Annual Report 2021

Henderson Far East Income Limited

MANAGED BY
Janus Henderson
INVESTORS

Investment objective:

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

Strategic Report

Performance highlights	1
Global spotlight on Asia	2-3
Chairman's statement	4-7
Fund Managers' Report	8-10
Portfolio information	11-13
Historical information	14
Business model	15-21
Key Performance Indicators	22

Governance

Board of Directors	24-25
Corporate Governance Report	26-30
Nominations Committee Report	31
Management Engagement Committee Report	32
Audit Committee Report	33-34
Directors' Remuneration Report	35-36
Directors' Report	37-38
Statement of Directors' Responsibilities	39

Financial Statements

Independent auditor's report	41-42
Financial statements	43-46
Notes to the financial statements	47-64

Additional information

Glossary	66
Alternative performance measures	67-68
General shareholder information	69
Service providers	70

Front cover: Temple at Jiufen Old Street in Taipei, Taiwan

Performance highlights at 31 August

NAV[1] total return for the year

2021
7.2%

2020
-9.9%

Share price total return[2] for the year

2021
4.3%

2020
-7.8%

Dividend[3] for year

2021
23.40p

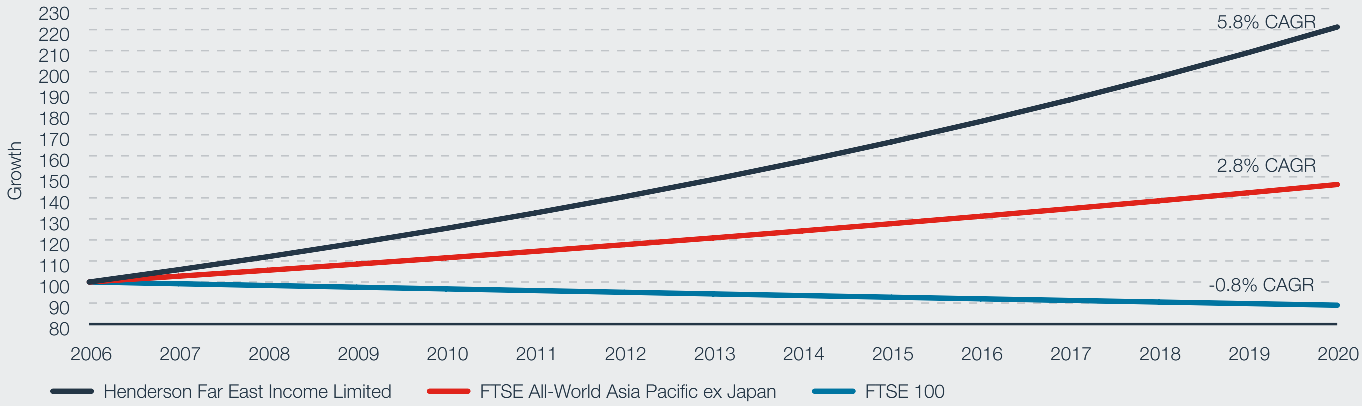
2020
23.00p

Dividend yield[4]

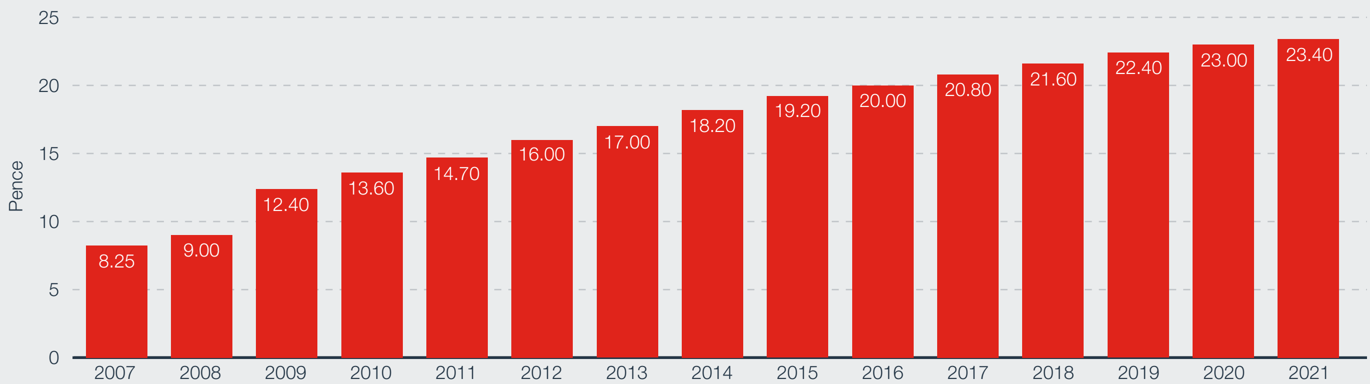
2021
7.8%

2020
7.4%

Compound annual dividend growth rate[5] (CAGR)



Dividends paid by the Company



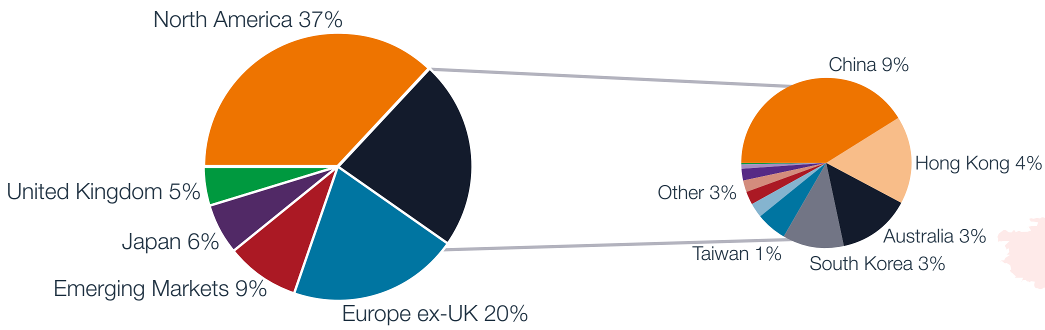
1 Net asset value total return including dividends reinvested
2 Share price total return using mid-market closing price (including dividends reinvested)
3 Interim dividends declared or paid in respect of the year ended 31 August 2021
4 Dividend yield based on the share price at the financial year end and the dividends paid and declared in respect of the year
5 Compound annual dividend growth rate to 31 December 2020 for the Company, FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) and the FTSE 100 Index based on normalised ordinary dividends calculated by calendar year

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

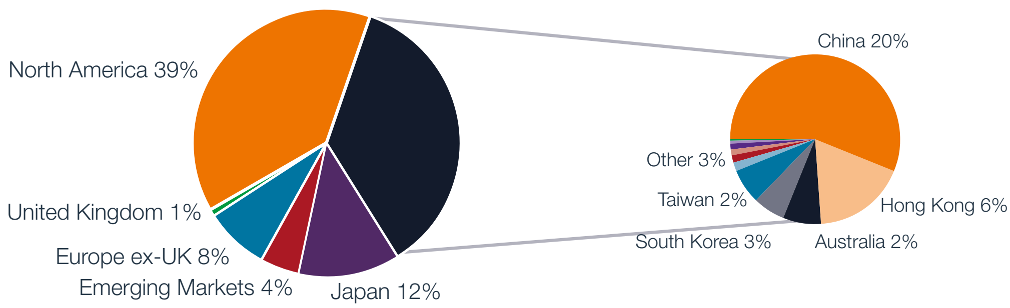
Global spotlight on Asia

Extract from the Henderson Far East Income Limited Asia Pacific Dividend Index published in June 2021. The full document can be found in the Documents section of the website at **www.hendersonfareastincome.com**

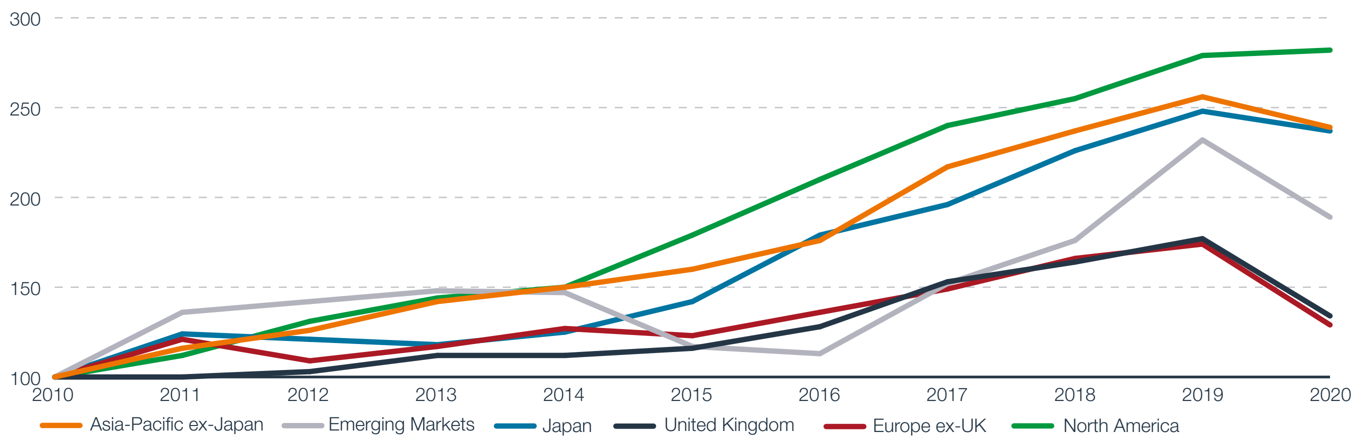
Global pre-tax profits in 2010: Asia Pacific ex Japan vs rest of the world



Global pre-tax profits in 2020: Asia Pacific ex Japan vs rest of the world



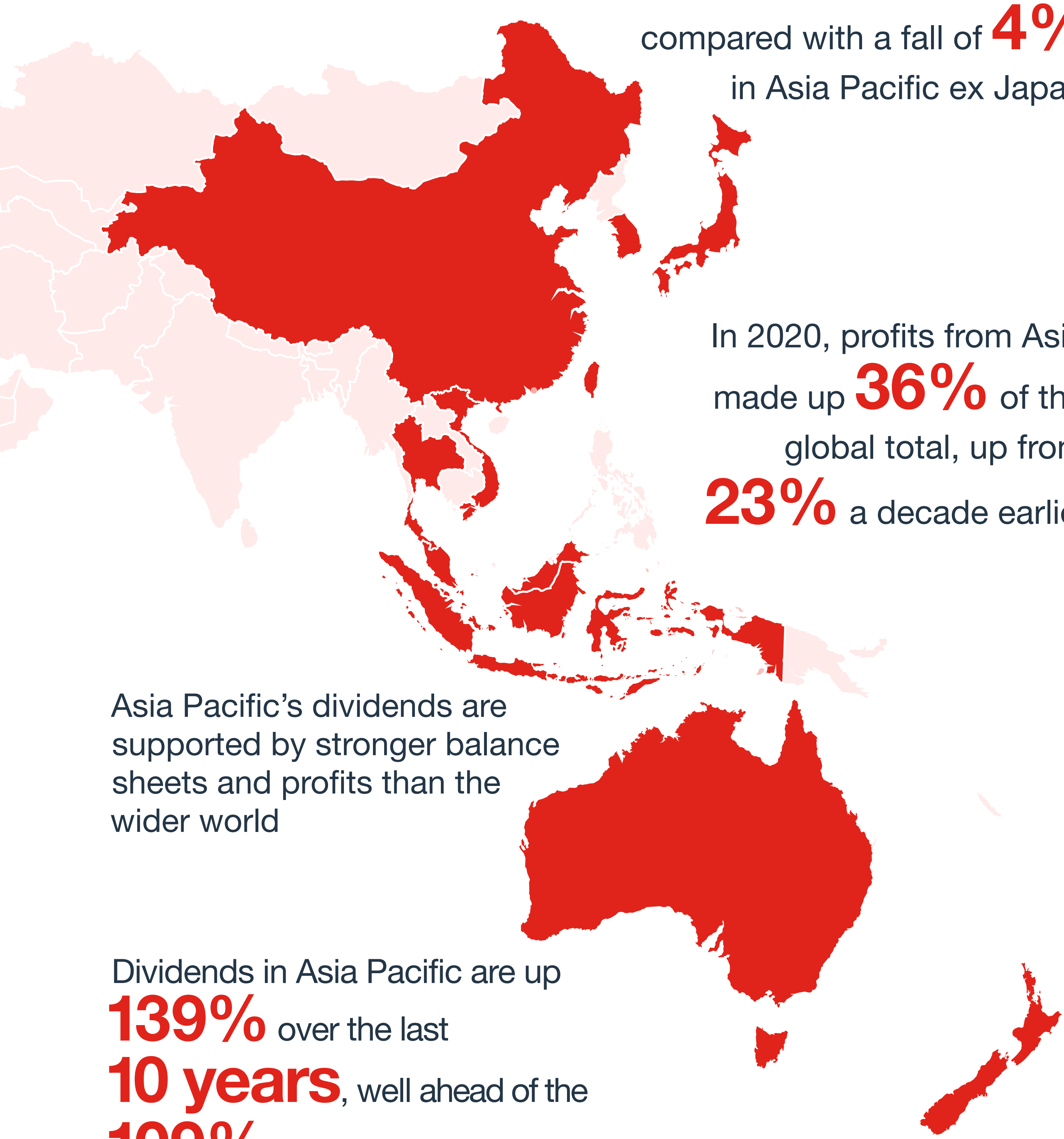
Global dividends (£) – indexed



Source: Factset, Bloomberg & Janus Henderson Investors, 19 May 2021

Market expectations are for earnings per share across the region to grow by a third in 2021 and though this does not mean that total profits will rise by the same amount, it does mean profits could be expected to rebound this year, jumping to a new record.

Dividends will rebound too. Market expectations are for dividends per share to jump by almost a fifth. This would translate to the total value of dividends rising by 12-14% in 2021, which we think is realistic. Even at the lower end of that range, Asia Pacific ex Japan will deliver record dividend payouts of £268.3bn this year.



In 2020, global profits fell **23%** compared with a fall of **4%** in Asia Pacific ex Japan

In 2020, profits from Asia made up **36%** of the global total, up from **23%** a decade earlier

Asia Pacific's dividends are supported by stronger balance sheets and profits than the wider world

Dividends in Asia Pacific are up **139%** over the last **10 years**, well ahead of the **109%** for the rest of the world

Chairman's statement

John Russell
Chairman

"The strong dividend growth coming from Asia Pacific is well supported by the fundamentals of robust profit growth..."

Bhumibol Bridge, Bangkok

Chairman's statement

Introduction

The success of Covid-19 vaccine roll outs in most advanced economies has heralded a semblance of normality and the prospect of improving commercial activity. The view for emerging and developing economies is not so clear with many regions, even those where infection rates are currently very low, facing resurgent infections and rising Covid-19 death tolls.

For the Asia Pacific region, this has produced a marked difference in performance between south and north Asia. The Fund Managers' report provides an interesting insight into their thinking in this respect, as well as their approach to China, and what this means for the positioning of the portfolio in the near term.

Dividends

The Company has paid a total dividend of 23.40p in the year ended 31 August 2021, continuing our track record of increasing dividends each year for the past 15 years.

We declared a 4th interim dividend for the year ended 31 August 2021 on 19 October 2021 of 5.90p per ordinary share.

Performance

Capital performance over the year was poor with yield, as an investment style, continuing to struggle in the current 'growth at any price' frenzy. NAV total return was 7.2%, lagging the FTSE All-World Asia Pacific ex Japan and the MSCI AC Asia Pacific ex Japan High Dividend Yield indices at 17.3% and 16.7% respectively. The Fund Managers elaborate more fully on this in their report.

However, the yield from the dividend reached 7.8%, notably outstripping the yield of the Company's competitors in the AIC sector as well as the 12-month inflation rate of 3.2%[1] at 31 August 2021.

Company objectives and performance

During the year the Board undertook a review of our investment strategy and process to discover if we were meeting shareholder expectations and living up to our mandate. Our name, Henderson Far East Income Limited, defines who we are and what we want to achieve for our shareholders – an income producing fund. We believe that low interest rates, an ageing population requiring income in retirement and the impact of the recent increase in dividend tax in the UK, together support our strategy of placing income as the top priority.

