

2 November 2018

This announcement contains regulated information.

LEI: 2138008DIQREOD38O596

HENDERSON FAR EAST INCOME LIMITED

Annual Financial Results

STRATEGIC REPORT

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.

Performance highlights

- Increased proposed annual dividend: Fourth interim final dividend 5.50p, (2017: 5.30p) producing a total dividend for the year of 21.60p (2017: 20.80p).
- The share price to NAV (including current year income) moved to a discount of 0.6% (2017: premium of 1.3%).

Sources: Morningstar for the AIC, Janus Henderson and Datastream

Total return performance (including dividends reinvested)

	1 year	3 years	5 years
	%	%	%
NAV per ordinary share ¹	1.5	57.6	55.5
AIC Asia Pacific (excluding Japan) Sector (Peer Group) Average	1.0	60.2	65.9
FTSE All-World Asia Pacific ex Japan Index (sterling adjusted)	2.4	70.1	70.1
FTSE All-World Asia Pacific including Japan Index (sterling adjusted)	4.8	62.7	74.2

1 Source: Morningstar for the AIC including income fair value NAV

Chairman's Statement

Introduction

Whilst the year under review has been characterised by global uncertainties such as Brexit and President Trump's so called trade war with China, dividend growth in Asia has remained strong and I am pleased to report that the total annual dividend has once again been increased ahead of UK inflation. At the year end, the ordinary shares yielded a very attractive 6.1%.

Performance

In the year under review the net asset value total return was 1.5%, which is made up of a strong income return offset by a disappointing capital return. The share price total return was -0.6% reflecting the small discount to net asset value at which the shares were trading at the year end. This was something of an anomaly as the shares had traded at a premium to net asset value over most of the year and returned to a premium in the period since the year end. By way of a comparative, over the same period the MSCI AC Asia Pacific ex Japan High Dividend Yield Index returned 0% and FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) returned 2.4%.

Whilst I am pleased with the continuing trend of strong income returns, the capital performance fell short of the previous year as Asian company share prices were affected by concerns around US trade policies and the strengthening US dollar. These are worrying trends for investors in emerging

markets who well remember the pain inflicted on the region last time the US dollar rose. These concerns may be overstated as the long-term risk profile of the Asia Pacific region has continued to improve and is much more robust and less sensitive to external shocks than before.

Dividends

A fourth interim dividend of 5.50p has been declared making a total of 21.60p for the year, an increase of 3.8%. Once again, this total was fully covered by revenue for the year and also allowed for a small addition to our revenue reserve, which will underpin dividends in future years. Your Board is confident that it will be able to at least maintain this level of total dividend in the current year.

Capital

During the year the Company issued a total of 4,818,000 new ordinary shares at a premium to net asset value for total proceeds (net of commission) of £17,914,000; thereby enhancing the net asset value per share for existing shareholders, enabling the fixed costs of the Company to be spread over a wider shareholder base, and improving the liquidity of the shares in the market. As at 2 November 2018, a further 300,000 shares have been issued since 31 August 2018 for total proceeds (net of commissions) of £1,052,000.

Re-residence to the United Kingdom

During the financial year the Company was tax resident in Jersey. As set out in the Circular issued to shareholders dated 6 August 2018, the Company currently earns investment income from a diversified portfolio of investments with exposure to the Asia Pacific region, much of which is subject to overseas withholding taxes. The Board is seeking to mitigate the level of these withholding taxes for the benefit of the shareholders. The Directors were advised that a UK tax resident company is able to access lower rates of withholding tax in some jurisdictions than a Jersey resident company, due to a greater number of double tax treaty agreements between the UK and overseas jurisdictions.

Whilst being a UK resident company might result in some additional taxation and expenses such as VAT, the amount involved is significantly less than the withholding tax benefits. The Board therefore agreed, subject to shareholder approval, to move the Company's tax residency to the UK from Jersey and to elect to join the UK's investment trust regime, in order to avail itself of these treaties and the tax benefits related thereto.

Following the passing of the shareholder resolution at the Extraordinary General Meeting of the Company held on 31 August 2018, the Company moved its tax residence from Jersey to the UK and obtained approval from HMRC of its status as an investment trust under Section 1158 of the Corporation Tax Act 2010 with effect from 1 September 2018.

