales – proceeds	(331,080)	(310,929)
– realised gains/(losses) on sales	28,444	(27,146)
Increase in investment holding gains	17,310	102,782
<b>Closing value of investments and options written at the end of the year</b>	<b>461,595</b>	<b>404,496</b>
Cost at the end of the year	362,283	322,494
Investment holding gain	99,312	82,002
<b>Closing value of investments and options written at the end of the year</b>	<b>461,595</b>	<b>404,496</b>

Total investments:

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	465,266	405,131
Written options	(3,671)	(635)
	<b>461,595</b>	<b>404,496</b>

There is one unquoted investment, China Forestry, which was written down to zero value in 2014 and remains at nil value. The Company holds Participation Notes valued at £30,144,000 (2016: £46,015,000), which are included in the value of investments.

	2017 £'000	2016 £'000
<b>Gains/(losses) on investments held at fair value</b>		
Realised gains/(losses) on sales of investments	28,444	(27,146)
Increase in investment holding gains	17,310	102,782
	<b>45,754</b>	<b>75,636</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 gains/(losses) on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

	2017 £'000	2016 £'000
Purchases	484	597
Sales	731	795
	<b>1,215</b>	<b>1,392</b>

## Notes to the Financial Statements (continued)

### 11 Other receivables

	2017 £'000	2016 £'000
Prepayments and accrued income	3,358	3,150
Amounts due from brokers	62	171
	<b>3,420</b>	<b>3,321</b>

### 12 Other payables

	2017 £'000	2016 £'000
<b>a) other payables</b>		
Other payables	941	1,581
	<b>941</b>	<b>1,581</b>
<b>b) bank loans (unsecured)</b>		
	31,833	25,321

The interest rates applicable to the loans is at a margin of 0.85% pa over LIBOR (2016: 0.85% per annum over LIBOR). Further detail on the bank loans is provided in note 13.2.

### 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 coordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software;
- the IT tools to which the Janus Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - OneSum X (formerly Arc Logics) operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, FinAnalytica and Barra Aegis for market risk measurement;
  - Bloomberg for market data and price-checking, and
  - HiPortfolio for portfolio holdings and valuations.

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

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

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 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 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.

#### 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 and unquoted 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 Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

The Company's exposure to changes in market prices at 31 August 2017 on its investments amounted to £465,266,000 (2016: £405,131,000) and £3,671,000 (2016: £635,000) in respect of liabilities on option derivatives.

#### Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 9 and 10. There is a concentration of exposure to Australia, China, South Korea, Taiwan and Hong Kong, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country. Further detail on exposure is shown on page 11.

#### 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% (2016: 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.

	2017		2016	
	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 after tax				
Revenue return	(208)	208	(182)	182
Capital return	45,952	(45,952)	40,268	(40,268)
<b>Impact on total return after tax for the year and shareholders' funds</b>	<b>45,744</b>	<b>(45,744)</b>	<b>40,086</b>	<b>(40,086)</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 currency, and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items.

#### Management of the risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The 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 converted into US Dollars 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 at 31 August 2017 and 2016 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2017	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	702	1,120	–	905	–	164	509
Cash and cash equivalent	242	–	–	–	123	7,176	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	(79)	–
Bank loans	–	–	–	–	–	(31,833)	–
<b>Total foreign currency exposure on net monetary items</b>	<b>944</b>	<b>1,120</b>	<b>–</b>	<b>905</b>	<b>123</b>	<b>(24,572)</b>	<b>509</b>
Investments at fair value through profit or loss	87,713	66,836	54,225	98,284	27,280	73,705	53,552
<b>Total net foreign currency exposures</b>	<b>88,657</b>	<b>67,956</b>	<b>54,225</b>	<b>99,189</b>	<b>27,403</b>	<b>49,133</b>	<b>54,061</b>
2016	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	1,208	698	–	278	193	321	604
Cash and cash equivalent	173	–	–	–	73	5,698	–
Bank loans	–	–	–	–	–	(25,321)	–
<b>Total foreign currency exposure on net monetary items</b>	<b>1,381</b>	<b>698</b>	<b>–</b>	<b>278</b>	<b>266</b>	<b>(19,302)</b>	<b>604</b>
Investments at fair value through profit or loss	86,275	43,149	51,122	50,877	44,171	84,442	44,460
<b>Total net foreign currency exposures</b>	<b>87,656</b>	<b>43,847</b>	<b>51,122</b>	<b>51,155</b>	<b>44,437</b>	<b>65,140</b>	<b>45,064</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 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 and financial liabilities caused by changes in the exchange rates for sterling against the Australian Dollar, Taiwanese Dollar, Korean Won, Hong Kong Dollar, Singapore Dollar and US Dollar.