This has been our strategy for the past 14 years. We have increased the dividend progressively from 8.25p in 2007 to 23.40p today. Our investment process has allowed us to grow the dividend and build the revenue reserve enabling us to draw on this to maintain the dividend increase in less favourable market conditions. Following payment of the 4th interim dividend for the year ended 31 August 2021, the revenue reserve will stand at approximately a half years' worth of dividends.

Our investment process has been tried and tested in times of acute financial stress – the global financial meltdown in 2009 and more recently in the Covid-19 crisis. Our quarterly dividends continued to increase despite chaos elsewhere. Our final dividend for the year amounting to 23.40p per ordinary share.

In recent years, however, while this policy has provided a high dividend yield, currently 7% plus, when combined with the capital performance has resulted in an overall outcome that has lagged our competitors whose yields are substantially lower. Our current process locks us into the value sector of the market that is not popular at present as most investors have preferred growth to income. The debate about value versus growth has been going on for a very long time. Sometimes value is preferred, sometimes growth. Rotation between these two styles will continue. When value returns to favour, our capital performance should improve. Our Fund Managers will do all they can to improve our capital performance, but the Board has directed them not to lose sight of our dividend growth preference.

So far, income investors have embraced this policy. Demand for new shares has been elevated. In the last two years we have issued 20.4m new shares and the share price has been consistently above our NAV. This outcome has given the Board confidence that the policy is meeting investor needs, but we will continue to monitor the situation as these do change over time and it is always the Board's intention to respond to our shareholder preferences.

Succession planning

Last year we paused the implementation of our succession planning as companies and countries navigated their way through the Covid-19 pandemic. I am now pleased to report to you that the Board recommenced the recruitment process for my successor during the course of 2021. The process was led by the Nominations Committee, chaired by David Mashiter, and resulted, subject to no objection from the Jersey Financial Services Commission, in the appointment of Ronald Gould as a non-executive director and Chairman designate on 28 October 2021.

Ronald has a long career in investment management and banking, coupled with extensive work in the UK and Asia. I believe that I will be leaving the reins of your Company in very good hands when I retire after a period of handover.

Management fees

I am pleased to report that we have negotiated a change in the management fee. With effect from 1 September 2021, the start of the current financial year, we have moved to a flat rate of 0.75% of net assets per annum. This replaces the tiered structure formally in place of 0.9% of net assets up to £400m and 0.75% of net assets thereafter.

1 Consumer Price Index at 31 August 2021

Chairman's statement (continued)

Annual General Meeting

The Company's 15th Annual General Meeting is due to be held on Thursday, 20 January 2022 and, Covid-19 restrictions permitting, we look forward to being able to report to our shareholders in person. The meeting will be held at the offices of our investment manager, Janus Henderson Investors, at 201 Bishopsgate, London, EC2M 3AE with proceedings commencing at 11.00 am. As is our usual practice, voting will take place on a show of hands for those physically present at the meeting.

A copy of the Company's Notice of Meeting has been included with this annual report. For any shareholders unable to attend, we will be offering you the opportunity to join using the video conferencing software, Zoom. Due to technological restrictions, we are unable to offer voting to those attending via Zoom and therefore encourage all shareholders, particularly those who will not be present in person, to submit their votes by proxy ahead of the deadline to ensure their vote is taken into account.

Outlook

The world can be a puzzling place and a challenge for investors at the best of times. Events over the last few years have been particularly trying, with increased volatility, and uncertainty sometimes leading investors to push the panic button.

What then is the outlook for the Asia Pacific region?

The post-industrial world will be driven by innovation, technology and entrepreneurship. Success in this new paradigm requires three preconditions. Firstly, a successful economy must have entrepreneurial drive and best in class technology. Secondly, it must have a population ready and willing to take up new ideas and products and, finally, it must have a strong domestic consumer base.

China is well positioned on all three counts. While some of its technology may have initially been acquired by dubious means, over the past twenty years it has been mostly homegrown. The speed of technology take up is high as visitors to China soon discover. China's consumer base is already enormous and still growing with the urbanisation process continuing.

A recent report from Morgan Stanley forecasts that Chinese consumption will double to US$12.7 trillion per annum by 2030 which is the same as the US today.

There are risks to this apparent nirvana. The decoupling of the global technology supply chain (in particular with the US centred around Huawei) will negatively impact China's development at least in the short run. Property prices are unaffordable for many and developers are over leveraged; some face the prospect of financial failure. With the fertility rate at 1.3, China is facing an ageing population and a rising dependency ratio. This poses risks to economic growth and the government's often stated objective of achieving European standards of living by 2049. Some fear that wealth disparity might lead to social instability. This is reinforced by the astronomical cost of rearing children when measured against middle class income levels.

These problems have been well flagged to investors. The Chinese government has decided now is the time to introduce a more interventionist stance to tackle these problems. This has alarmed investors. However, the private sector will survive and continue to be the main engine of growth, but businesses will have to factor in government policy and work towards its aims rather than against them. This can provide significant opportunities as well as risk because of the clarity of the policy direction and the capacity of the Chinese state to implement its strategies.

China will continue to face pushback from the West particularly from the US due to concerns over its increasing assertiveness, rapidly rising military spending, disregard for the special status of Hong Kong and the stated intention of reunification with Taiwan. Thus, the geopolitical environment will remain tense for the foreseeable future.

From an investor's perspective, the outlook for China and the Asia Pacific remains attractive. The Henderson Far East Income Limited Asia Pacific Dividend Index 2021, which we published in June this year, highlighted the outlook for the two key investment components – profits and dividends – by noting that:

> 'Since 2010 pre-tax earnings (in Asia Pacific ex Japan) have risen 80% compared to just 2% for the rest of the world driving a significant increase in the region's share of the global profit pie.'

On dividends the report had this to say:

> 'Looking at income, dividend growth in the region has also been significantly faster than the global average, up 139% over the last 10 years compared to 109% for the rest of the world.'

Chairman's statement (continued)

China, South Korea and Taiwan have weathered the Covid-19 crisis well whilst south and south east Asia have suffered. But even there the outlook for growth is encouraging. Vietnam, Indonesia, Thailand and the Philippines are benefiting from supply chain adjustments as companies relocate to avoid western sanctions on China.

The strong dividend growth coming from Asia Pacific is well supported by the fundamentals of robust profit growth, cash flow and low net debt. Currently dividend cover is 2.4x compared with 1.6x in the rest of the world.

Asia is where the growth is and will continue to be. As an example of the disparity in growth rates, in 2010 the UK produced 5% of global pre-tax profits while China produced 9%. By 2020 the contribution from the UK declined to just 1% while China contributed 20%.

It is understandable that anxiety about the impact of climate change is widespread and growing. The results of fossil fuel emissions are clear for all to see. What is not clear is the path to the target of 'net zero by 2050', which we are told is necessary in order to limit temperature gains to 1.5 degrees centigrade or near to it. Hopefully, the next UN Climate Change Conference, COP26, to be held in Glasgow in November 2021 will find practical ways forward.

The need for global cooperation on climate change is clear. The US, EU, China and India will have to work together by sharing information and technology and developing solutions that work for all. Different countries are in different stages of development with different energy mixes. China and India combined account for 65% of global thermal coal use while the Asia Pacific region, as a whole, accounts for approximately 80%. The idea that abundant clean energy is available to all at the flick of a switch is unfortunately a fantasy. While a great deal of progress has been made in reducing the cost of alternatives, particularly solar and wind, the roll out takes time. As we can already see from signs in China and India, without sufficient energy the global economy will stall. Economic growth is critical to climate change solutions. It is growth that will supply the trillions of dollars needed to install the necessary infrastructure and undertake experiments with all the other energy alternatives. The right balance needs to be found so it is difficult to understand why some banks, insurance companies and investor groups are using their power to limit coal production. This has just resulted in pushing up the coal price to a new high, increasing costs for all businesses in countries where coal is a large part of the energy mix and lowering economic growth. There is a similar story with oil and gas. We need properly thought-out solutions, when it is clear that the energy created by fossil fuels is vital to short term stability and will play a significant part in creating the wealth to fund the climate change solution. And we need better leadership on this issue from these institutions.

I believe we have every reason to expect that Asia Pacific will continue to provide ample opportunities for income generating investment allowing us to fulfil our mandate and justify a place in any diversified portfolio.

John Russell
Chairman
28 October 2021

Fund Managers' report

Mike Kerley

Sat Duhra

"Asia Pacific markets have struggled to keep pace. The region's success in dealing with the initial phase of the pandemic has been its biggest headwind in the recovery phase."

Gold Coast, Australia

Fund Managers' report

Region

In last year's report we commented on the incredible period we had just endured. We would have hoped that one year on things would be clearer, but sadly this year the same considerations still apply. The pandemic is now not something that can be defeated, but something that we have to live with while the stop/start nature of a return to normal is causing uncertainty and increased volatility.

Despite the uncertainty, asset prices continue to push higher. The S&P 500 was up almost 30% in US dollar terms over the twelve months to the end of August 2021 while property prices in the US, UK, Australia and elsewhere remain very well sustained. Record low interest rates and accommodating government and central bank policies have kept liquidity abundant and while equity and property markets do not have much valuation support at current levels, they have more appeal than cash and bonds. Equities have also been supported by strong earnings growth forecasts from a low base in 2020. With earnings forecast to grow by 30% it becomes much easier to justify high earnings multiples, although clearly this will be a much more difficult task in 2022.

By comparison, Asia Pacific markets have struggled to keep pace. The region's success in dealing with the initial phase of the pandemic has been its biggest headwind in the recovery phase. With regional GDP proving much more resilient than elsewhere, the monetary and fiscal response has been more muted than western counterparts, while a disappointing vaccination rollout program and a 'zero tolerance to Covid-19' strategy has ironically put the region behind western economies in the race to normality. This has been particularly true for South Asia where, in some cases, less than 20% of the population has been vaccinated. Thailand, Indonesia, the Philippines and Vietnam fall into the same category and this has been reflected in economic and market performance.

On the whole, the best performing markets were in North Asia with Korea and Taiwan both benefiting from the strong work-from-home demand for electronic products. The exception in South Asia was India where, despite some pressure from a Covid-19 escalation earlier in the year, the market rose by over 50% in sterling terms as the pandemic was brought swiftly under control and vaccination levels accelerated. Despite the weakness of the Chinese internet companies, the technology sector still outperformed the regional average driven by hardware and semiconductors while the strength of iron ore and copper helped the materials sector post gains of over 40%. Consumer discretionary was the only sector to post negative returns as ongoing regional lockdowns dampened activity.

China

The major headwind for the region has been the poor performance of China, which was the only major market to fall in sterling terms over the period. After a solid 2020 when GDP growth and earnings rose while most of the rest of the world fell, the Chinese economy was the first to enter a tightening phase in the first quarter of 2021, which unsettled investors who had been used to a one-way street of supportive monetary and fiscal policy. The market was not helped by the regulatory clampdown on the internet sector which started with the cancellation of the Ant Group initial public offering in November 2020, but subsequently expanded to other areas as regulators challenged monopolistic practices and data protection.

From their peak in the middle of February 2021 to the end of August 2021, Alibaba and Tencent, the two largest stocks in the MSCI China index, fell by 38% and 36% respectively, accounting for the majority of the index decline.

Alongside the clampdown on the internet sector, there has been a greater focus on the alleviation of wealth inequality. Under the banner of 'common prosperity', measures have been put in place to reduce the cost of living for low and middle-income households while encouraging greater social responsibility from corporates and the more well off. In particular, the focus has been on the key living costs associated with health care, education and property, so it is no surprise that stocks exposed to these areas have performed poorly as profit models are re-assessed.

These policies introduced to rein in the power of the internet companies, the protection of data and the attempts to tackle the problems of inequality, are admirable and will serve China well in the future if successful. However, the handling and timing of these announcements leave something to be desired and have caused uncertainty to the point where some investors are classing the country as un-investible. We don't share this view and realise now, more than ever, the importance of investing alongside government objectives rather than against them.

Performance

Although it is always pleasing to report on a positive NAV total return, we think it is fair to say that the capital performance of your Company has been disappointing compared to regional indices and peers. The NAV total return was 7.2% over the period compared to 17.3% for the FTSE All-World Asia Pacific ex Japan Index and 16.7% for the MSCI AC Asia Pacific ex Japan High Dividend Yield Index.

Our process focuses on a portfolio combining high and sustainable yield alongside companies with dividend growth which will be the high yielders of the future. The capital upside for this strategy comes from identifying undervalued yield stocks and companies that will surprise the market with dividends above expectations. Over the last eighteen months, yield as a style has been out of favour while dividend growth in Asia has been ignored with investors choosing to focus on structural themes. The underperformance of the strategy compared to regional indices reflects these style differences.

The returns relative to the high yield index are harder to explain, but reflect the portfolio's greater focus on yield. Some of the best performers in the high yield index were the Singaporean and Australian banks which cut their dividends during the pandemic. At current levels, the Company has a dividend yield of 7.8% and could not incorporate these lower yielding companies into the portfolio without impacting the Company's revenue generation. It is fair to say that the focus on yield has held back capital appreciation over the last twelve months, but we continue to believe that this is a process and strategy that can deliver attractive total returns when economic conditions allow. With record low interest rates likely to remain in place for some time and ageing populations requiring a dependable income stream, we believe that the performance of yield stocks will improve in the months and years ahead. This process has proved successful in the past and we believe it will be again in the future.

At the stock level there were positive contributions from technology component companies Samsung Electronics,

Fund Managers' report (continued)

Taiwan Semiconductor and Yageo, which all rose over 40% during the period while software company Chinasoft, rose 62%. There was success with Australian investment bank, Macquarie and Korean telecom company, SK Telecom, which both gained more than 20% while our position in closed end investment company Vietnam Opportunities Fund rose over 40%, reflecting Vietnam's successful navigation through the pandemic. On the negative side, our positions in Chinese materials, consumer staples, property and construction detracted from performance. China Resources Cement fell 35%, China Railway Construction 24%, China Overseas Land 21% and Hengan International 18%.

ESG

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

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

Revenue

Although the Company's capital performance has been disappointing the income generation has been resilient. Dividend income from the invested portfolio increased 5.4% compared to the prior year and total income by 4.1%. The income from option writing declined 9% due to lower volatility compared to 2020. On a per share basis total revenue was down 2.1% as a result of 9.6m new shares being issued over the period – a 6.8% increase on the issued share capital at the start of the financial year.

For the first time since the Company launched in 2007 the dividend distributed has not been covered by the revenue generated. The shortfall has resulted in a small drawdown of the reserves which will stand at just under a half years' worth of dividends following the payment of the 4th interim dividend.

Although we aim to cover the dividend over the longer term there may be periods where reserves are utilised to ensure that revenue generation is smoothed through a cycle. The growth in income in 2021 compared to last year is testament to the strong underlying growth of dividends in Asia Pacific although on a per share basis this was diluted by share issuance. There was also a negative impact on revenue from the 2.5% increase in sterling compared to Asian currencies over the period while some significant dividends were received just after the period end which will bolster next year's figures.

Strategy

We continue to focus on attractively valued companies with a sustainable yield and those able to grow their dividends over time. Although many markets are close to all time highs, the extreme discrepancy between highly valued thematic plays and cheap real economy sectors leave plenty of opportunities for the value orientated investor. The portfolio characteristics of 12x forward price to earnings with 15% earnings growth forecast and forward dividend yield of 5.5%, make it difficult to be negative on the stocks we own in the portfolio.

The perfect stock for our process combines growth, value and income, and we are predominantly finding these characteristics in two sectors. Firstly financials, primarily banks, which are benefiting from rising interest rates, lower provisioning and a more generous dividend policy, especially in Korea, Taiwan and Hong Kong. The second sector is materials and energy. The lack of supply and new demand from electric vehicles, electronics and alternative energy will continue to support the price of industrial metals such as copper well beyond the normal economic cycle. It is a similar story for energy and, in particular, natural gas pricing which is seen by many as the transition fuel from the highly polluting fossil fuels like coal and oil, to the future based on solar, hydro and wind. We own BHP Group Limited, Rio Tinto Limited, OZ Minerals and Woodside Petroleum, which play to these themes.