It is only the tax residency of the Company that moved to the UK. The Company remains subject to Jersey law and regulation and the oversight of the Jersey Financial Services Commission.

Board composition

David Staples will be retiring as a director and the Chairman of the Audit Committee following the AGM. Your Board has benefited from David's financial, regulatory and business expertise and we owe him an immense debt. We shall miss his wise counsel and insightful contributions. He will be replaced as Chairman of the Audit Committee by Nicholas George.

I am pleased that Tim Clissold has agreed to join our board. He is fluent in Mandarin Chinese and has spent 20 years or more living and working in China including arranging joint venture investments in

Chinese companies in almost every province in the country. His knowledge of commercial reality in China, the workings of local and central government, and his list of contacts there will be most valuable and give the Board an enhanced understanding of opportunities and risks.

Gearing

The Company has continued to utilise its borrowing facility throughout the year to capitalise on specific stock opportunities.

During the year the facility with Commonwealth Bank of Australia was replaced with a two-year £45 million facility with Sumitomo Mitsui Banking Corporation (SMBC). At 31 August 2018 the amount drawn down stood at £30.8 million and net gearing was 4.8%. The maximum amount drawn down under the facility during the year was £32.7 million (including exchange rate movements since draw down).

Annual General Meeting

The Company's AGM will be held at 11.00am on Thursday 13 December 2018 at the offices of Janus Henderson at 201 Bishopsgate, London EC2M 3AE. Full details of the proposed resolutions are set out in the separate Notice of Meeting which has been issued with this report. Michael Kerley will make an investment presentation and he, I and other Board members will be happy to answer questions.

Outlook

The outlook for the world we know best, the post WW2 liberal democracy, which created the elevated standard of living we enjoy, is under threat. It is not possible to conjecture how this might unfold and what the consequences might be.

By contrast, the Asian world we invest in seems to be on track to continue to deliver strong economic outcomes and rising standards of living. China has a plan and is very unlikely to be blown off course by events in the west. It appears that China concluded in the summer that President Trump's tariff play is mostly about halting or at least slowing the rise of China as a global power. This is unfortunate as China will do whatever it takes to stay on track and it does raise the prospect of a much more aggressive response to US imposed tariffs. There are two milestones the Chinese leadership are determined to meet. The first is to build a "moderately prosperous society" by 2020, the 100th anniversary of the creation of the communist party in China and the second is to become "a great modern socialist country" with living standards similar to European standards by 2049, the 100th anniversary of the creation of the People's Republic of China. It is very difficult to foresee what events would force China to deviate from their plan.

Of course coming months will be very testing for China if the US continues with current policies. Will the leadership be up to the task? The success of the past 30 years suggests they will at least be able to limit the damage and continue to follow their objectives.

China's response to the tariff increases thus far has been restrained and proportionate. Policy makers are signalling clear easing in monetary and fiscal conditions to compensate for the impact on growth the tariffs are likely to make. Current estimates suggest nominal GDP growth could be dragged down by 0.3% to 0.5% over 2018/19 to a number closer to 6.0%.

A further concern is whether tariff changes will encourage businesses to move production out of China to other Asian countries notably, Indonesia, Vietnam or Cambodia. This is a risk but modern business requires high quality transport and communication infrastructure and access to a highly trained workforce. This is available in China but much less so elsewhere.

On top of these developments for investors to absorb came the highly negative western press response to the removal of the Presidential term limits almost universally dubbed as “president for life” and a “personal power grab” by President Xi.

While concerns are understandable the reality is somewhat different. The real power in China lies with the General Secretary of the Chinese Communist Party, a role already held by Xi, and this post has never had term limits. The role of President was restored in the 1982 Chinese constitution and its main function is purely to enact the decisions of the National People’s Congress. Deng Xiaoping pushed a policy of administrative separation between Government and Party, a necessary reform at the time. Since that time the Party has developed into a highly effective governing institution as the developments of the last 30 years demonstrate and all the leading functions of Government are now centred within the CCP. Fusing together the head of state and the Party is making the system of Government more transparent and reflective of political reality. On the available evidence concerns seem somewhat misplaced.

As US global engagement declines, China will become more dominant in the region with other Asian countries becoming more closely aligned to the Chinese economic development model. The impact on the region and the cross border trade it will encourage will further cushion China from adverse policies emanating from the west.