It assumes the following changes in exchange rates:

Sterling/Australian Dollar +/- 10% (2016: 20%). Sterling/Taiwanese Dollar +/- 10% (2016: 20%).

Sterling/Korean Won +/- 10% (2016: 20%). Sterling/Hong Kong Dollar +/- 10% (2016: 20%).

Sterling/Singapore Dollar +/- 10% (2016: 20%). Sterling/US Dollar +/- 10% (2016: 20%).

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 on the next page.

## 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:

	2017						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	531	539	249	394	156	387	591
Capital return	9,699	7,390	5,996	10,869	3,016	4,629	5,921
<b>Total return after tax for the year</b>	<b>10,230</b>	<b>7,929</b>	<b>6,245</b>	<b>11,263</b>	<b>3,172</b>	<b>5,016</b>	<b>6,512</b>
	2016						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	1,300	911	387	574	478	1,066	1,320
Capital return	21,465	10,734	12,720	12,659	10,991	14,708	11,060
<b>Total profit/(loss) after tax for the year</b>	<b>22,765</b>	<b>11,645</b>	<b>13,107</b>	<b>13,233</b>	<b>11,469</b>	<b>15,774</b>	<b>12,380</b>

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

	2017						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	(435)	(440)	(204)	(322)	(128)	(317)	(484)
Capital return	(7,936)	(6,046)	(4,907)	(8,893)	(2,468)	(3,788)	(4,843)
<b>Total return after tax for the year</b>	<b>(8,371)</b>	<b>(6,486)</b>	<b>(5,111)</b>	<b>(9,215)</b>	<b>(2,596)</b>	<b>(4,105)</b>	<b>(5,327)</b>
	2016						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	(867)	(607)	(258)	(383)	(318)	(710)	(880)
Capital return	(14,310)	(7,156)	(8,480)	(8,440)	(7,327)	(9,805)	(7,372)
<b>Total profit/(loss) after tax for the year</b>	<b>(15,177)</b>	<b>(7,763)</b>	<b>(8,738)</b>	<b>(8,823)</b>	<b>(7,645)</b>	<b>(10,515)</b>	<b>(8,252)</b>

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

#### 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 2017 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).

## Notes to the Financial Statements (continued)

### 13 Risk management policies and procedures (continued)

#### 13.1.3 Interest rate risk (continued)

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 LIBOR or its foreign currency equivalent (2016: same).

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 (2016: £68,000), capital return after tax by £159,000 (2016: £126,000), total profit after tax and shareholders' funds £216,000 (2016: £194,000).

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 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 facility is subject to regular review. The overdraft facility was not drawn down at 31 August 2017.

The Company has a two year multi-currency loan facility of £35,000,000 (2016: £35,000,000) of which £31,833,000 (2016: £25,321,000) was drawn down at the year end. This facility is under regular review and unless renewed will expire on 27 February 2018.

The Board gives guidance to the 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.

#### Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 August 2017 and 2016, based on the earliest date on which payment could be required was as follows:

	2017		2016	
	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>	31,890	–	25,341	–
Written options <sup>2</sup>	30,182	–	19,550	–
Amount to brokers and accruals	884	–	1,561	–
	<b>62,956</b>	<b>–</b>	<b>46,452</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

# Notes to the Financial Statements (continued)

## 13 Risk management policies and procedures (continued)

### 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. Details of the portfolio are shown on pages 9 and 10.

#### 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 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 Manager's Credit Risk Committee.