Outside of these core areas, we continue to prefer the enablers of trends rather than the front-line players. In the tech space we like software and semiconductors, while we also like logistics in the property sector as a play on the increase in e-commerce.

At the country level, we have become more defensive on China as we see some weakness in economic numbers into 2022 as the Evergrande debt issue is unwound and power cuts impact manufacturing and economic activity. Although we expect a more accommodative policy stance going forward, the pressure on power generation and raw material pricing makes the traditional model of increased investment spending more troublesome than in previous cycles. We are focusing on software, financial services, consumption and building materials.

Outlook

Although we are positive on the medium to long term outlook for the Asia Pacific region, we are a little nervous on the outlook for equity markets in general for 2022. The earnings momentum, which has been so strong off a low base in 2021, will be difficult to improve upon in 2022 while inflationary pressures, from rising input prices, and the potential for economic support measures to be withdrawn, doesn't bode well for equity markets trading at relatively rich multiples.

Although Asian valuations are more attractive, a reduction in global liquidity has not historically been supportive for the region, although regional economies are in far better shape than their western peers with many more levers to pull to offset any potential downturn. The case is the same for dividends where strong balance sheets, high cash flow generation and low payout ratios make the dividend story for the region one of the most compelling.

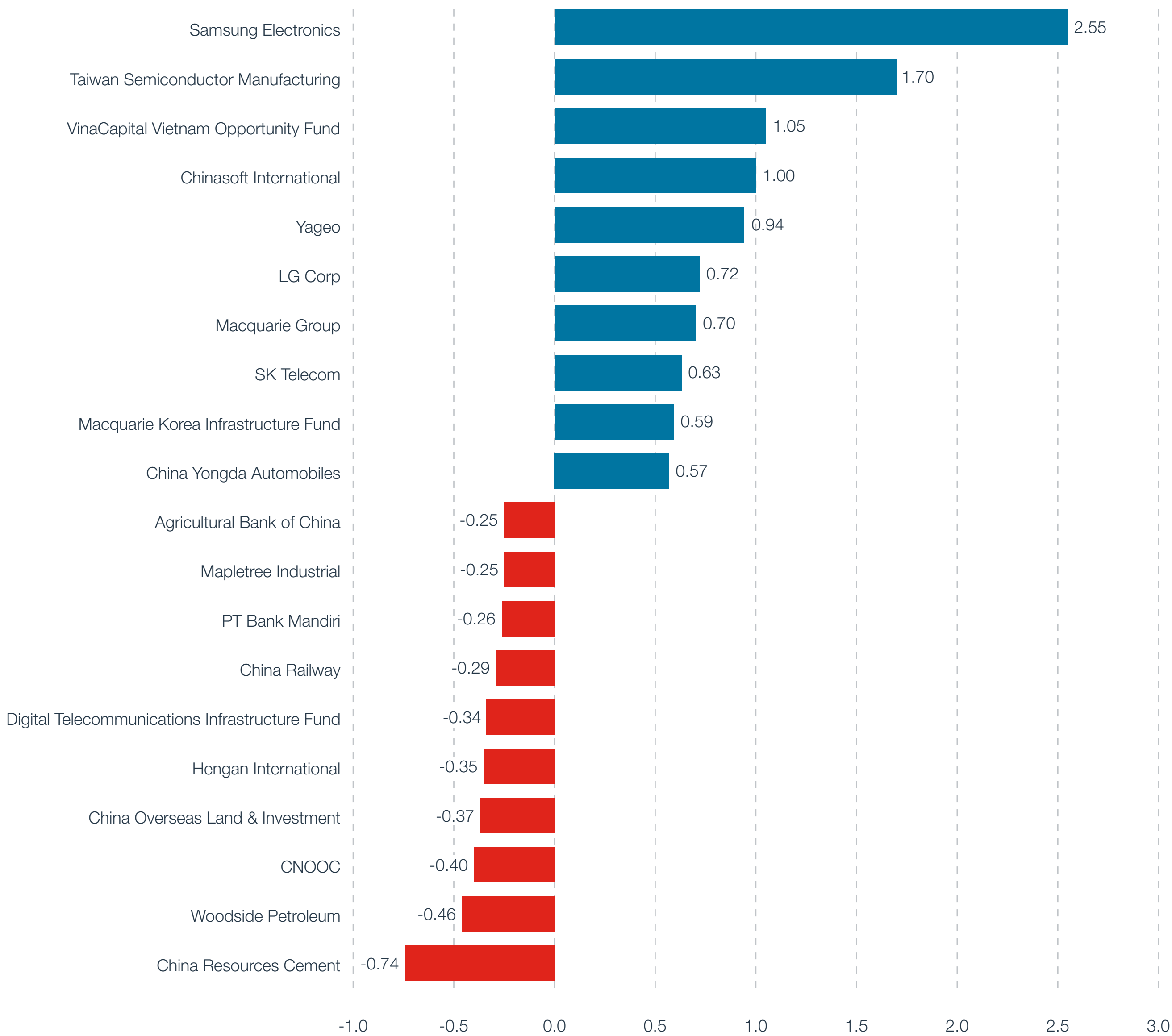
We expect that yield stocks will perform relatively well in this environment of higher volatility and we remain focused on adding the most attractive stocks that fit our process as and when opportunities arise.

Mike Kerley, Sat Duhra
Fund Managers
28 October 2021

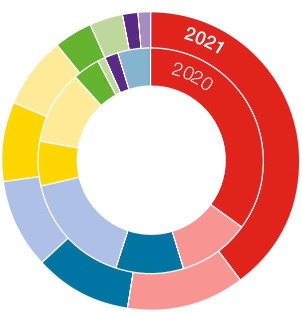
Portfolio information

Top ten contributors to and bottom ten detractors from total return performance

(for the year to 31 August 2021 in basis points)

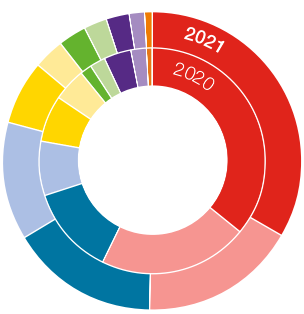


Sector distribution of income



	2021 %	2020 %
Financials	**39.9**	35.1
Basic Materials	**12.6**	10.3
Technology	**10.7**	9.6
Telecommunications	**9.6**	16.4
Industrials	**8.8**	6.5
Real Estate	**7.8**	10.6
Energy	**4.1**	3.9
Consumer Discretionary	**3.7**	1.0
Consumer Staples	**1.5**	1.9
Utilities	**1.3**	4.7

Geographical distribution of income



	2021 %	2020 %
China	**33.4**	36.1
Australia	**16.9**	21.3
Taiwan	**16.1**	12.6
South Korea	**12.9**	8.0
Hong Kong	**6.9**	6.7
Thailand	**3.5**	4.6
India	**3.0**	1.7
Indonesia	**2.5**	2.2
Singapore	**2.3**	4.0
New Zealand	**1.7**	2.1
Vietnam	**0.8**	0.7

Portfolio information (continued)

Ten largest investments

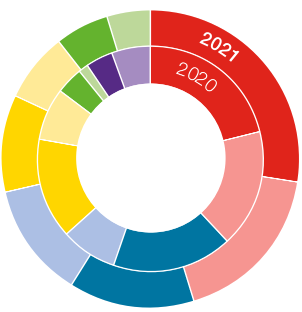
Ranking 2021	Ranking 2020	Company	Principal activities	Country of incorporation	Sector	Valuation 2021 £'000	% of portfolio
1	4	BHP Group Limited	The world's leading global natural resources company producing iron ore, copper, diamonds, aluminium, oil and natural gas.	Australia	Basic Materials	**20,414**	4.42
2	–	ASE Technology	Company provides semiconductor manufacturing services by developing turnkey solutions for the front-end engineering test, wafer probing and final test, as well as IC packaging, materials and electronic manufacturing services.	Taiwan	Technology	**17,438**	3.77
3	7	Macquarie Korea Infrastructure Fund	A listed private sector infrastructure fund investing in toll roads, bridges, ports and tunnels. MKIF has the largest portfolio of infrastructure assets in Korea.	South Korea	Financials	**16,289**	3.53
4	6	Rio Tinto Limited	The world's second largest natural resources company producing iron ore, copper, diamonds, gold and uranium.	Australia	Basic Materials	**16,072**	3.48
5	1	Taiwan Semiconductor Manufacturing[1]	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	**14,593**	3.16
6	25	VinaCapital Vietnam Opportunity Fund	Investor in a range of carefully selected investments in the listed and private companies that are participating in, benefitting from and driving the sustainable growth underway in Vietnam.	Vietnam	Financials	**14,478**	3.13
7	19	SK Telekom[1]	South Korean wireless telecommunications operator.	South Korea	Telecommunications	**13,515**	2.92
8	2	Samsung Electronics[2]	A global electronics brand and manufacturer of components such as lithium-ion batteries, semiconductors, image sensors, camera modules and displays for the likes of Apple, Sony, HTC and Nokia.	South Korea	Technology	**13,477**	2.92
9	–	Hindustan Petroleum	Refiner of crude oil and the marketing of petroleum products.	India	Energy	**13,163**	2.85
10	11	Macquarie Group	Global financial services group offering retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development capital raising and principal investment.	Australia	Financials	**12,263**	2.65
Total						**151,702**	32.83

The top ten investments by value account for 32.83% of the total investments (2020: £144,326,000 or 34.15%)

1 American Depositary Receipts
2 Preferred Shares

Sector exposure

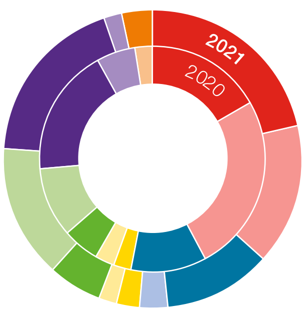
As a percentage of the investment portfolio excluding cash



	2021 %	2020 %
Financials	**27.6**	21.3
Technology	**17.8**	16.9
Telecommunications	**13.7**	17.1
Basic Materials	**12.5**	8.3
Real Estate	**10.6**	14.3
Industrials	**7.3**	7.6
Consumer Discretionary	**6.0**	3.7
Energy	**4.5**	1.4
Utilities	**–**	4.0
Consumer Staples	**–**	5.4

Geographic exposure

As a percentage of the investment portfolio excluding cash



	2021 %	2020 %
Australia	**21.4**	16.8
China	**15.4**	25.5
Hong Kong	**11.8**	11.0
India	**2.9**	–
Indonesia	**2.5**	2.3
New Zealand	**2.0**	2.8
Singapore	**5.9**	5.4
South Korea	**14.4**	10.0
Taiwan	**18.6**	18.2
Thailand	**2.0**	5.6
Vietnam	**3.1**	2.4

Portfolio information (continued)

Investment portfolio at 31 August 2021

Ranking 2021	Ranking 2020	Company	Country of incorporation	Sector	Value 2021 £'000	% of portfolio
1	4	BHP Group Limited	Australia	Basic Materials	20,414	4.42
2	–	ASE Technology	Taiwan	Technology	17,438	3.77
3	7	Macquarie Korea Infrastructure Fund	South Korea	Financials	16,289	3.53
4	6	Rio Tinto Limited	Australia	Basic Materials	16,072	3.48
5	1	Taiwan Semiconductor Manufacturing[1]	Taiwan	Technology	14,593	3.16
6	25	VinaCapital Vietnam Opportunity Fund	Vietnam	Financials	14,478	3.13
7	19	SK Telekom[1]	South Korea	Telecommunications	13,515	2.92
8	2	Samsung Electronics[2]	South Korea	Technology	13,477	2.92
9	–	Hindustan Petroleum	India	Energy	13,163	2.85
10	11	Macquarie Group	Australia	Financials	12,263	2.65
		Top Ten Investments			**151,702**	**32.83**
11	–	OZ Minerals	Australia	Basic Materials	12,207	2.64
12	31	CTBC Financial Holdings	Taiwan	Financials	12,046	2.61
13	9	AIA Group	Hong Kong	Financials	11,935	2.58
14	–	LG Corp	South Korea	Industrials	11,820	2.56
15	3	Taiwan Cement	Taiwan	Industrials	11,669	2.53
16	–	Chinasoft	China	Technology	11,667	2.52
17	16	Sun Hung Kai Properties	Hong Kong	Real Estate	11,581	2.51
18	–	KB Financial	South Korea	Financials	11,554	2.50
19	8	HKT Trust & HKT	Hong Kong	Telecommunications	11,480	2.48
20	–	Australia & New Zealand Banking Corp	Australia	Financials	11,432	2.47
		Top Twenty Investments			**269,093**	**58.23**
21	27	Telekom Indonesia Persero	Indonesia	Telecommunications	11,407	2.47
22	21	Yageo	Taiwan	Technology	11,303	2.45
23	–	Swire Pacific	Hong Kong	Industrials	10,234	2.21
24	–	China Yongda Automobiles	China	Consumer Discretionary	10,204	2.21
25	18	Ascendas REIT	Singapore	Real Estate	10,180	2.20
26	36	Dexus	Australia	Real Estate	10,119	2.19
27	23	Quanta Computers	Taiwan	Technology	9,593	2.08
28	5	CITIC Securities	China	Financials	9,459	2.05
29	17	China Construction Bank	China	Financials	9,434	2.04
30	–	BOC Hong Kong	Hong Kong	Financials	9,423	2.04
		Top Thirty Investments			**370,449**	**80.17**
31	–	Yuanta Financial	Taiwan	Financials	9,275	2.01
32	22	Digital Telecommunications Infrastructure Fund	Thailand	Telecommunications	9,215	1.99
33	–	Topsports	China	Consumer Discretionary	9,101	1.97
34	10	Spark New Zealand	New Zealand	Telecommunications	9,049	1.96
35	–	Stockland	Australia	Real Estate	8,853	1.92
36	–	NetEase	China	Consumer Discretionary	8,826	1.91
37	–	Singapore Telecommunications	Singapore	Telecommunications	8,806	1.91
38	–	China Shenhua Energy	China	Basic Materials	8,523	1.84
39	–	Mapletree Logistics	Singapore	Real Estate	8,299	1.80
40	–	Woodside Petroleum	Australia	Energy	7,734	1.67
		Top Forty Investments			**458,130**	**99.15**
41	–	Venustech	China	Technology	4,395	0.95
42	40	China Forestry Holdings	China	Basic Materials	–	–
43	–	Chinasoft International Call 13.5 (expiry 16/9/21)	China	Technology	(139)	(0.03)
44	–	NetEase Put 131 (expiry 25/11/21)	China	Consumer Discretionary	(301)	(0.07)
		Total Investments			**462,085**	**100.00**

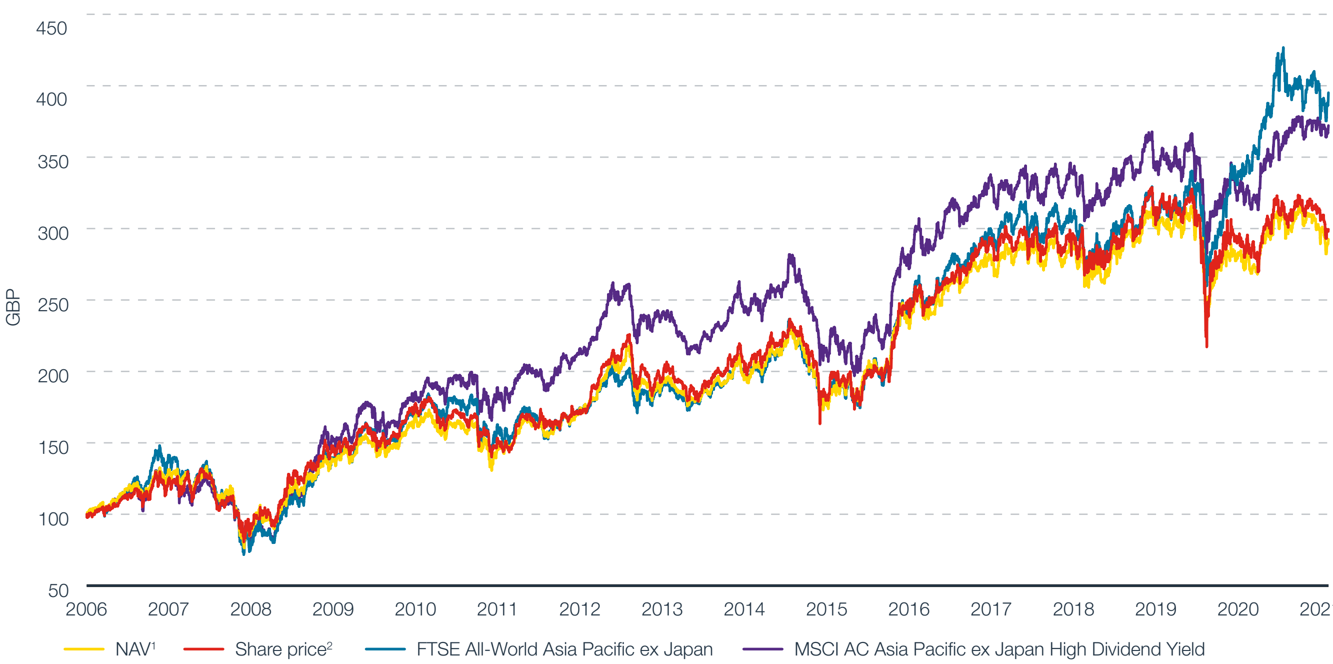
1 American Depositary Receipts
2 Preferred Shares

