LEGAL ENTITY IDENTIFIER: 2138008DIQREOD38O596

HENDERSON FAR EAST INCOME LIMITED

Financial results for the year ended 31 August 2022

This announcement contains regulated information

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.

Highlights

- Total dividend of 23.80p (2021: 23.40p) for the year
- Dividend yield at 31 August 2022 of 8.5% (2021: 7.8%)

Total return performance to 31 August 2022 *(including dividends reinvested)*

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

Financial highlights	**At 31 August 2022**	At 31 August 2021
Shareholders' funds		
Net assets (£'000)	**435,576**	452,644
NAV per ordinary share	**281.11p**	299.58p
Share price	**281.00p**	301.50p

	Year ended 31 August 2022	Year ended 31 August 2021
Profit/(loss) for year		
Revenue return (£'000)	**37,102**	33,773
Capital return (£'000)	**(29,145)**	(4,096)
	------------	------------
Net total profit	**7,957**	29,677
	=======	=======
Total earnings/(loss) per ordinary share		
Revenue	**24.41p**	23.22p
Capital	**(19.18p)**	(2.82p)
Total earnings per ordinary share	**5.23p**	20.40p
Ongoing charge[4]	**1.01%**	1.09%

1. Net asset value total return including dividends reinvested
2. Share price total return using mid-market closing price (including dividends reinvested)
3. Total return performance is sterling adjusted (including dividends reinvested)
4. Calculated using the methodology prescribed by the Association of Investment Companies

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

CHAIRMAN'S STATEMENT

Introduction

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

Performance

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

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

Dividends

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

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

Governance matters

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

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

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

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

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

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

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

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

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

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

Ronald Gould
Chairman
3 November 2022

1. Organisation of the Petroleum Exporting Countries

FUND MANAGERS' REPORT

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

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

Markets have continued to fall subsequent to our financial year-end as prominent central banks have reaffirmed their intention to do whatever it takes to suppress inflation. From an Asian perspective, the pressure from inflation is not so intense as regional economies have not faced the same level of wage pressures or asset price inflation witnessed in the west while the 'Zero Covid' policy in China has supressed regional demand. At the same time, the Federal Reserve in the US, the ECB in Europe, the Bank of England and the Bank of Japan have been accused of being asleep at the wheel in terms of effective monetary policy to contain inflation, the same cannot be said in Asia Pacific. Although inflationary pressures have emerged in many countries across the region, the gap between CPI[1] and interest rates is far narrower than in developed markets suggesting that less work needs to be done to get back to an even keel. The draconian Covid-19 lockdown measures have made China a global outlier with inflation below 2% and positive real interest rates. It is notable that, as a result, China is the only major economy loosening monetary policy which, if successful in stimulating demand, will be a positive driver for the region.

In a reversal of last year's trends, South Asian markets massively outperformed their North Asian peers. The highly valued growth sectors which had benefitted from 'work from home' demand during the pandemic and companies exposed to new innovations in electric vehicles and alternative energy, struggled as investors reassessed weakening demand and elevated valuations in a rising interest rate environment. Korea fell 21% and Taiwan 11% while the technology sector for the region as a whole was down 22%. Conversely the opening-up of South Asian economies, a lack of technology exposure and less sensitivity to rising energy and materials prices helped Indonesia, Singapore and Thailand post gains of 25%, 10.7% and 6.8% respectively. India was another market that posted positive returns. Despite inflation above the regional average, higher interest rates and a weakening rupee, the domestic economy is performing well with the property market showing signs of life after a thirteen year downturn and retail sales 15% ahead of pre-Covid levels.

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

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

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

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

Performance
The Company's NAV total return was 1.9% in sterling terms over the period with a share price total return of 1% reflecting a small contraction of the premium that the share price trades compared to NAV. This compares with a 3.4% decline in the FTSE All World Asia Pacific ex Japan Index and a 7.4% increase in the MSCI AC Asia Pacific ex Japan High Dividend Yield Index.

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

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

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

We have been encouraged by the willingness of companies in Asia to hold and increase dividends in 2022 especially in this uncertain period. The energy and materials companies have, understandably, seen the biggest uplift but across different countries and sectors, pay-out ratios have risen reflecting strong balance sheets and increased cash flow. Some of these high-dividend pay-outs may not be sustainable going forward but we are broadly confident that dividends in the region will remain robust, especially if China is successful in reviving its flagging economy.

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

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

At the country level, Australia is now the highest weighting with three quarters of the holdings reflecting our positive view on energy and materials. Our view on the domestic economy in Australia is less positive as the government and central bank struggle to set appropriate policies to manage rising inflation, a slowing economy and an elevated property market. We have reduced our exposure to Taiwan and remain nervous about the outlook for the technology hardware sector in the face of a global slowdown. At this point we prefer Korea which has valuation support and is further ahead in the interest rate adjustment phase than its North Asian neighbour.