There was £3,309,000 of cash in collateral accounts at 31 August 2017 (2016: nil). 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 2017 was to cash and cash equivalents £10,241,000 (2016: £5,944,000) and to other receivables of £3,420,000 (2016: £3,321,000).

Amounts due from brokers and accrued income of £3,400,000 has been received since the year end.

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 Custodian J.P. Morgan Chase. The Directors believe this counterparty to be of high quality (credit rating at 31 August 2017: J.P. Morgan Chase Bank A- rated (2016: A-); therefore the Company has minimal exposure to credit risk.

### 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 interest receivable, due to brokers, accruals, cash at bank and bank loans).

### 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 2017	Level 1 £'000	Level 2 £'000	Level 3 <sup>1</sup> £'000	Total £'000
Equity investments and Participation Notes	435,122	30,144	–	465,266
OTC derivatives (options)	–	(3,671)	–	(3,671)
	<b>435,122</b>	<b>26,473</b>	<b>–</b>	<b>461,595</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 2017.

## Notes to the Financial Statements (continued)

### 13 Risk management policies and procedures (continued)

#### 13.5 Fair value hierarchy disclosures (continued)

The table below sets out the OTC derivatives that were unsettled as at 31 August 2017.

Description of open position	Nominal amount	Currency	Strike Price (Currency)
SK Innovation Nov 17 Call Option (Expiry 16/11/17)	80,289	KRW	177,405.837
Melco Reso Nov 17 Call Option (Expiry 22/11/17)	561,000	US\$	23.02806
Autohome Oct 17 Call Option (Expiry 02/10/17)	152,000	US\$	49.7333
Anta Sports Products Oct 17 Call Option (Expiry 09/10/17)	1,649,000	HK\$	27.438

Level 3 investments at fair value through profit or loss	2017 £'000	2016 £'000
Opening balance	–	–
Transferred into Level 3	–	–
Capital distribution	–	–
<b>Closing value of investments and options written at the end of the year</b>	<b>–</b>	<b>–</b>
Total losses included in gains on investments in the Statement of Comprehensive Income	–	–
<b>Closing balance</b>	<b>–</b>	<b>–</b>

Financial assets and liabilities at fair value through profit or loss at 31 August 2016	Level 1 £'000	Level 2 £'000	Level 3 <sup>2</sup> £'000	Total £'000
Equity investments and participation notes	359,116	46,015	–	405,131
OTC derivatives (options)	–	(635)	–	(635)
	<b>359,116</b>	<b>45,380</b>	<b>–</b>	<b>404,496</b>

2 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 2016

The table below sets out the OTC derivatives and forward exchange contracts that were unsettled as at 31 August 2016.

Description of open position	Nominal amount	Currency	Strike Price (Currency)
SK Innovation Nov 16 Call Option (Expiry 29/11/16)	80,289	KRW	152,744.25
Netease ADR Nov 16 Call Option (Expiry 25/11/16)	41,465	US\$	229.90
Anta Sports Products Nov 16 Put Option (Expiry 11/11/16)	2,174,000	HK\$	18.10

There have been no transfers between levels of the fair value hierarchy during the year ended 31 August 2016 and year ended 31 August 2017. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstance that caused the transfer.

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 – value using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices in Level 1. The Company's holdings in over-the-counter options and Participation Notes are included within Level 2.

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

The valuation techniques used by the Company are explained in the accounting policies note on page 39.

Premium income from written options during the year was £2,532,000 (2016: £2,475,000).

## 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 and holds Participation Notes with a value of £26,473,000 (2016: £45,380,000).

The Company's capital at 31 August 2017 comprises its equity share capital, reserves and bank debt that are shown in the balance sheet as a total of £474,315,000 (2016: £412,180,000).

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

- the desirability of buying back equity 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 equity shares;
- the extent to which revenue should be retained; and
- the level of gearing.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

### 14 Stated share capital

	Authorised	2017		2016	
		Issued and fully paid	£'000	Issued and fully paid	£'000
Opening balance at 1 September					
Ordinary shares of no par value	Unlimited	114,535,564	109,471	112,345,564	103,202
Issued during the year		3,400,000	12,362	2,190,000	6,294
Share issue costs		–	(49)	–	(25)
<b>Closing balance at 31 August</b>		<b>117,935,564</b>	<b>121,784</b>	<b>114,535,564</b>	<b>109,471</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.