Historical information

Total return performance

	1 year %	3 years %	5 years %	10 years %
NAV[1]	7.2	2.8	22.9	93.0
Share price[2]	4.3	3.5	20.7	87.3
Sector average[3] NAV	18.7	24.7	56.1	150.0
FTSE All-World Asia Pacific ex Japan Index[4]	17.3	28.7	63.0	142.7
MSCI AC Asia Pacific ex Japan High Dividend Yield Index[4]	16.7	10.2	33.8	100.2

Total return performance since launch[5]



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 %
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
2017	442,482	375.19	380.00	1.3	67,211	21.94	36.09	58.03	20.80	1.12
2018	441,004	359.26	357.00	(0.6)	6,595	22.21	(16.77)	5.44	21.60	1.09
2019	469,121	358.99	361.00	0.6	28,306	23.38	(0.95)	22.43	22.40	1.11
2020	425,927	301.02	311.00	3.3	(48,819)	23.71	(59.23)	(35.52)	23.00	1.08
2021	**452,644**	**299.58**	**301.50**	**0.6**	**29,677**	**23.22**	**(2.82)**	**20.40**	**23.40**	**1.09**

1 Net asset value total return including dividends reinvested
2 Share price total return including dividends reinvested and using mid-market prices
3 AIC sector is the Asia Pacific Income sector
4 Total return performance is sterling adjusted (including dividends reinvested)
5 Sterling adjusted and rebased to £100

Business model

Purpose

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

Strategy

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

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

Investment objective

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

Investment policy

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

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

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

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

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

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

Gearing

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

Investment strategy

The Fund Managers' focus is on well managed companies with attractive valuations which have the ability to sustain and/or grow dividends for the future. At present, the preference is for financials, materials and energy which offer the most compelling combination of value, growth and income. The Fund Managers thoroughly research prospects and markets using sophisticated and often proprietary techniques before selection.

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

Dividend approach

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

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

Business model (continued)

Promoting the Company's success

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

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

The Fund Managers promote the Company to professional investors with the support of the Manager's dedicated investment trust sales team and the corporate broker. The Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the United Kingdom.

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

Engaging with stakeholders

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

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

Stakeholder	Engagement
Shareholders and potential investors	**Purpose:** • Keep investors updated on the Company's performance. • Promote the Company to new shareholders. **How we engage:** • Daily NAVs and monthly factsheets are published to keep shareholders up to date with the value of the portfolio. • Meetings with the Fund Managers or Board members where shareholders prefer, are offered to shareholders and potential shareholders to provide insight into the portfolio. • Information on the Company and video updates from the Fund Managers are made available on the website and via social medial channels with a view to keeping shareholders informed on the positioning of the portfolio. • The half-year report and annual report are published to keep shareholders informed of the Company's financial performance, its governance framework and any current issues. • The Fund Managers provide a presentation to shareholders and analysts following publication of the annual financial results with a view to providing insight on the Company's performance. • The Manager and corporate broker run a programme of engagement with wealth managers and other professional investors throughout the year to promote the Company. **Outcome:** • Shareholders are informed and there is regular demand for the Company's shares.

Business model (continued)

Stakeholder	Engagement
Investment manager	**Purpose:** Maintain a close working relationship with the Manager as this is key to achieving the Company's investment objective and promoting the Company to investors. **How we engage:** • The Fund Managers are invited to each Board meeting to provide an update on the performance of the portfolio and to keep the directors in touch with their views on the markets and positioning of the portfolio. • The Manager provides data on the key performance indicators at each meeting enabling the directors to measure performance. • The Manager demonstrates compliance with the parameters of the investment mandate at each meeting and provides access to senior managers in the Operational Risk and Internal Audit teams enabling the directors to assess the effectiveness of internal controls in operation. • The heads of investment trust Sales and Marketing are invited to provide regular presentations to the Board on how the Company is promoted to professional and retail investors. **Outcome:** • The Board is confident that the Company's assets are managed in line with the investment objective and within approved parameters. • The Board has a good understanding of how the Company is perceived in the market and whether the investment objective remains relevant in the prevailing market conditions.
Service providers • Corporate broker • Custodian • Depositary • Fund administrator • Registrar	**Purpose:** • The Company's day-to-day operations run smoothly. • The directors are informed of any issues which may arise and can ensure that suitable action is taken to address them. **How we engage:** • The Board receives regular reporting and presentations from its key third-party service providers throughout the year. • Designated staff at the Manager engage regularly with all third-party service providers through meetings and written reporting, and keep the Board updated with any areas of concern. • The Management Engagement Committee annually reviews the level of services delivered by each service provider and the terms on which they are engaged to ensure that these remain in line with market practice. **Outcome:** • The Board is confident in its selection of third-party service providers and maintains good oversight of the Company's operations.
Investee companies	**Purpose:** • The Board has an understanding of the Fund Managers' approach to selecting stocks for the portfolio. **How we engage:** • The shares held in the Company's portfolio are voted at general meetings and appropriate engagement undertaken with investee companies where management proposals are not supported. **Outcome:** • The Company is a responsible investor.

Business model (continued)

Managing risks

Investing, by its nature, carries inherent risk. A matrix of these risks, and the steps taken to mitigate them, is maintained and kept under regular review by the Board. This includes having in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy.

The Board, with the assistance of the Manager, regularly carries out an assessment of the principal and emerging risks and uncertainties facing the Company which could threaten the business model and future performance, solvency and liquidity of the portfolio. The assessment includes consideration of the possibility of severe market disruption, which, for the second consecutive year, focused on the changing impact of the Covid-19 pandemic on global markets. The principal risks which have been identified and the steps we have taken to mitigate these are set out in the table below. We do not consider these risks to have changed during the period.

Risk	Mitigating action
Investment and strategy	
An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in underperformance against the companies in the peer group, and in the Company's shares trading on a wider discount. Investments in Asian markets may be impacted by political, market and financial events resulting in changes to the market value of the Company's portfolio.	We manage these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Manager operates in accordance with investment limits and restrictions determined by the Board, which include limits on the extent to which borrowings may be employed. We review compliance with limits and monitor performance at each Board meeting.
Accounting, legal and regulatory	
The Company is regulated by the Jersey Financial Services Commission and is required to comply with the Companies (Jersey) Law 1991, the Financial Conduct Authority's Listing Rules, Transparency Guidance and Disclosure Rules and Prospectus Rules and the Listing Rules of the New Zealand Stock Exchange. To retain investment trust status, the Company must comply with the provisions of s.1158 of the Corporation Tax Act 2010. A breach of company law could result in the Company being subject to criminal proceedings or financial and reputational damage. A breach of the listing rules could result in the suspension of the Company's shares. A breach of s.1158 could result in capital gains realised within the portfolio being subject to corporation tax.	The Manager provides investment, company secretarial, administration and accounting services through qualified professionals. We receive quarterly internal control reports from the Manager which demonstrate compliance with legal and regulatory requirements and assess the effectiveness of the internal control environment in operation at the Manager and our key third-party services providers at least annually. We have once again sought assurances from the Manager of their ability to continue to function effectively as staff continue to work from home.
Operational	
Disruption to, or the failure of, the Manager 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 Company may be exposed to cyber risk through vulnerabilities at one or more of its service providers. 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.	The Board engages reputable third-party service providers and formally evaluates their performance, and terms of appointment, at least annually. The Audit Committee assesses the effectiveness of internal controls in place at the Company's key third-party services providers through review of their ISAE 3402 reports, quarterly internal control reports from the Manager and monthly reporting on compliance with the investment limits and restrictions established by the Board.

Business model (continued)

Risk	Mitigating action
Financial	
The financial risks faced by the Company include market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit risk.	We determine the investment parameters and monitor compliance with these at each meeting. We review the portfolio liquidity at each meeting and periodically consider the appropriateness of hedging the portfolio against currency risk. The Board reviews the portfolio valuation at each meeting. Investment transactions are carried out by a large number of approved brokers whose credit standard is periodically reviewed and limits are set on the amount that may be due from any one broker, cash is only held with the depositary/custodian or reputable banks. We reviewed the broad structure of the Company's capital including the need to buy back or allot ordinary shares and the extent to which revenue in excess of that which is required to be distributed, should be retained. Further detail on how we mitigate these risks are set out on pages 56 to 62.

Values and culture

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

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

Viability statement

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

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

- the Company's purpose and approach which means we remain a medium to long term investor;
- consideration of the principal risks and uncertainties facing the Company and determination that no materially adverse issues had been identified;
- the nature of the portfolio which remained diverse comprising a wide range of stocks which were traded on major international exchanges meaning that, in normal market conditions, three quarters of the portfolio could be liquidated in ten days;
- the closed end nature of the Company which does not need to account for redemptions;
- the level of the Company's revenue reserves and banking facility; and
- the expenses incurred by the Company, which are predictable and modest in comparison with the assets and the fact that there are no capital commitments currently foreseen which would alter that position.

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

Borrowings

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

The maximum amount drawn during the reporting period was £49.8m (2020: £25.4m) with borrowing costs and interest totalling £260,000 (2020: £327,000).

Business model (continued)

Fee arrangements with the Manager

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

The Fund Managers are Mike Kerley, who has managed the Company's portfolio since 2007 and Sat Duhra, who has worked on the portfolio since 2011. Sat was formally appointed as co-Fund Manager on 20 June 2019. Mike is based in the Manager's London office and Sat, in Singapore.

For the year under review, a tiered management fee was in place. Fees were charged at 0.9% of net assets up to the value of £400m, with the balance above that charged at a reduced rate of 0.75%. There is no performance fee. With effect from 1 September 2021, a flat fee of 0.75% of net assets is applicable across all of the Company's assets.

The Manager, and its subsidiaries, provide accounting, company secretarial, sales, marketing and general administrative services to the Company. BNP Paribas Securities Services S.C.A., Jersey Branch provide fund administration services.

The Company's status

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

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the FCA. The Company is listed on the Main Board of the New Zealand Stock Exchange ('NZX') and is subject to the NZX Listing Rules. The Company is a member of the Association of Investment Companies ('AIC').

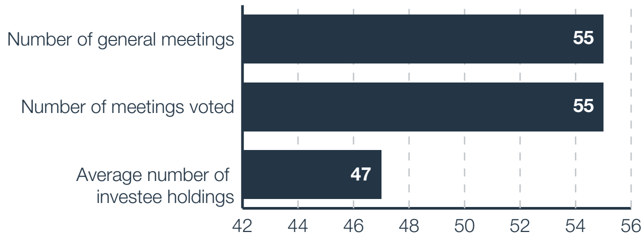
The Company, and the Board, is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

Approach to environmental, social and governance matters

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. We have engaged the Manager to consider how best to vote the rights attached to the shares in the Company's portfolio. In adopting this approach, we are able to access the expertise of the Manager's Governance and Responsible Investment team ('GRI team') in evaluating engagement by investee companies and the appropriateness of any resolutions which shareholders may be asked to approve.

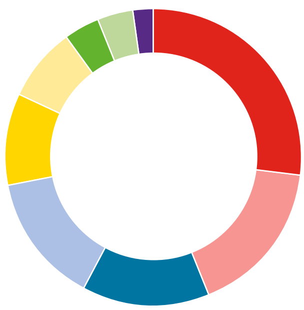
We retain oversight of the process by receiving reporting indicating how the Company's shares have been voted and by reviewing the Manager's ESG Principles at least annually. Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Managers, who have an in-depth understanding of the respective company's operations. The Manager's ESG Principles are made publicly available so investee companies have the ability to make themselves aware of our expectations in this respect.

In the period under review, investee companies held 55 general meetings in over nine jurisdictions amounting to a total of 535 resolutions for consideration. The shares held in the Company's portfolio were voted in respect of all meetings.



Figures in the bar chart based on the period 1 September 2020 to 31 August 2021

Market breakdown of general meetings voted



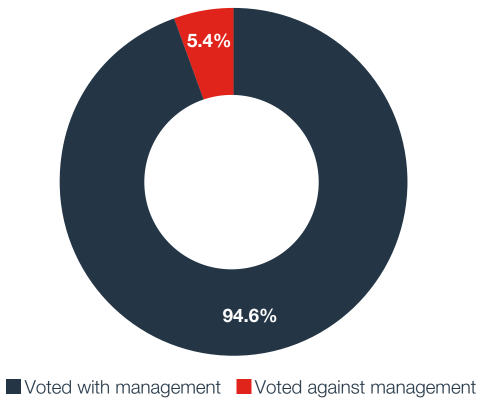
	2021 %
China	27.0
Australia	17.0
South Korea	14.0
Other	14.0
Hong Kong	10.0
Taiwan	8.0
Indonesia	4.0
Thailand	4.0
New Zealand	2.0

The level of governance in leading global companies is generally of a high standard in terms of best practice which meant that support in favour of the resolutions proposed by management was warranted. However, in respect of 5.4% of

Business model (continued)

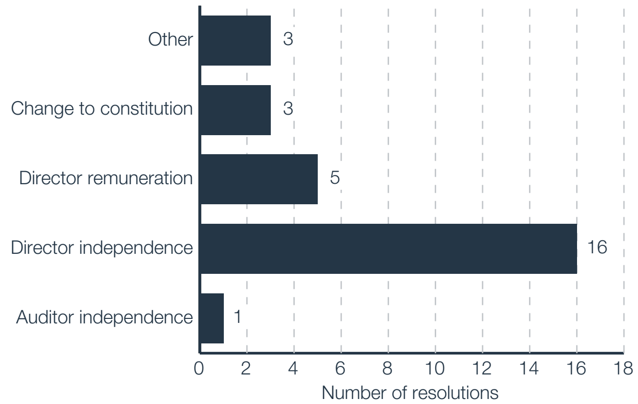
the resolutions proposed, support was not warranted and, following discussion between the Fund Managers and the GRI Team, the shares were voted against the passing of the resolution.

How we voted our shares (number of resolutions)



In terms of resolutions not supported these fell into a number of categories indicated by the chart below:

Areas where we voted against management recommendations



Diversity

The Board's approach to the appointment of non-executive directors is always to appoint the best person for the role. The directors are mindful of diversity – gender, social and ethnic backgrounds, cognitive and personal strengths, as well as experience – when making appointments to the Board. The Board regularly considers the leadership needs of the Company, taking account of the specific skills required to provide effective oversight of the Company's activities.