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

ESG

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

Outlook

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

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

Mike Kerley and Sat Duhra
Fund Managers
3 November 2022

1. Consumer Price Index
2. ASEAN countries include Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam

Investment portfolio as at 31 August 2022

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

1 Incorporated in Guernsey with 100% exposure to Vietnam
2 American Depositary Receipts
3 Preferred Shares

Sector exposure at 31 August 2022
(% of portfolio excluding cash)

	2022 %	2021 %
Financials	**25.8**	27.6
Telecommunications	**19.9**	13.7
Basic Materials	**15.6**	12.5
Technology	**9.7**	17.8
Energy	**9.6**	4.5
Real estate	**8.6**	10.6
Consumer Discretionary	**5.9**	6.0
Industrials	**3.7**	7.3
Utilities	**1.2**	-
	100.0	100.0

Geographic exposure at 31 August 2022
(% of portfolio excluding cash)

	2022 %	2021 %
Australia	**24.3**	21.4
China	**17.1**	15.4
South Korea	**13.4**	14.4
Singapore	**10.2**	5.9
Hong Kong	**9.4**	11.8
Taiwan	**9.3**	18.6
Indonesia	**5.2**	2.5
Vietnam	**3.2**	3.1
Thailand	**3.1**	2.0
New Zealand	**2.9**	2.0
India	**1.9**	2.9
	100.0	100.0

MANAGING RISKS

Principal risks

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

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

- ***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 investment manager operates in accordance with investment limits and restrictions determined by the Board, which include limits on the extent to which borrowings may be employed. We review compliance with limits and monitor performance at each Board meeting.

The Board receives an update from the Fund Managers on market conditions in the region at each meeting. During the year, the Board considered China's continuing 'Zero Covid' approach and its implications for further supply chain disruption, the squeeze on energy supplies in several Asian countries, deleveraging of the real estate sector in the region's largest economy, inflation, the war in Ukraine and the heightened possibility of conflict in Taiwan, as well as the ongoing US-China strategic competition for global influence. Consideration was also given to whether climate change could impact the value of the portfolio, but the Board concluded that this was not the case at present as the investments continued to be valued based on quoted market prices.

- ***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 investment manager provides investment management, company secretarial, administration and accounting services through qualified professionals. The Board receives 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 investment manager and our key third-party service providers at least annually.

- ***Operational***
  Disruption to, or the failure of, the investment manager's or the administrator's accounting, dealing, or payment systems or the custodian's records could prevent the accurate reporting or monitoring of the Company's financial position.

  The Company may be exposed to cyber risk through vulnerabilities at one or more of its service providers.

  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 reports on the effectiveness of internal controls, quarterly internal control, reports from the investment manager and monthly reporting on compliance with the investment limits and restrictions established by the Board.

- ***Financial***
  The financial risks faced by the Company include market (comprising market price, 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 Company is denominated in sterling, but receives dividends in a wide range of currencies from the Asia Pacific region. The income received is therefore subject to the impact of movements in exchange rates. The portfolio remains unhedged.

  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 review 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 in note 13 in the annual report.

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 it believes 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 determined 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, well over three quarters of the portfolio can be liquidated in ten days;
- the closed end nature of the Company which does not need to account for redemptions;
- the level of the Company's revenue reserves and banking facility, as well as the likelihood of being able to renew this facility; and
- the expenses incurred by the Company, which are predictable and modest in comparison with the assets and the fact that there are no capital commitments currently foreseen which would alter that position.

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

RELATED PARTY TRANSACTIONS

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

DIRECTORS' RESPONSIBILITY STATEMENTS

Each of the directors confirms that, to the best of his or her knowledge:

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

- the annual report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Ronald Gould
Chairman
3 November 2022

STATEMENT OF COMPREHENSIVE INCOME

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

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

STATEMENT OF CHANGES IN EQUITY

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

	======	======	======	======	======

	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:					
Dividends paid	-	-	-	(34,040)	(34,040)
Shares issued	31,188	-	-	-	31,188
Share issue costs	(108)	-	-	-	(108)
	----------	----------	----------	----------	----------
Total equity at 31 August 2021	235,955	180,471	10,557	25,661	452,644
	======	======	======	======	======