All this adds up to a strong investment case for the region and our shareholders should continue to benefit. Valuations in the region are quite low by comparison with the west and dividend growth is strong. As analysis shows dividend flows play a very important part in long term investment performance. As a recent Janus Henderson report demonstrated, dividends from Asia Pacific companies rose by 12.7% in the year to May 2018 and have tripled since 2009 substantially ahead of the rest of the world and streets ahead of returns from money market funds over the period. Figures from Moneyfacts, the financial research group, show that a saver investing £10,000 into an easy access account earning an average rate of interest ten years ago will this year receive annual interest of £50.62. By contrast the same investment in the Company 10 years ago would this year produce an income of £887.

In a troubled world, portfolio diversification is even more important than normal. Despite the risks, the Asia Pacific region remains an attractive investment destination particularly for savers taking a medium to long term view and seeking growing levels of income.

John Russell
Chairman
2 November 2018

Management

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

Principal risks and uncertainties

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

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

Investment and strategy

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

Accounting, legal and regulatory

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

Operational

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

Financial

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

Viability statement

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

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

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

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

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

Related party transactions

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

In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Janus Henderson affecting the financial position of the Company during the year under review.

Fund Manager's Report

Overview

Asia Pacific markets, as measured by the FTSE All-World Asia Pacific ex Japan Index, returned a modest 2.4% in sterling terms over the twelve months to the end of August 2018. The year started strongly but volatility rose and performance faded as rising US interest rates and a strong US dollar highlighted frailties in emerging markets which put currencies in the whole area under pressure. More recently an increase in protectionist policies from the US around trade has added to investors' uncertainty.

Although the index returns for the full year are positive, the trend for the last six months has been more negative with only the weakness of sterling since February offsetting the decline. The main cause has been the escalation of trade tensions between the US and China following President Trump's well documented attempts to address the growing trade deficit that has developed

between the two sides. Egged on by right wing supporters, protectionists and “China-phobes” within his close advisors the President implemented tariffs on \$50bn worth of Chinese imports in June 2018. When China matched this with tariffs of its own a further \$200bn worth of imports were targeted from September with the warning of a further \$267bn should China retaliate further. Sadly this escalation will harm both economies although it is important to note that the Chinese have released a series of measures to boost the economy which is expected to mitigate domestically the impact of a slowdown in trade.

Unlike previous years where the weakness in sterling, following the Brexit vote, has supported returns for the Company, this year the weakness in Asian currencies has proved detrimental. Unsurprisingly the biggest casualties were India and Indonesia, where the rupee and rupiah respectively declined by more than 10%. Both these countries share the “twin curses” of current account and fiscal deficits, where comparisons with the struggling emerging economies of Turkey, South Africa and Argentina, are easily drawn. The more developed Asian countries were not immune as both Australia and New Zealand experienced notable currency declines as weakening economies and declining interest rate differentials with the US triggered outflows. Despite much publicised “stress” the Chinese renminbi has proved more resilient, although more recently there has been some weakness following the increased trade tensions with the US. On average Asian currencies fell just under 4% against sterling over the period which has resulted in a negative impact to both the Company’s capital and income performance.

In the Manager’s report at the interim stage I commented on the strength of Asian earnings growth and how positive the trend was. It would be fair to say that the momentum has weakened somewhat although it is important to note how the drivers of growth have changed. The technology sector, which had driven earnings momentum over the last eighteen months, has lost a degree of its lustre while old economy cyclicals are seeing much more encouraging trends. In particular, materials, energy and industrials are still receiving analysts’ upgrades while the likes of Tencent, Alibaba and Baidu are struggling to meet analysts’ overly exuberant expectations. This trend is positive for the portfolio.

The best performing market over the period was Thailand, where the strength of the energy sector in particular drove returns. Malaysia also performed well despite the unexpected election of 93 year old former Prime Minister Mahathir Mohamed, which was welcomed by Malaysians but treated with a degree of scepticism by foreigners who recalled the controversy which accompanied his previous term in office. Despite the weakness of the rupee the Indian market finished the period at an all-time high as local mutual funds remained strong buyers of equities irrespective of foreign selling. At the sector level healthcare, oil and gas and technology led the way despite the latter’s weakness in the second half of the reporting period.