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

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

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

For and on behalf of the Board

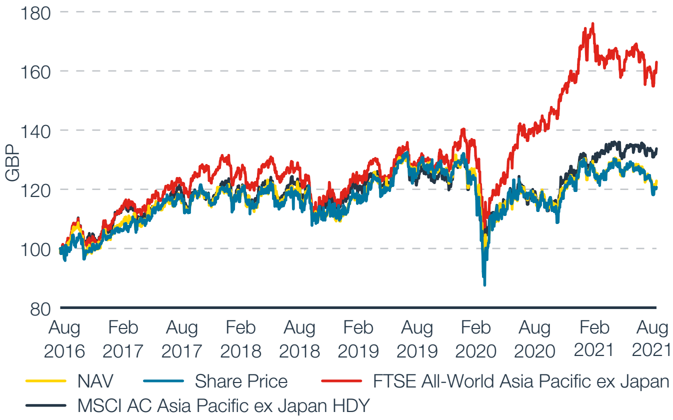
John Russell
Chairman
28 October 2021

Key Performance Indicators

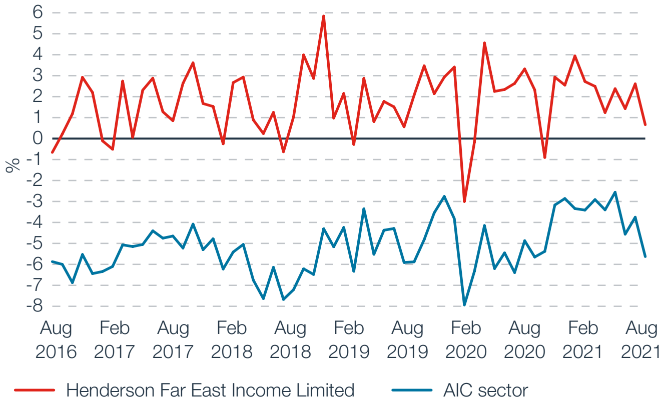
Measuring our performance

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

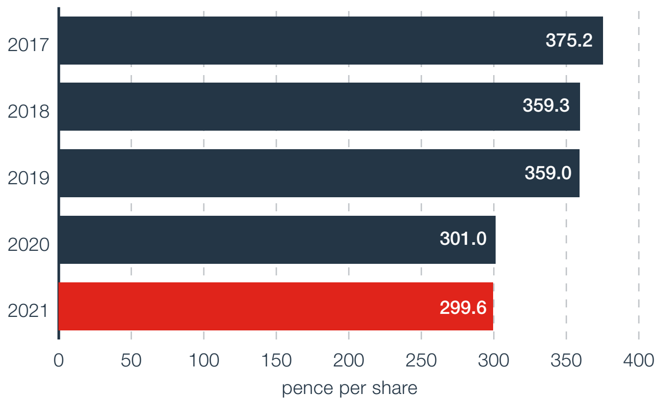
Total return performance for the five years ended 31 August 2021



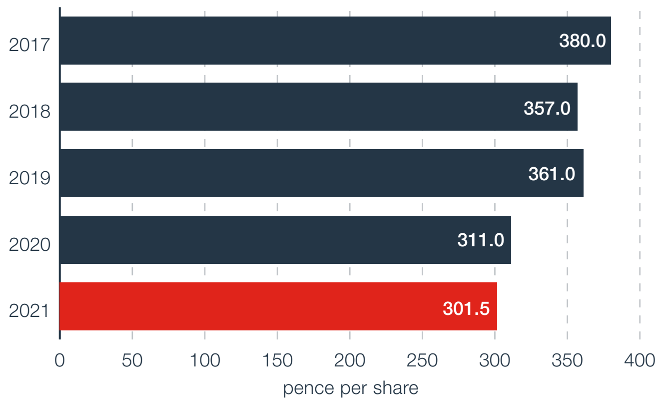
Premium/discount for the five years ended 31 August 2021



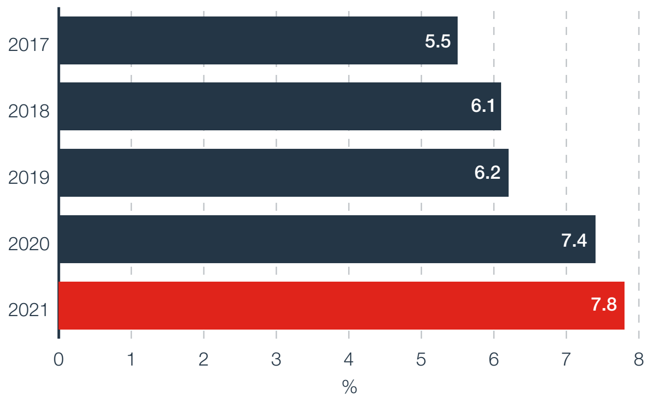
Net asset value per share



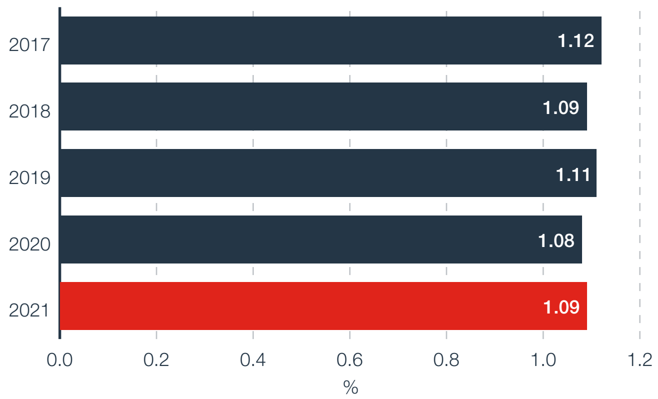
Share price



Dividend yield

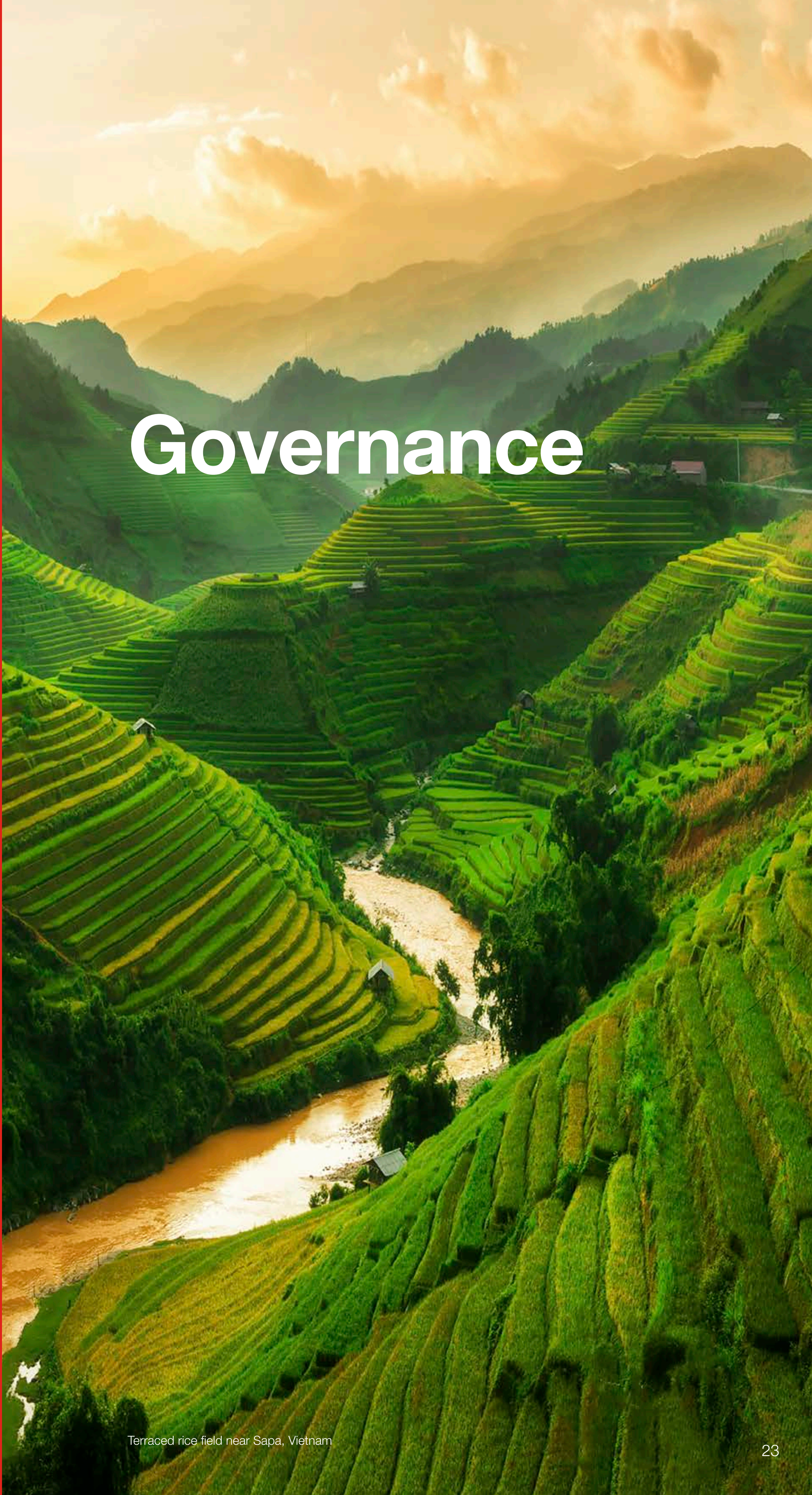


Ongoing charge



Source: Morningstar Direct, Janus Henderson, Refinitiv Datastream

Governance



Terraced rice field near Sapa, Vietnam

Board of Directors
The right balance of skills and knowledge

John Russell
Chairman of the Board

Date of appointment: 6 November 2006

Committees: Chairman of the Nominations Committee and Management Engagement Committee.

Relevant skills and experience: 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 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.

External appointments: None.

Julia Chapman
Independent non-executive director

Date of appointment: 30 January 2015

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

Relevant skills and experience: Julia is a lawyer qualified in England & Wales and in Jersey with over 30 years' experience in the investment fund and capital markets sector. After working at Simmons & Simmons in London, she moved to Jersey and became a partner of Mourant du Feu & Jeune (now Mourant) 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 as European Senior Counsel for State Street's alternative investment business. In July 2012, Julia left State Street to focus on the independent provision of directorship and governance services to a small number of investment fund vehicles.

External appointments: Julia is a non-executive director of GCP Infrastructure Investments Limited, BH Global Limited and Sanne Group plc.

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

Date of appointment: 3 September 2018

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

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

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

Nicholas George
Independent non-executive director

Date of appointment: 20 April 2016

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

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

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

Ronald ('Ron') Gould
Independent non-executive and Chairman designate

Date of appointment: 28 October 2021

Committees: Member of the Nomination Committee and Management Engagement Committee.

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

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

External appointments: He is chairman of BlackRock Smaller Companies Trust plc, Think Alliance Group in Hong Kong and of Credo Capital partners.

David Mashiter
Independent non-executive director

Date of appointment: 6 November 2006

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

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

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

Corporate Governance Report

Governance codes

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

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

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

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

Statement of Compliance

The Board has considered the principles of the AIC Code and confirms that, with the exception of the appointment of a senior independent director, it has complied with these throughout the reporting period of 1 September 2020 to 31 August 2021. A senior independent director has not been appointed given the size of the Board and nature of the Company's operations. The Audit Committee Chairman is available to shareholders should the need arise and David Mashiter facilitates the evaluation of the Chairman and in leading directors in meetings where the Chairman does not attend.

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

Overview

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

The terms of reference for each Committee are kept under regular review by the Board and are available on the Company's website **www.hendersonfareastincome.com**.

The Board engages third-party service providers to deliver the operations of the Company. Janus Henderson has been appointed to manage the investment portfolio and is the Company's Alternative Investment Fund Manager. The Manager also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary, which in turn appoints the custodian, who are responsible for the safe custody of the Company's assets. The Company has appointed a registrar to maintain the register of members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their internal control systems in relation to the affairs of the Company. The Board and its committees maintain oversight of third-party service providers through regular and ad hoc reporting and ongoing monitoring by the Manager.

The Board meets annually with representatives from the depositary and custodian to discuss, amongst other matters, performance, service levels, their value for money, information security and business continuity plans.

Board leadership and purpose

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

Corporate Governance Report (continued)

As well as making the strategic decisions regarding the Company's purpose and establishing the risk management framework, the Board's purpose is to provide independent oversight of the operations delivered by the Company's third-party service providers and to challenge the decisions and recommendations made by them, particularly the Manager. The Board does this by meeting formally at least four times a year, with additional Board or committee meetings arranged when required. The directors have regular contact with the Fund Managers and other employees of the Manager in connection with the delivery of company secretarial, sales, marketing and other administrative services.

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

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

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

Division of responsibilities

Role	Primary responsibilities
Shareholders	**The Company's shareholders are responsible for:** • approving the Company's investment objective and policy; • making decisions regarding changes to the Company's constitution; • electing and re-electing directors to the Board, or removing them from office if deemed appropriate; and • determining the overall limit for directors' remuneration.
Chairman	**The Chairman of the Board is responsible for:** • leading and managing Board business and ensuring the timely flow of information from service providers to the Board. He facilitates open, honest and constructive debate among directors; • leading the Nominations Committee in developing succession planning and the identification of potential candidates for appointment to the Board (except when considering his own succession); • leading the Board in determining its governance framework, culture and values; • representing the Company, alongside the Fund Managers, externally at business, and community level; and • managing the relationship with the Manager.

Corporate Governance Report (continued)

Role	Primary responsibilities
Independent non-executive directors	**The independent non-executive directors are responsible for:** • providing constructive and effective challenge, especially to the decisions of the Manager; • scrutinising and holding to account the performance of the: – Fund Managers in meeting the investment objective; – Manager in the promotion of the Company and day-to-day smooth operations of the Company's business; and • providing strategic guidance and offering specialist advice.
Committee chairs	**The Committee chairs are responsible for:** • the leadership and governance of their committee; • maintaining the relationships with specialist service providers delivering services within the remit of their committees; • reporting on the activities of their committee to the Board; and • seeking approval from the Board for the responsibilities set out in their respective terms of reference.
Manager	**The Manager is the Company's appointed Alternative Investment Fund Manager and is responsible for:** • promoting the Company's investment proposition to professional and retail investors; • making the necessary reporting to the FCA regarding the Company's status as an Alternative Investment Fund; • providing accounting, company secretarial and other administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions; and • coordinating the delivery of services provided by the Company's other third-party service providers.
Fund Managers	**The Fund Managers and their team are responsible for:** • selecting the stocks held within the portfolio; • diversification and risk management through stock selection and size of investment; • determining the volume and timing of acquisitions and disposals; and • determining the frequency and level of gearing within the overall limits set by the Board.

Board composition

At the date of this report, the Board comprises six non-executive directors. Their business experience is set out on pages 24 and 25.

Appointment, tenure and retirement of directors

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

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

Chairman's tenure

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

Corporate Governance Report (continued)

regularly refreshing Board membership and seek to do so while retaining a balance of knowledge of the Company and the relationship with the Manager.

Directors' independence

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

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

Conflicts of interest

The articles permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal process in place for directors to declare situational conflicts to be authorised by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company. The directors may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts which are considered, are recorded in the minutes.

Induction and ongoing training

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

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

Directors' time commitment

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

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

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

Director	Board	Audit Committee	Nominations Committee	Management Engagement Committee
Number of meetings	4	2	1	1
John Russell	4	2	1	1
Julia Chapman	4	2	1	1
Timothy Clissold	4	2	1	1
Nicholas George	4	2	1	1
David Mashiter	4	2	1	1

Succession planning

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

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

Performance evaluation

The Chairman leads the performance evaluation of the Board, its committees and each individual director. The assessment is conducted through individual discussions between the Chairman and each director, with the outcome reported to the Nominations Committee. Following completion of the evaluation this year, it was concluded that the Board's size and composition remained appropriate for the Company and that

Corporate Governance Report (continued)

the Board retained a good balance of skills and business experience. The evaluation concluded that the committees continued to effectively support the Board in fulfilling its duties.

David Mashiter led the performance evaluation of the Chairman through discussions with the remaining directors. The directors concluded that the Board continued to be effectively led, with the Chairman offering appropriate challenge to the decisions of the Manager. The outcomes of the discussion were reported to the Nominations Committee and feedback provided to the Chairman.