During the year, the Company issued 3,400,000 (2016: 2,190,000) shares for the proceeds of £12,313,000 (2016: £6,269,000) net of costs.

### 15 Distributable reserve

	2017 £'000	2016 £'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 issue proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006.

### 16 Capital reserves

	2017 £'000	2016 £'000
At 1 September	75,759	4,509
Foreign exchange losses	(1,498)	(2,275)
Movement in investment holding gains	17,310	102,782
Realised gains/(losses) on investments	28,444	(27,146)
Costs charged to capital	(2,455)	(2,111)
<b>At 31 August</b>	<b>117,560</b>	<b>75,759</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.

## Notes to the Financial Statements (continued)

### 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:

	2017		2016	
	Net asset value per share pence	Net asset value attributable £'000	Net asset value per share pence	Net asset value attributable £'000
Ordinary shares	375.19p	442,482	337.76p	386,859

The basic net asset value per ordinary share is based on 117,935,564 (2016: 114,535,564) 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:

	2017 £'000	2016 £'000
Net assets attributable to ordinary shares at 1 September	386,859	307,821
Total net profit on ordinary activities after taxation	67,211	95,375
Dividend paid	(23,901)	(22,606)
Issue of ordinary shares net of issue costs	12,313	6,269
	<b>442,482</b>	<b>386,859</b>

### 18 Contingent liabilities

There were no contingent liabilities as at 31 August 2017 (2016: £nil).

### 19 Transactions with the Manager and Directors

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 13 November 2006 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company has appointed a wholly owned subsidiary company of Janus Henderson Group plc ('Janus Henderson') to provide investment management services.

The total of the fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 August 2017 was £3,730,000 (2016: £3,130,000) of which £664,000 was outstanding at 31 August 2017 (2016: £1,397,000).

In addition to the above services, Janus Henderson has provided the Company with sales and marketing services. The total fees paid or payable for these services for the year ended 31 August 2017 amounted to £103,000 (2016: £78,000), of which £41,000 was outstanding at 31 August 2017 (2016: £31,000).

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

The related party transactions with the Directors are set out in the Directors' Report on page 21 and in the Directors' Remuneration Report on page 25.

### 20 Subsequent events

Since the year end, the Company has issued 1,568,000 shares for net proceeds of £5,910,154. The Directors have evaluated the period since the year end and have not noted any other subsequent adjustments.

As set out on page 4, the Board approved changes to the Management Fees payable to Janus Henderson with effect from 1 September 2017.

On 25 October 2017, the Company announced a dividend of 5.3p per ordinary share in respect of the year ended 31 August 2017 to shareholders on the register (the record date) at 3 November 2017. The shares will be quoted ex-dividend on 2 November 2017.

# General Shareholder Information

## AIFMD disclosures

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

## 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 and stockholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 15) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

## Common reporting standard

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

## Equality Act

Copies of this report and other documents issued by the Company are available from the Company 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) dial 18001 followed by the number you wish to dial.

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

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. The Company needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to the local tax authority, as required.

## Non-mainstream pooled investments (NMPI) status

The Company currently conducts its affairs so that its ordinary shares can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products as the Company's portfolio is wholly or predominantly made up of shares, debentures or government and public securities which are not themselves issued by other investment funds.

## ISA

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

## Share price listings

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

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

## 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.

## Performance details/share price information

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

## Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, via [www.computershare.com](http://www.computershare.com). Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Henderson Far East Income Limited  
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Registered office: IFC1, The Esplanade, St Helier, Jersey JE1 4BP.

Regulated by the Jersey Financial Services Commission.

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Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.832  
Legal Entity Identifier (LEI): 2138008DIQREOD380596

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MANAGED BY  
**Janus Henderson**  
INVESTORS

**aic**  
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Investment Companies



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