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

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

BALANCE SHEET

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

	======	======

STATEMENT OF CASH FLOWS

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Operating activities		
Profit before taxation	**11,535**	33,175
Add back finance costs payable	**400**	174
Losses on investments held at fair value through profit or loss	**22,592**	1,791
Net foreign exchange loss excluding foreign exchange losses on investments	**4,552**	216
Sales of investments	**447,589**	478,991
Purchases of investments	**(447,513)**	(520,263)
Decrease/(increase) in prepayments and accrued income	**1,873**	(1,555)
(Increase)/decrease in amounts due from brokers	**(37)**	10,797
Decrease in amounts due to brokers	**-**	(5,231)
(Decrease)/increase in other payables	**(435)**	943
	----------	----------
Net cash inflow/(outflow) from operating activities before interest and taxation	**42,480**	(962)
Interest paid	**(376)**	(175)
Decrease in corporation tax payable	**-**	(210)
Withholding tax on investment income	**(3,662)**	(3,648)
	----------	----------
Net cash inflow/(outflow) from operating activities after interest and taxation	**38,442**	(4,995)
	----------	----------
Financing activities		
Loan drawdown	**88,078**	17,265
Loan repayment	**(100,658)**	(34,040)
Equity dividends paid	**(36,067)**	31,188
Share issue proceeds	**11,064**	(108)
Share issue costs	**(22)**	
	----------	----------
Net cash (outflow)/inflow from financing	**(37,605)**	14,305
	----------	----------
Increase in cash and cash equivalents	**837**	9,310
Cash and cash equivalents at the start of the year	**13,693**	3,879
Exchange movements	**(228)**	504
	----------	----------
Cash and cash equivalents at the end of the year	**14,310**	13,693
	======	======

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

The company was incorporated on 6 November 2006.

2. Accounting policies

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

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

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

3. Investment income

	2022	2021
	£'000	£'000
Overseas investment income	**40,570**	37,236
Stock dividends	**76**	-
	----------	----------
	40,646	37,236
	======	======

Analysis of investment income by geography:		
Australia	**7,966**	6,294
China	**13,571**	12,437
Hong Kong	**2,899**	2,582
India	**972**	1,121
Indonesia	**547**	905
New Zealand	**907**	637
Singapore	**1,722**	868
South Korea	**3,759**	4,814
Taiwan	**6,926**	5,996
Thailand	**1,016**	1,311
Vietnam	**361**	271
	----------	----------
	40,646	37,236
	======	======

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

4. Other income

	2022	2021
	£'000	£'000
Bank and other interest	**3**	1
Option premium income	**2,922**	3,102
	--------	--------
	2,952	3,103
	=====	=====

5. Earnings per ordinary share

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

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

	2022	2021
	£'000	£'000
Net revenue profit	**37,102**	33,773
Net capital loss	**(29,145)**	(4,096)
	----------	----------
Net total profit	**7,957**	29,677
	======	======

Weighted average number of ordinary shares in issue during the year	**152,008,180**	145,462,386

	2022 Pence	2021 Pence
Revenue earnings per ordinary share	**24.41**	23.22
Capital losses per ordinary share	**(19.17)**	(2.82)
	---------	---------
Total earnings per ordinary share	**5.23**	20.40
	=====	=====

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.

6. Dividends

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

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

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

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

7. Net asset value per share

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

	2022	2021

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

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

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

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

8. Stated share capital

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

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

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

9. Subsequent events

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

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

10. Going concern statement

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

11. Financial information for 2022

The figures and financial information for the year ended 31 August 2022 are compiled from an extract of the latest financial statements and do not constitute statutory accounts. These financial statements included the report of the auditors which was unqualified.

12. Financial information for 2021
The figures and financial information for the year ended 31 August 2021 are compiled from an extract of the published accounts and do not constitute the statutory accounts for that year.

13. Annual Report 2022
The annual report and financial statements will be posted to shareholders in November 2022 and copies will be available on the Company's website at: www.hendersonfareastincome.com.

14. Asia Pacific Dividend Index 2022
The latest edition of the Company's Asia Pacific Dividend Index was published in June 2022. The Index tracks the trend in dividends paid by companies listed across this fast-growing part of the world. To access a copy, visit the *Documents* section of the Company's website at: www.hendersonfareastincome.com.

15. Annual General Meeting
The 16th Annual General Meeting will be held at the offices of Janus Henderson Investors at 201 Bishopsgate, London EC2M 3AE at 11.00 am on Thursday, 19 January 2023. The Notice of the Meeting will be sent to shareholders with the Annual Report 2022.

16. General Information
<u>Company Status</u>
The Company is a Jersey domiciled closed end investment company, number 95064, which was incorporated in 2006 and is listed on the London and New Zealand stock exchanges. The Company is regulated by the Jersey Financial Services Commission and became UK tax resident with effect from 1 September 2018.

SEDOL/ISIN: Ordinary Shares: B1GXH75/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): 2138008 DIQRE00380596

<u>Directors and Secretary</u>
The directors of the Company are Ronald Gould (Chairman), Nicholas George (Chairman of the Audit Committee), Julia Chapman, Timothy Clissold and David Mashiter. The Corporate Secretary is Janus Henderson Secretarial Services UK Limited. The registered office is IFC1, The Esplanade, St Helier, Jersey, JF1 4BP. The Company's principal place of business is 201 Bishopsgate, London, EC2M 3AE.

<u>Website</u>
Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at www.hendersonfareastincome.com

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