Risk management and internal control

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

The key components of the internal control framework include:

- clearly defined investment criteria, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting;
- regular financial reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- contractual agreements with the Manager and all other third-party service providers. The Board reviews performance levels and adherence to relevant provisions in the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;
- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and depositary, and reviews assurance reports on the effectiveness of the control environments at the Company's key service providers;
- review of additional reporting provided by:
  - the Manager's Operational Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2021 and is aware that the report on the effectiveness of internal controls at one of the Company's service providers was qualified. Following discussion with the Audit Committee, the Board is satisfied that it has not identified or been advised of any failings or weaknesses that have been determined as significant.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
28 October 2021

Nominations Committee Report

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

Membership

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

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

Meetings

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

Role and responsibilities

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

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

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

Directors for re-election

Taking account of the performance of individual directors as part of the overall effectiveness evaluation of the Board, the Committee considers whether the Board's support of directors standing for re-election at the upcoming annual general meeting is warranted.

Following conclusion of the evaluation this year, the Committee recommended that all directors standing for re-election should be supported. The evaluation demonstrated that the directors continued to bring their knowledge and experience to bear in making decisions regarding the Company and could commit additional time at short notice to keep up to date with movements in global markets and their impact on the Company's portfolio. The Committee noted the tenure of directors and also the succession planning in place for refreshing Board membership.

Appointment of director

One new director was appointed to the Board in the period between the Company's financial year end and the publication of this report. Ronald Gould was appointed as a non-executive director and Chairman designate on 28 October 2021. His appointment is subject to no objection from the Jersey Financial Services Commission. His appointment was made following a rigorous and transparent selection process led by the Nominations Committee.

Following a review of specialist recruitment consultants, Fletcher Jones was appointed to assist the Committee in the search for a new Chairman for the Board. No open advertising was used as the Committee believes that targeted recruitment is the optimal way of recruiting. Fletcher Jones do not undertake any other services for the Company.

A specification setting out the requirements of the role was agreed. A long list of candidates with varied backgrounds was prepared by Fletcher Jones. The directors, excluding the Chairman, produced a short list of suitable candidates. Preferred candidates were invited for interviews with the Board. Candidates were evaluated based on merit, business experience paying attention to the skills that the directors wished to retain on the Board, and individual cognitive and personal strengths. The candidates' other commitments were considered as part of the process.

Following conclusion of the overall process the Committee was pleased to recommend the appointment of Ronald Gould to the Board. He was appointed as a non-executive director on 28 October 2021 and stands for election by shareholders at the annual general meeting to be held on 20 January 2022. Ronald was deemed to be independent of the Manager at the time of his appointment.

John Russell
Chairman
28 October 2021

Management Engagement Committee Report

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

Membership

The Committee is chaired by the Chairman of the Board.

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

Meetings

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

Role and responsibilities

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

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

Re-appointment of the Manager

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

John Russell
Chairman
28 October 2021

Audit Committee Report

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

Membership

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

Meetings

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

Role and responsibilities

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

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

Internal audit function

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

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principal among them, the Manager. The Board places reliance on the Company's framework of internal control and the Audit Committee's view on reporting received from specific second and third line of defence teams at the Manager.

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

Appointment and tenure of the auditors

The Company follows the EU Audit Directive and Regulation which require the Company to rotate audit firms after a period of ten years. The period may be extended where audit tenders are carried out.

The Committee last carried out an audit tender process in 2012/13 which led to the appointment of KPMG Channel Islands Limited ('KPMG') on 13 February 2013. Ernst and Young LLP were previously engaged as the Company's auditors from 2006 until the appointment of KPMG. Following the rules on audit partner rotation, this is the first year that Shaun Farley will act as the audit partner.

Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the auditors, the Committee envisages carrying out an audit tender process in respect of the financial year ending 31 August 2023.

Auditors' independence

The Committee monitors the auditors' independence through three aspects of its work: the approval of a policy regulating the non-audit services that may be provided by the auditors to the Company; assessing the appropriateness of the fees paid to the auditors for all work undertaken by them and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards.

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

Audit Committee Report (continued)

Policy on non-audit services

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

In relation to the Annual Report for the year ended 31 August 2021, the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The directors have appointed the Manager, who outsources some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, the Manager has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. The options are valued by reference to the Black-Scholes model. Ownership of listed investments is verified by reconciliation to the custodian's records and the directors have received quarterly reports from the depositary, who has responsibility for overseeing the Company's operations, including verification of ownership and valuation.
Maintaining internal controls	The Committee carries out the annual assessment of the effectiveness of the Company's internal control and risk management systems by reviewing the framework and summary of the reporting received throughout the course of the financial year. The annual assurance report for one of the Company's third-party service providers was qualified by the respective service auditor. The Committee, with the assistance of the Manager's Operational Risk team, sought further details from the service provider on the matter giving rise to the qualification, the steps being taken to address the matter and has requested an interim update before the end of the calendar year. The Committee had further input on the prevailing standards in the sector when making their recommendation to the Board on the Company's internal control environment as a whole.
Recognition of income	Income received, including special dividends, is accounted for in line with the Company's accounting policy (as set out on page 48). Special dividends, and their treatment as revenue or capital, have been reviewed by the Committee and the rationale agreed. The Board reviews revenue forecasts at each Board meeting in support of the Company's future dividends.
Maintaining investment trust status	The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from the Manager and BNP Paribas Securities Services.

Effectiveness of the external audit

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

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by KPMG and therefore recommended to the Board their continuing appointment. The auditors have indicated their willingness to continue in office. Accordingly, resolutions reappointing KPMG as auditors to the Company and authorising the directors to determine their remuneration will be proposed at the forthcoming annual general meeting.

Nicholas George
Chairman of the Audit Committee
28 October 2021

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy (the 'Policy') sets out the principles applied in the remuneration of the Company's directors. The Policy was last approved by shareholders at the annual general meeting on 21 January 2021.

The Company's approach is that fees should:

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

Directors are remunerated in the form of fees payable quarterly in arrears. All directors, including any new appointments to the Board, are paid at the same rate. The Chairman of the Board and Chairman of the Audit Committee are paid higher fees in recognition of their additional responsibilities. The directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties.

The level of fees paid to each director is reviewed annually, although such a review may not necessarily result in any change to the rates. The level of fees paid to the directors of other investment companies of a similar size and nature is taken into account when carrying out the review. The Board may amend the level of remuneration paid to individual directors within the parameters of the Policy.

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

The Policy, irrespective of any changes, is put to shareholders at intervals of not more than three years.

All directors are non-executive and are appointed under a Letter of Appointment. No director has a service contract with the Company. There are no set notice periods and as such, a director may resign by notice in writing to the Board at any time, with no compensation payable.

Annual report on remuneration

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

As part of their usual business, the Board considers the fees paid to directors by the other constituents of the AIC sector and of other investment companies with a similar size and nature to the Company. Following completion of the review in 2020, the Board concluded that no changes to fees should be made.

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

Directors' fees were last increased on 1 September 2016.

Annual remuneration

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

Role	Rate at 31 August 2021	Rate at 31 August 2020	% change
Chairman of the Board	39,000	39,000	–
Chairman of the Audit Committee	34,000	34,000	–
Non-executive director[1]	28,000	28,000	–

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

Directors' interests in shares

	Ordinary shares of no par value	
	31 August 2021	1 September 2020
John Russell	**70,306**	70,306
Julia Chapman	**2,616**	2,616
Timothy Clissold	**20,000**	15,000
Nicholas George	**15,000**	8,750
David Mashiter	**5,000**	5,000

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the directors' holdings in the period 1 September 2021 to the date of this report.

Directors' Remuneration Report (continued)

Directors' fees

The fees paid to the directors who served during the years ended 31 August 2021 and 31 August 2020 were as follows:

	Year ended 31 August 2021 Fees £	Year ended 31 August 2020 Fees £	**Year ended 31 August 2021 Taxable benefits £**	Year ended 31 August 2020 Taxable benefits £	**Year ended 31 August 2021 Total £**	Year ended 31 August 2020 Total £
John Russell[1]	39,000	39,000	–	230	39,000	39,230
Julia Chapman[2]	31,000	31,500	–	–	31,000	31,500
Timothy Clissold	28,000	28,000	–	968	28,000	28,968
Nicholas George[3]	34,000	34,000	–	–	34,000	34,000
David Mashiter[2]	31,000	31,500	–	–	31,000	31,500
Total	**163,000**	**164,000**	**–**	**1,198**	**163,000**	**165,198**

Notes:

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

1 Chairman and highest paid director

2 The figure for fees for the year ended 31 August 2020 includes £500 in respect of the additional allowance for non-UK directors for the year ended 31 August 2019

3 Chairman of the Audit Committee

John Russell
Chairman
28 October 2021

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 August 2021.

The Corporate Governance Report, committee reports and Additional information on pages 26 to 34 and 66 to 70, form part of this report.

Share capital

The Company's share capital comprises ordinary shares of no par value, with each share carrying one vote per share. As at 31 August 2021 there were 151,093,564 ordinary shares in issue with total voting rights in the same amount.

The directors seek annual authority from shareholders to allot shares, disapply pre-emption rights in respect of these allotments and to buy back, whether to be cancelled or held in treasury, the Company's ordinary shares. At the annual general meeting held on 21 January 2021, shareholders authorised the directors to allot and disapply pre-emption rights in respect of 14,334,865 shares and to repurchase up to 21,487,949 shares. The directors have issued 7,745,000 shares under this authority.

During the year, 9.6m shares (representing 6.8% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities, the Company's broker, at prices ranging from 306.00p to 341.00p for total proceeds (net of commissions) of £31.1m.

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

Holdings in the Company's shares

The Company has not received any declarations of interests in the voting rights in the year up to 31 August 2021 or in the period to the date of this report.

Related party transactions

The Company's current related parties are its directors and the Manager. There have been no material transactions between the Company and the directors during the year, with the only amounts paid to them being in respect of remuneration for which there were no outstanding amounts payable at the year end. In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of marketing services, there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 19 on page 64.

Annual General Meeting

The Company's annual general meeting will be held at 11.00 am on Thursday, 20 January 2022 at 201 Bishopsgate, London, EC2M 3AE. Shareholders will also be able to view the meeting via Zoom webinar. The Fund Managers will give their usual presentation and they, and your directors, will be available to answer questions.

As is the normal practice, those physically present at the meeting will have the opportunity to vote. Due to technological restrictions, voting cannot be offered via Zoom and all shareholders attending the meeting this way are encouraged to submit their votes via proxy ahead of the deadline of 18 January 2022.

Shareholders holding their shares through a nominee account, such as a share dealing platform, will need to contact their provider to submit the proxy votes on their behalf. Any change to the format of the meeting will be notified to shareholders via a Regulatory Information Service announcement and the Company's website.

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

Single identifiable table

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. There are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed opposite under '*Share Capital*'.

Directors' statement as to disclosure of information to auditors

Each of the directors who were members of the Board at the date of approval of this report confirms that to the best of their knowledge and belief, there is no information relevant to the preparation of the annual report of which the Company's auditors are unaware and he or she has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (continued)

Directors' insurance and indemnification

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
28 October 2021

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.

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the directors, who are listed on pages 24 and 25, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRS as adopted by the European Union on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the annual report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

John Russell
Chairman
28 October 2021

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

Financial Statements

Marina Bay, Singapore

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

Our opinion is unmodified

We have audited the financial statements of Henderson Far East Income Limited (the 'Company'), which comprise the Balance Sheet as at 31 August 2021, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

– give a true and fair view of the financial position of the Company as at 31 August 2021, and of the Company's financial performance and cash flows for the year then ended;

– are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and

– have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2020):

	The risk	Our response
Valuation of investments at fair value through profit or loss (the 'investments'): Investments held at fair value through profit or loss Assets: £462,525,000 (2020: £423,694,000) Investments held at fair value through profit or loss – written options Liabilities: £440,000 (2020: £1,090,000) Refer to page 34 of the Audit Committee Report, notes 2(c) and 2(p) of the accounting policies and notes 10 and 13	**Basis:** The Company invests in a diversified portfolio of investments which have exposure to the Asia Pacific region. Investments are primarily in listed equities and options. Listed equities and options make up 100.1% and (0.1%) respectively of the fair value of the total investment portfolio as at 31 August 2021. The valuation of the Company's investments, given it represents the majority of the total assets and net assets of the Company, is a significant area of our audit.	**Our audit procedures included:** Use of KPMG specialists: We engaged our valuation specialist to: 1) agree 100% of the fair values of the listed equities to third party prices; and 2) challenge the fair values of the options through comparison to available market observable input parameters derived from comparable instruments in the market. Assessing disclosures: We also considered the Company's disclosures (see note 2(p)) in relation to the use of estimates and judgements regarding the valuation of investments and the Company's investment valuation policies adopted in note 2(c) and fair value disclosures in notes 10 and 13 for compliance with IFRS.

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditors' 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**.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Shaun Farley
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Jersey
28 October 2021

Statement of Comprehensive Income

Notes		Year ended 31 August 2021 Revenue return £'000	Year ended 31 August 2021 Capital return £'000	Year ended 31 August 2021 Total £'000	Year ended 31 August 2020 Revenue return £'000	Year ended 31 August 2020 Capital return £'000	Year ended 31 August 2020 Total £'000
3	Investment income	37,236	–	37,236	35,344	–	35,344
4	Other income	3,103	–	3,103	3,410	–	3,410
10	Losses on investments held at fair value through profit or loss	–	(1,791)	(1,791)	–	(78,516)	(78,516)
	Net foreign exchange loss excluding foreign exchange losses on investments	–	(216)	(216)	–	(836)	(836)
	Total income	**40,339**	**(2,007)**	**38,332**	**38,754**	**(79,352)**	**(40,598)**
	Expenses						
	Management fees	(2,022)	(2,023)	(4,045)	(1,942)	(1,942)	(3,884)
5	Other expenses	(469)	(469)	(938)	(494)	(494)	(988)
	Profit/(loss) before finance costs and taxation	**37,848**	**(4,499)**	**33,349**	**36,318**	**(81,788)**	**(45,470)**
6	Finance costs	(87)	(87)	(174)	(101)	(100)	(201)
	Profit/(loss) before taxation	**37,761**	**(4,586)**	**33,175**	**36,217**	**(81,888)**	**(45,671)**
7	Taxation	(3,988)	490	(3,498)	(3,630)	482	(3,148)
	Profit/(loss) for the year and total comprehensive income	**33,773**	**(4,096)**	**29,677**	**32,587**	**(81,406)**	**(48,819)**
8	Earnings/(losses) per ordinary share – basic and diluted	23.22p	(2.82p)	20.40p	23.71p	(59.23p)	(35.52p)

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.