Performance

The NAV total return was 1.5% in sterling terms over the financial year, slightly behind the FTSE All-World Asia Pacific ex Japan Index. This reflects a relative improvement in the second half of the year as the Company’s income focused portfolio outperformed in a more volatile environment.

At the stock level there were some notable successes. Despite having a negative view on the commercial banks in Australia we are very positive on investment bank Macquarie Group which is a beneficiary of the securitisation of infrastructure assets globally as well as a weak Australian dollar. Over the period the stock rose 35% and was the biggest individual contributor to portfolio return. The energy and materials sector has proved a happy hunting ground for both capital and income. Although demand growth for these products is modest the lack of supply has kept oil and commodity prices high. We are heavily weighted in these areas with cement companies Anhui Conch

and Taiwan Cement, oil and gas companies PTT and China Petroleum and Chemical, petrochemical company Far Eastern New Century and diversified miner BHP Billiton Ltd were all in the top ten contributors to portfolio return. Although we have avoided the technology component sector on expectation of a slowdown in demand for smartphones and PCs we retained a position in industry leader Hon Hai which, unfortunately, didn't avoid the sector's de-rating and was the biggest detractor from returns.

The Company's revenue position remains resilient. Over the period dividends received from the companies we invest in rose by 8%. This is a commendable result especially considering the 4% increase in the value of sterling over the period and is reflective of the strong underlying dividend trend. Income from derivatives was up 4% resulting in total income up 7.6% over the same period last year.

Over the period there were some notable changes to the portfolio. Following a strong run at the beginning of 2018 we reduced our exposure to Chinese banks by selling Bank of China and focusing on ICBC and China Construction Bank. We also reduced our exposure to Samsung Electronics where we felt that margins in the memory business had probably peaked. We still retain a position on the expectation of higher dividends going forward as cash flow remains robust. Other sales were Chinasoft and Huayu Automotive owing to their exposure to overseas markets and US tariffs. Outside of China we sold our position in AMP due to the Royal Commission clampdown on financial services in Australia and ASE in Taiwan after a disappointing dividend announcement following the merger with SPIL.

New positions were initiated in China Mobile, following some good results and a greater commitment to dividends, Baoshan Iron and Steel which is benefiting from consolidation of the Chinese steel industry and China Vanke which is China's largest property developer. Elsewhere we added positions in Singapore, namely banks DBS and UOB on improved growth prospects for Singapore and the rest of ASEAN and Venture Manufacturing after a significant share price decline which, in our view, was disproportionate to the quality of the business. Finally, in the materials space we added BHP Billiton Ltd and Taiwan's Far Eastern New Century. BHP Billiton Ltd is benefiting from strong demand and a lack of new supply in its key commodities and is generating a lot of excess cash which we feel will ultimately be returned to shareholders through higher dividends. Far Eastern New Century is a plastics based petrochemical company which is benefiting from changing legislation and strong demand despite a higher oil price.

Outlook

We remain cautiously optimistic on the outlook for Asia Pacific in the medium to long term. Forecast earnings growth is off its highs but still expected to be double digit while valuations have corrected as market volatility has increased. There are obvious risks from rising US interest rates, a stronger US dollar, which would tighten liquidity, increased trade and geo-political tensions and contagion from emerging markets but we feel, at current levels, these are reflected in prices.

Our focus remains on domestic orientated areas which are exposed to the improving spending power of the consumer across the region and away from the export orientated sectors which are exposed to a slowdown in global growth and an increase in protectionism. In our opinion China offers the best combination of value, growth and dividends in the region and remains the largest part of the portfolio. At the sector level we are positive on financials, energy and materials and cautious on high priced technology.