The notes on pages 47 to 64 form part of these financial statements

Statement of Changes in Equity

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

Notes		Year ended 31 August 2020 Stated share capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2019	167,599	180,471	96,059	24,992	469,121
	Total comprehensive income:					
	(Loss)/profit for the year	–	–	(81,406)	32,587	(48,819)
	Transactions with owners, recorded directly to equity:					
9	Dividends paid	–	–	–	(31,651)	(31,651)
14	Shares issued	37,458	–	–	–	37,458
14	Share issue costs	(182)	–	–	–	(182)
	Total equity at 31 August 2020	**204,875**	**180,471**	**14,653**	**25,928**	**425,927**

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

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

The notes on pages 47 to 64 form part of these financial statements

Balance Sheet

Notes		31 August 2021 £'000	31 August 2020 £'000
	Non current assets		
10	Investments held at fair value through profit or loss	462,525	423,694
	Current assets		
11	Other receivables	5,351	14,384
	Cash and cash equivalents	13,693	3,879
		19,044	**18,263**
	Total assets	**481,569**	**441,957**
	Current liabilities		
10	Investments held at fair value through profit or loss – written options	(440)	(1,090)
7(c)	Deferred taxation	(78)	(64)
12(a)	Other payables	(2,953)	(7,407)
12(b)	Bank loans	(25,454)	(7,469)
		(28,925)	**(16,030)**
	Net assets	**452,644**	**425,927**
	Equity attributable to equity shareholders		
14	Stated share capital	235,955	204,875
15	Distributable reserve	180,471	180,471
	Retained earnings:		
16	Capital reserves	10,557	14,653
	Revenue reserves	25,661	25,928
	Total equity	**452,644**	**425,927**
17	Net asset value per ordinary share	**299.58p**	**301.02p**

The financial statements on pages 43 to 64 were approved by the Board of Directors on 28 October 2021 and were signed on its behalf by:

John Russell
Chairman

The notes on pages 47 to 64 form part of these financial statements

Statement of Cash Flows

Notes		Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
	Operating activities		
	Profit/(loss) before taxation	33,175	(45,671)
	Add back finance costs payable	174	201
10	Losses on investments held at fair value through profit or loss	1,791	78,516
	Net foreign exchange loss excluding foreign exchange losses on investments	216	836
10	Sales of investments	478,991	524,714
10	Purchases of investments	(520,263)	(549,180)
	(Increase)/decrease in prepayments and accrued income	(1,555)	795
	Decrease/(increase) in amounts due from brokers	10,797	(10,318)
	(Decrease)/increase in amounts due to brokers	(5,231)	5,231
	Increase in other payables	943	41
	Stock dividends included in investment income	–	(180)
	Net cash (outflow)/inflow from operating activities before interest and taxation	**(962)**	**4,985**
	Interest paid	(175)	(200)
	(Decrease)/increase in corporation tax payable	(210)	166
	Withholding tax on investment income	(3,648)	(3,170)
	Net cash (outflow)/inflow from operating activities after interest and taxation	**(4,995)**	**1,781**
	Financing activities		
	Loan drawdown	145,124	134,888
	Loan repayment	(127,859)	(143,774)
9	Equity dividends paid	(34,040)	(31,651)
14	Share issue proceeds	31,188	37,458
14	Share issue costs	(108)	(182)
	Net cash inflow/(outflow) from financing	**14,305**	**(3,261)**
	Increase/(decrease) in cash and cash equivalents	**9,310**	**(1,480)**
	Cash and cash equivalents at the start of the year	3,879	6,360
	Exchange movements	504	(1,001)
	Cash and cash equivalents at the end of the year	**13,693**	**3,879**

The notes on pages 47 to 64 form part of these financial statements

Notes to the Financial Statements

1 General information

The entity is a closed end company, registered as a no par value company under the Companies (Jersey) Law 1991, with its shares listed on the London and New Zealand stock exchanges.

The Company was incorporated on 6 November 2006.

2 Accounting policies

a) Basis of preparation

The Company's financial statements for the year ended 31 August 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted by the European Union.

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

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

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

Accounting standards

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

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

		Effective for annual periods beginning on or after
IAS 1 and 8 Amendments	Definition of Material	1 January 2020
IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14 Amendments	References to the Conceptual Framework	1 January 2020
IAS 39, IFRS 7 and 9 Amendments	Interest Rate Benchmark Reform Phase 1	1 January 2020
IFRS 3 Amendments	Business Definition	1 January 2020
Interpretations		
IFRIC 12, 19, 20, 22 and SIC 32 Amendments	References to the Conceptual Framework	1 January 2020

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

a) Basis of preparation (continued)

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

		Effective for annual periods beginning on or after
IAS 39, IFRS 4, 7, 9 and 16 Amendments	Interest Benchmark Reform Phase 2	1 January 2021
IFRS 16 Amendments	Covid-19 Related Rent Concessions beyond 30 June 2021	1 January 2021
IAS 1 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

b) Going concern

The assets of the Company consist almost entirely of securities that are listed and regularly traded and, accordingly, the directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The directors have considered the impact of Covid-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayments of the bank loan, as they fall due for at least twelve months from the date of this report. Despite the net current liability position as at 31 August 2021, having assessed the above factors, including the ability of the Company to draw down under the existing bank loan facility, and the principal risks and other matters discussed in connection with the viability statement, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

c) Investments held at fair value through profit or loss

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

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

d) Presentation of the Statement of Comprehensive Income

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

e) Income

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

f) Expenses

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

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

g) Taxation

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

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

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

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

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

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

h) Foreign currency

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

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

i) Cash and cash equivalents

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

j) Bank loans

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

k) Amounts due to/from brokers

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

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

l) Segmental reporting

Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker ('CODM') being the 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 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 (2020: nil).

m) Share issue costs

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

n) Dividends payable to shareholders

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

o) Capital and reserves

Capital reserve

The following are accounted for in this reserve:
– gains and losses on the disposals of investments;
– expenses and finance costs allocated to capital;
– realised and unrealised foreign exchange differences of a capital nature; and
– increases and decreases in the valuation of investments held at the year end.

Revenue reserve

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

Distributable reserve

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

Stated share capital

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

p) Significant accounting judgements and estimates

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

The obligations relating to the options valued at £440,000 (2020: £1,090,000) 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 2021 (2020: same).

Notes to the Financial Statements (continued)

3 Investment income

	2021 £'000	2020 £'000
Overseas investment income	37,236	35,164
Stock dividends	–	180
	37,236	**35,344**
Analysis of investment income by geography:		
Australia	6,294	7,513
China	12,437	12,761
Hong Kong	2,582	2,373
India	1,121	617
Indonesia	905	765
New Zealand	637	746
Singapore	868	1,421
South Korea	4,814	2,826
Taiwan	5,996	4,459
Thailand	1,311	1,620
Vietnam	271	243
	37,236	**35,344**

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

4 Other income

	2021 £'000	2020 £'000
Bank and other interest	1	14
Option premium income	3,102	3,396
	3,103	**3,410**

5 Other expenses

	2021			2020		
	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 36)	82	81	163	82	82	164
Auditors' remuneration						
– statutory audit	23	24	47	23	24	47
Bank and custody charges	124	124	248	124	124	248
Loan arrangement and non-utilisation fees	43	43	86	63	63	126
Marketing fees[1]	72	72	144	72	72	144
Registrar's fees	20	20	40	26	26	52
Depositary fees	12	11	23	11	12	23
Printing and stationery	8	8	16	14	13	27
Broker fees	9	9	18	13	12	25
AIC subscriptions	10	11	21	11	10	21
Stock Exchange fees	25	25	50	23	23	46
Other expenses	41	41	82	32	33	65
	469	**469**	**938**	**494**	**494**	**988**

1 Payable to Janus Henderson

Notes to the Financial Statements (continued)

6 Finance costs

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Bank loans	87	87	174	101	100	201
	87	**87**	**174**	**101**	**100**	**201**

7 Taxation

a) Analysis of the charge for the year

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Corporation tax	184	–	184	430	–	430
Double tax relief	(184)	–	(184)	(264)	–	(264)
Tax relief from capital	490	(490)	–	482	(482)	–
Overseas withholding tax	3,484	–	3,484	2,984	–	2,984
Total current tax charge for the year	**3,974**	**(490)**	**3,484**	3,632	(482)	3,150
Deferred tax	14	–	14	(2)	–	(2)
Total deferred tax charge for the year (see note 7c)	**14**	**–**	**14**	(2)	–	(2)
Total tax charge for the year (see note 7b)	**3,988**	**(490)**	**3,498**	**3,630**	**(482)**	**3,148**

b) Factors affecting the tax charge for the year

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

The differences are explained below:

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Profit/(loss) before taxation	37,761	(4,586)	33,175	36,217	(81,888)	(45,671)
Corporation tax at 19% (2020: 19.00%)	7,175	(871)	6,304	6,881	(15,559)	(8,678)
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss	–	340	340	–	14,918	14,918
Non-taxable overseas dividends	(6,480)	–	(6,480)	(5,974)	–	(5,974)
Currency gains	–	41	41	–	159	159
Overseas tax	3,484	–	3,484	2,984	–	2,984
Excess management expenses	(510)	490	(20)	(477)	482	5
Tax relief from capital	490	(490)	–	482	(482)	–
Double tax relief	(191)	–	(191)	(264)	–	(264)
Effect of income taxable in different periods	20	–	20	(2)	–	(2)
Total tax charge for the year (see note 7a)	**3,988**	**(490)**	**3,498**	**3,630**	**(482)**	**3,148**

Notes to the Financial Statements (continued)

7 Taxation (continued)

c) Deferred taxation

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Provision at start of the year	64	–	64	66	–	66
Deferred tax charge/(credit) for the year	14	–	14	(2)	–	(2)
Provision at end of the year	**78**	**–**	**78**	**64**	**–**	**64**

8 Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit for the year of £29,677,000 (2020: loss £48,819,000) and on the weighted average number of ordinary shares in issue during the year of 145,462,386 (2020: 137,436,515).

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

	2021 £'000	2020 £'000
Net revenue profit	33,773	32,587
Net capital loss	(4,096)	(81,406)
Net total profit/(loss)	**29,677**	**(48,819)**
Weighted average number of ordinary shares in issue during the year	145,462,386	137,436,515

	2021 Pence	2020 Pence
Revenue earnings per ordinary share	23.22	23.71
Capital losses per ordinary share	(2.82)	(59.23)
Total earnings/(losses) per ordinary share	**20.40**	**(35.52)**

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	2021 £'000	2020 £'000
Fourth interim dividend 5.70p for the year ended 2019	1 November 2019	29 November 2019	–	7,627
First interim dividend 5.70p for the year ended 2020	31 January 2020	28 February 2020	–	7,822
Second interim dividend 5.70p for the year ended 2020	1 May 2020	29 May 2020	–	7,995
Third interim dividend 5.80p for the year ended 2020	31 July 2020	28 August 2020	–	8,207
Fourth interim dividend 5.80p for the year ended 2020	30 October 2020	27 November 2020	8,237	–
First interim dividend 5.80p for the year ended 2021	29 January 2021	26 February 2021	8,343	–
Second interim dividend 5.80p for the year ended 2021	30 April 2021	28 May 2021	8,563	–
Third interim dividend 5.90p for the year ended 2021	30 July 2021	27 August 2021	8,897	–
			34,040	**31,651**

The fourth interim dividend for the year ended 31 August 2021 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 £33,773,000 (2020: £32,587,000).

Notes to the Financial Statements (continued)

9 Dividends (continued)

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

	2021 £'000	2020 £'000
Revenue available for distribution by way of dividend for the year	33,773	32,587
First interim dividend of 5.80p (2020: 5.70p) paid 26 February 2021 (28 February 2020)	(8,343)	(7,822)
Second interim dividend of 5.80p (2020: 5.70p) paid 28 May 2021 (29 May 2020)	(8,563)	(7,995)
Third interim dividend of 5.90p (2020: 5.80p) paid 27 August 2021 (28 August 2020)	(8,897)	(8,207)
Fourth interim dividend for the year ended 31 August 2021 of 5.90p (2020: 5.80p) (based on 151,093,564 shares in issue at 28 October 2021 and payable on 26 November 2021) (2020: 142,023,564)	(8,915)	(8,237)
(Transfer from revenue reserve)/undistributed revenue for section 1158 purposes	**(945)**	**326**

10 Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Cost at beginning of year	388,540	403,288
Investment holding gain at the beginning of the year	34,064	73,186
Valuation of investments and options written at the beginning of the year	**422,604**	**476,474**
Movements in the year:		
Purchases at cost	520,263	549,360
Sales – proceeds	(478,991)	(524,714)
– realised losses on sales	(17,933)	(39,394)
Increase/(decrease) in investment holding gains	16,142	(39,122)
Closing value of investments and options written at the end of the year	**462,085**	**422,604**
Cost at the end of the year	411,879	388,540
Investment holding gain	50,206	34,064
Closing value of investments and options written at the end of the year	**462,085**	**422,604**

Total investments:

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	462,525	423,694
Written options	(440)	(1,090)
	462,085	**422,604**

Notes to the Financial Statements (continued)

10 Investments held at fair value through profit or loss (continued)

The Company received £478,991,000 (2020: £524,714,000) from investments sold in the year. The book cost of these investments when they were purchased was £496,924,000 (2020: £564,108,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	2021 £'000	2020 £'000
Losses on investments held at fair value		
Realised losses on sales of investments	(17,933)	(39,394)
Increase/(decrease) in investment holding gains	16,142	(39,122)
	(1,791)	**(78,516)**

Transaction costs

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

	2021 £'000	2020 £'000
Purchases	615	655
Sales	888	773
	1,503	**1,428**

11 Other receivables

	2021 £'000	2020 £'000
Withholding tax recoverable	272	107
Corporation tax recoverable	44	–
Prepayments and accrued income	5,035	3,480
Amounts due from brokers	–	10,797
	5,351	**14,384**

12 Other payables

	2021 £'000	2020 £'000
a) Other payables		
Amounts due to brokers	–	5,231
Corporation tax payable	–	166
Other payables	2,953	2,010
	2,953	**7,407**

	2021 £'000	2020 £'000
b) Bank loans (unsecured)	25,454	7,469

The interest rates applicable to the loans is at a margin over LIBOR, margin being 0.65% per annum. Further detail on the bank loan is provided in note 13.2. Under the new facility effective 20 August 2021, the rate is SONIA, or its relevant currency equivalent, with the margin being 0.85% per annum.

The loan agreement with SMBC provides that net asset value will not be less than £150,000,000 throughout the year and consolidated gross borrowings will not exceed 30%. Both conditions were met throughout the year.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures

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

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

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

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

13.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 13.1.1), currency risk (see note 13.1.2) and interest rate risk (see note 13.1.3). The 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 investment limits and restrictions.

The Company's exposure to changes in market prices at 31 August 2021 on its investments amounted to £462,525,000 (2020: £423,694,000) and £440,000 (2020: £1,090,000) in respect of liabilities on option derivatives.

Concentration of exposure to market price risks

A geographical analysis of the Company's investment portfolio is shown on page 12. It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and total equity at the year end to an increase or decrease of 10% (2020: 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.

	2021		2020	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit/(loss) after tax				
Revenue return	(208)	208	(190)	190
Capital return	46,001	(46,001)	42,070	(42,070)
Impact on total return after tax for the year and shareholders' funds	**45,793**	**(45,793)**	**41,880**	**(41,880)**

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk

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

Management of the risk

The 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 usually 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.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure as at 31 August 2021 and 2020 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure. Exposure to other currencies in the table below includes the Indonesian Rupiah, Indian Rupee, New Zealand Dollar and Thai Baht.

2021	**AUS$ £'000**	**TW$ £'000**	**KRW £'000**	**CNY £'000**	**HK$ £'000**	**S$ £'000**	**US$ £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	1,578	2,037	–	–	333	104	–	1,178
Cash and cash equivalents	399	–	–	–	–	–	3,321	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	–	(5)	–
Bank loans	–	–	–	–	–	–	(25,454)	–
Total foreign currency exposure on net monetary items	**1,977**	**2,037**	**–**	**–**	**333**	**104**	**(22,138)**	**1,178**
Investments at fair value through profit or loss that are equities	99,095	71,324	53,139	4,395	121,868	26,844	28,108	42,834
Total net foreign currency exposures	**101,072**	**73,361**	**53,139**	**4,395**	**122,201**	**26,948**	**5,970**	**44,012**

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

2020	AUS$ £'000	TW$ £'000	KRW £'000	CNY £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	12,263	1,337	–	–	337	–	107	298
Cash and cash equivalents	492	–	–	–	–	226	3,161	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	(5,231)	–	(76)	–
Bank loans	–	–	–	–	–	–	(7,469)	–
Total foreign currency exposure on net monetary items	**12,755**	**1,337**	**–**	**–**	**(4,894)**	**226**	**(4,277)**	**298**
Investments at fair value through profit or loss that are equities	71,218	57,234	31,102	20,765	124,624	22,645	39,843	45,010
Total net foreign currency exposures	**83,973**	**58,571**	**31,102**	**20,765**	**119,730**	**22,871**	**35,566**	**45,308**

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, financial liabilities and income caused by changes in the exchange rates (+/-10%) for sterling against each currency set out below.

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 below.

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

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

2020	AUS$ £'000	TW$ £'000	KRW £'000	CNY £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income –								
Revenue return	727	409	243	761	776	169	225	392
Capital return	7,874	6,328	3,439	2,293	13,781	2,504	4,406	4,977
Total return after tax for the year	**8,601**	**6,737**	**3,682**	**3,054**	**14,557**	**2,673**	**4,631**	**5,369**

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

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

2020	AUS$ £'000	TW$ £'000	KRW £'000	CNY £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income –								
Revenue return	(595)	(335)	(199)	(622)	(635)	(138)	(184)	(321)
Capital return	(6,442)	(5,178)	(2,813)	(1,876)	(11,275)	(2,049)	(3,605)	(4,073)
Total return after tax for the year	**(7,037)**	**(5,513)**	**(3,012)**	**(2,498)**	**(11,910)**	**(2,187)**	**(3,789)**	**(4,394)**

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 2021 of financial assets can be found on the Balance Sheet under the heading 'Cash and cash equivalents' and the financial liabilities exposure to interest rate risk to floating interest rates is shown under note 12(b).

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank loans, is at a margin over LIBOR or its foreign currency equivalent (2020: LIBOR).

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 £9,000 (2020: £1,000), capital return after tax by £127,000 (2020: £37,000), total profit after tax and shareholders' funds £118,000 (2020: £36,000).

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 overdraft facility was not drawn down at 31 August 2021.

The Company has a 24 month multi-currency loan facility of £50 million (2020: £50 million) of which £25,454,000 (2020: £7,469,000) was drawn down at the year end. This facility is under regular review and unless renewed will expire on 20 August 2023.

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.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.2 Liquidity risk (continued)

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 August 2021 and 31 August 2020, based on the earliest date on which payment could be required was as follows:

	2021		2020	
	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[1]	25,455	–	7,470	–
Written options[2]	4,650	–	4,092	–
Amounts due to brokers and accruals	2,953	–	7,407	–
	33,058	**–**	**18,969**	**–**

1 Includes interest on loans payable to maturity date
2 Calculated as the contractual maturity value of the options

13.3 Credit risk

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

Management of the risk

Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the 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 £700,000 of cash in collateral accounts at 31 August 2021 (2020: £781,000). None of the other financial assets or liabilities of the Company are secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year. In summary, the exposure to credit risk at 31 August 2021 was to cash and cash equivalents of £13,693,000 (2020: £3,879,000) and to other receivables of £5,351,000 (2020: £14,384,000).

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

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

13.4 Fair values of financial assets and financial liabilities

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures

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

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

Financial assets and liabilities at fair value through profit or loss at 31 August 2020	Level 1 £'000	Level 2 £'000	Level 3[1] £'000	Total £'000
Equity investments	423,694	–	–	423,694
OTC derivatives (options)	–	(1,090)	–	(1,090)
	423,694	**(1,090)**	**–**	**422,604**

1 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 2020 and 2021

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

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

Level 3 investments at fair value through profit or loss	**2021 £'000**	2020 £'000
Opening balance	–	–
Transferred into Level 3	–	–
Capital distribution	–	–
Closing value of investments and options written at the end of the year	**–**	**–**
Total losses included in gains on investments in the Statement of Comprehensive Income – on assets held at year end	–	–
Closing balance	**–**	**–**

The table below sets out the OTC derivatives that were unsettled at 31 August 2020

Description of open position	Nominal amount	Currency	Strike Price (Currency)
China Railway Put Option (Expiry 07/10/20)	6,327,750	HK$	6.71
CITIC Securities Call Option (Expiry 07/10/20)	2,220,000	HK$	21.3
Fortescue Metals Call Option (Expiry 30/11/20)	830,863	AUD$	18.3
Taiwan Semiconductor Manufacturing Call Option (Expiry 16/10/20)	1,050	US$	82.5

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

There have been no transfers between levels of the fair value hierarchy during the year ended 31 August 2021 and year ended 31 August 2020.

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

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures (continued)

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

Level 3 – inputs are unobservable inputs for the asset or liability.

The valuation techniques used by the Company are explained in the accounting policies note on page 48.

13.6 Capital management policies and procedures

The Company's capital management objectives are:

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

The portfolio includes one unquoted investment, which was written down to zero fair value in 2014. The company writes over-the-counter options resulting in a liability of £440,000 (2020: £1,090,000).

The Company's capital at 31 August 2021 comprises its equity share capital, reserves and bank debt that are shown in the Balance Sheet as a total of £478,098,000 (2020: £433,396,000).

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

The Company is subject to additional externally imposed capital requirements:

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

These requirements are materially unchanged since last year.

14 Stated share capital

		2021		2020	
	Authorised	**Issued and fully paid**	**£'000**	Issued and fully paid	£'000
Opening balance at 1 September					
Ordinary shares of no par value	Unlimited	141,493,564	204,875	130,678,564	167,599
Issued during the year		9,600,000	31,188	10,815,000	37,458
Share issue costs		–	(108)	–	(182)
Closing balance at 31 August		**151,093,564**	**235,955**	**141,493,564**	**204,875**

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

During the year, the Company issued 9,600,000 (2020: 10,815,000) shares for the proceeds of £31,080,000 (2020: £37,276,000) net of costs.

Notes to the Financial Statements (continued)

15 Distributable reserve

	2021 £'000	2020 £'000
At 31 August	180,471	180,471

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

16 Capital reserves

	2021 £'000	2020 £'000
Start of the year	14,653	96,059
Foreign exchange losses	(216)	(836)
Movement in investment holding gains	16,142	(39,122)
Realised losses on investments	(17,933)	(39,394)
Costs charged to capital	(2,089)	(2,054)
At 31 August	**10,557**	**14,653**

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

17 Net asset value per share

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

	2021		2020	
	Net asset value per share pence	Net asset value attributable £'000	Net asset value per share pence	Net asset value attributable £'000
Ordinary shares	299.58p	452,644	301.02p	425,927

The basic net asset value per ordinary share is based on 151,093,564 (2020: 141,493,564) 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:

	2021 £'000	2020 £'000
Net assets attributable to ordinary shares at beginning of year	425,927	469,121
Total net profit/(loss) after taxation	29,677	(48,819)
Dividends paid	(34,040)	(31,651)
Issue of ordinary shares net of issue costs	31,080	37,276
	452,644	**425,927**

18 Contingent liabilities

There were no contingent liabilities as at 31 August 2021 (2020: £nil).

Notes to the Financial Statements (continued)

19 Transactions with the Manager and directors

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

Details of the fee arrangements for these services are given on page 20. The management fees payable to Janus Henderson under the agreement in respect of the year ended 31 August 2021 were £4,045,000 (2020: £3,884,000). The amount outstanding at 31 August 2021 was £2,731,000 (2020: £1,607,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Total amounts paid to Janus Henderson in respect of marketing, including VAT, for the period ended 31 August 2021 amounted to £144,000 (2020: £144,000).

Fees paid to the directors are considered to be related party transactions. Details of the amounts paid are included in note 5 on page 51. These amounts do not include national insurance contributions on the directors' fees of £6,000 (2020: £2,000) which are included in other expenses. Directors' shareholdings are shown on page 35.

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

20 Subsequent events

On 19 October 2021, the Company announced a dividend of 5.90p per ordinary share in respect of the year ended 31 August 2021 to shareholders on the register (the record date) at 29 October 2021. The shares will be quoted ex-dividend on 28 October 2021.

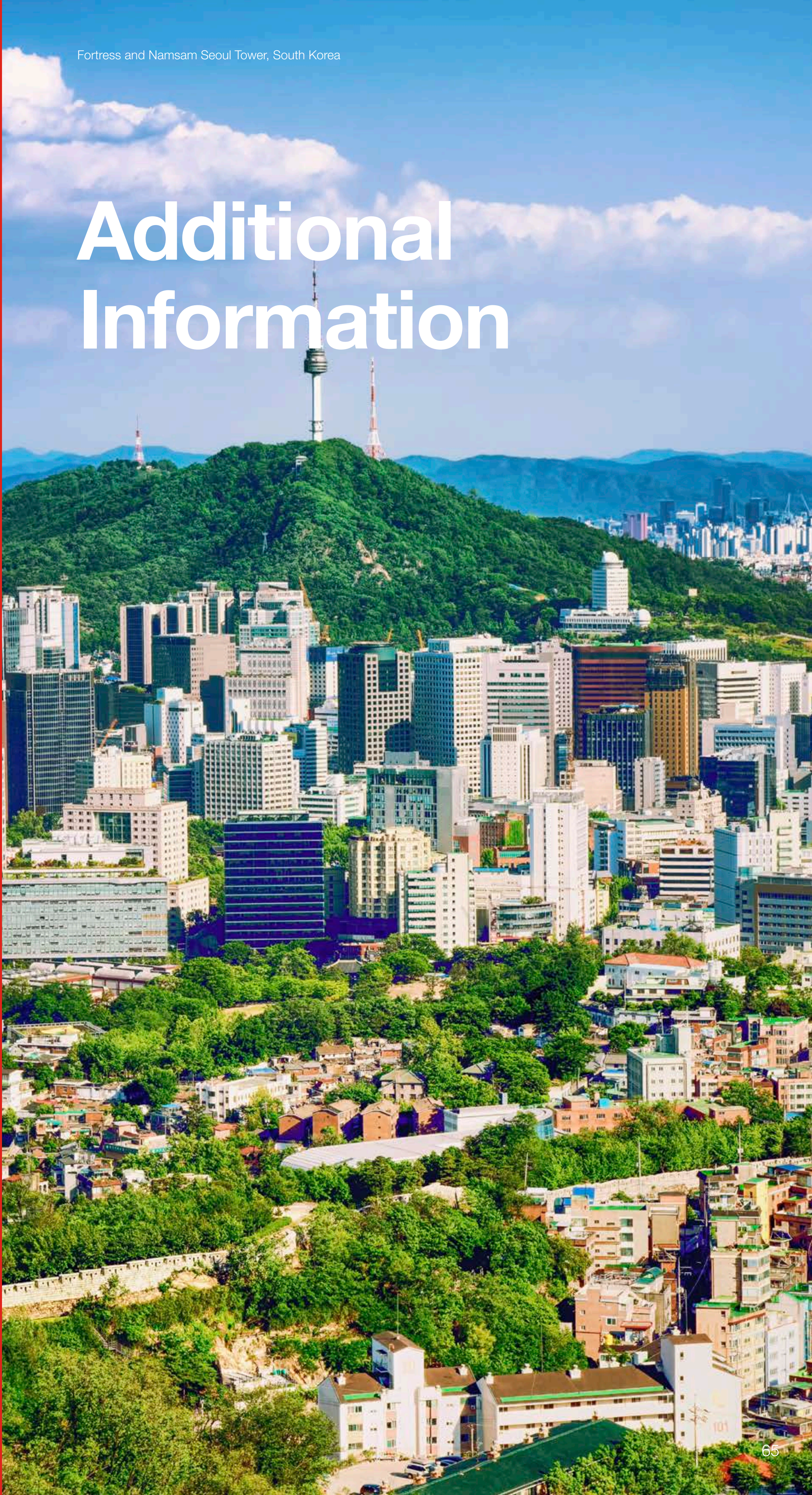
21 Reconciliation of net debt

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

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

	Notes	At 1 September 2019 £'000	Net cash flows £'000	Foreign exchange movement £'000	At 31 August 2020 £'000
Financing activities					
Bank loans	12(b)	16,520	(8,886)	(165)	7,469
		16,520	**(8,886)**	**(165)**	**7,469**
Non-financing activities					
Cash and cash equivalents		(6,360)	1,480	1,001	(3,879)
		(6,360)	**1,480**	**1,001**	**(3,879)**
Net debt		**10,160**	**(7,406)**	**836**	**3,590**

Additional Information



Fortress and Namsam Seoul Tower, South Korea

Glossary

Alternative Investment Fund Managers Directive (AIFMD)

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

Association of Investment Companies (AIC)

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

Benchmark

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

Custodian

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

Depositary

From 22 July 2014 all AIFs including the Company, were required to appoint a depositary which has responsibility for overseeing the operations of the Company including safekeeping of other assets, cash monitoring and verification of ownership and valuation of the underlying holdings.

Derivative

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

Dividend dates

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

Investment companies

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

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers and sellers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer or seller will tend to depress or increase the price that might be negotiated for a sale or purchase. Investment companies can use allotment or buy back powers to assist the market liquidity in their shares.

Market capitalisation (market cap)

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

Alternative Performance Measures (unaudited)

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

Discount or Premium

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

	NAV Pence	Share price Pence	(Discount)/ premium to NAV %
At 31 August 2021	299.58	301.50	0.6
At 31 August 2020	301.02	311.00	3.3

Gearing/(Net Cash)

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

		2021	2020
Investments held at fair value through profit or loss (page 45) (£'000)	(A)	462,085	422,604
Net assets (page 45) (£'000)	(B)	452,644	425,927
Gearing/(net cash) (C = A / B – 1) (%)	(C)	2.1	(0.8)

Net asset value (NAV) per ordinary share

The value of the Company's assets (i.e. investments (see Note 10) and cash held (see Balance Sheet) less any liabilities (i.e. bank loans (see note 12b)) for which the Company is responsible divided by the number of shares in issue (see note 14). The aggregate NAV is also referred to as total equity in the Balance Sheet. The NAV per share is published daily and the year end NAV can be found on page 45 and further information is available on page 63 in note 17 within the notes to the financial statements.

Ongoing charge

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

	2021 £'000	2020 £'000
Management fees	4,045	3,884
Other administrative expenses (note 5)	938	988
Less: non-recurring expenses	(23)	(10)
Ongoing charge	**4,960**	**4,862**
Average net assets[1]	**456,050**	**451,308**
Ongoing charge ratio	**1.09%**	**1.08%**

1 Calculated using the average daily net asset value

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

Alternative Performance Measures (unaudited) (continued)

Total Return

The total return on the share price or NAV takes into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in note 9 on page 53.

	NAV per share	Share price
NAV/Share price per share at 31 August 2020 (pence)	301.02	311.00
NAV/Share price per share at 31 August 2021 (pence)	299.58	301.50
Change in the year (%)	(0.5)	(3.1)
Impact of dividend reinvested (%)	7.8	7.6
Total return for the year (%)	**7.2**	**4.3**

Dividend yield

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

		31 August 2021	31 August 2020
Annual dividend (pence)	(A)	23.40	23.00
Share price (pence)	(B)	301.50	311.00
Yield (C=A/B) (%)	(C)	7.8	7.4

General shareholder information

AIFMD disclosures

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

Key Investor Document

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

BACs

Dividends and interest can be paid to shareholders and stockholders by means of BACS (Bankers Automated Clearing Systems); mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar (the address is given on page 70) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard (CRS)

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

Equality Act

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

You can contact the registrar, Computershare Investor Services (Jersey) Limited, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

Foreign Account Tax Compliance Act (FATCA)

FATCA is a United States federal law enacted in 2010 intended to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. The Company makes an annual assessment, before the FATCA return is due, to determine whether the shares represent financial accounts. Where they do, US reportable accounts are notified to the local tax authority as required.

General Data Protection Regulation (GDPR)

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

Non-mainstream pooled investments (NMPI) status

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

ISA

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

Share price and NAV

Details of the Company's share price and NAV can be found on the website at: **www.hendersonfareastincome.com**. The Company's NAV is published daily and the market prices of the Company's shares can be found in the London Stock Exchange Daily Official List.

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.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar via **www.computershare.com**. Please note that to gain access to your details on the Computershare site you will need the shareholder reference number shown on your share certificate.

Service providers

Registered office

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

Principal place of business

201 Bishopsgate, London EC2M 3AE

Service providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate, London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

Depositary

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

Custodian

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

Administrator

BNP Paribas 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
13 Castle Street, St Helier, Jersey JE1 1ES
Telephone: 0370 707 4040
info@computershare.co.je

New Zealand Registrar

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

Independent auditors

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

Financial calendar

Financial period end	31 August
4th Interim dividend	26 November 2021
Annual General Meeting	20 January 2022
1st Interim dividend	25 February 2022
2nd Interim dividend	27 May 2022
3rd Interim dividend	26 August 2022

Dividend dates refer to the payment date

Information sources

For more information about Henderson Far East Income Limited, visit the website at **www.hendersonfareastincome.com**.

To receive regular insights on investment trusts from the Manager, visit: **www.janushenderson.com/en-gb/investor/subscriptions/**

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

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

Nominee share code

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

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

Regulated by the Jersey Financial Services Commission

SEDOL/ISIN number: B1GXH751/JE00B1GXH751
London Stock Exchange (TIDM) code: HFEL
New Zealand Stock Exchange code: HFL
Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.832
Legal Entity Identifier (LEI): 2138008DIQRE00380596

Telephone: **0800 832 832**
Email: **support@janushenderson.com**

www.hendersonfareastincome.com

MANAGED BY Janus Henderson INVESTORS

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