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

Michael Kerley
Fund Manager
2 November 2018

Rank 2018	Rank 2017	Company	Country of incorporation	Sector	Valuation 2018 £'000	% of portfolio
1	-	Industrial & Commercial Bank of China	China	Financials	14,793	3.20
2	18	China Construction Bank	China	Financials	13,643	2.95
3	5	Taiwan Semiconductor Manufacturing ¹	Taiwan	Technology	12,582	2.72
4	8	Macquarie Infrastructure Fund	Korea South Korea	Financials	12,127	2.63
5	-	BHP Billiton	Australia	Basic Materials	12,063	2.61
6	-	Far Eastern New Century	Taiwan	Basic Materials	11,880	2.57
7	-	China Petroleum & Chemical	China	Oil & Gas	11,809	2.56
8	-	Suncorp	Australia	Financials	11,800	2.55
9	-	E. Sun Financial	Taiwan	Financials	11,699	2.53
10	11	HKT Trust & HKT	Hong Kong	Telecommunications	11,521	2.49
11	-	DBS Group	Singapore	Financials	11,395	2.46
12	9	China Yangtze Power	China	Utilities	11,323	2.45
13	1	Samsung Electronics ²	South Korea	Technology	11,040	2.39
14	-	United Overseas Bank	Singapore	Financials	10,882	2.35
15	38	Digital Telecommunications	Thailand	Telecommunications	10,842	2.35
16	35	China Mobile	China	Telecommunications	10,562	2.28
17	29	Scentre Group	Australia	Property	10,521	2.28
18	19	Lend Lease	Australia	Property	10,477	2.27
19	-	China Vanke	China	Financials	10,110	2.19
20	-	Baoshan Iron & Steel	China	Basic Materials	9,991	2.16
Top Twenty Investments					231,060	49.99

¹ American Depositary Receipts

² Preferred Shares

Sector exposure

As a percentage of the investment portfolio excluding cash

	31 August 2018	31 August 2017
Financials	28.4	21.6
Telecommunications	14.7	13.1
Technology	10.7	19.0
Basic Materials	10.5	5.1
Property	10.4	11.9
Consumer Goods	7.4	6.4
Industrials	7.0	9.5

Oil and Gas	6.5	4.9
Utilities	4.4	4.4
Consumer Services	0.0	4.1

Geographic focus

As a percentage of the investment portfolio excluding cash

	31 August 2018	31 August 2017
Australia	17.1	19.0
China	25.9	28.1
Hong Kong	6.1	6.8
Indonesia	1.5	2.6
Malaysia	2.1	0.0
New Zealand	2.1	2.3
Singapore	9.8	3.8
South Korea	12.1	13.6
Taiwan	15.2	17.1
Thailand	8.1	6.7

CORPORATE REPORT

Statement of Directors' Responsibilities

In accordance with Disclosure Guidance and Transparency Rule 4.1.12, 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 IFRSs as adopted by the European Union on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report, Report of the Directors, Corporate Governance Statement, Remuneration Report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

John Russell

Chairman

2 November 2018

Audited Statement of Comprehensive Income

	Year ended 31 August 2018			Year ended 31 August 2017		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investment income (note 3)	29,914	-	29,914	27,702	-	27,702
Other income (note 4)	2,665	-	2,665	2,563	-	2,563
(Losses)/Gains on investments held at fair value through profit or loss	-	(17,574)	(17,574)	-	45,754	45,754
Net foreign exchange loss excluding foreign exchange gains/(losses) on investments	-	(63)	(63)	-	(1,498)	(1,498)

Total income	32,579	(17,637)	14,492	30,265	44,256	74,521
Expenses						
Management fees	(1,935)	(1,935)	(3,870)	(1,865)	(1,865)	(3,730)
Other expenses	(498)	(497)	(995)	(421)	(421)	(842)
Profit/(Loss) before finance costs and taxation	30,146	(20,069)	10,077	27,979	41,970	69,949
Finance costs	(236)	(236)	(472)	(169)	(169)	(338)
Profit/(Loss) before taxation	29,910	(20,305)	9,605	27,810	41,801	69,611
Taxation	(3,010)	-	(3,010)	(2,400)	-	(2,400)
Profit/(Loss) for the year and total comprehensive income	26,900	(20,305)	6,595	25,410	41,801	67,211
	=====	=====	=====	=====	=====	=====
Earnings per ordinary share - basic and diluted (note 5)	22.21p	(16.77p)	5.44p	21.94p	36.09p	58.03p
	=====	=====	=====	=====	=====	=====

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.

Audited Statement of Changes in Equity

	Stated share capital	Distributable reserve	Capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 August 2018					
Total equity at 31 August 2017	121,784	180,471	117,560	22,667	442,482
Total comprehensive income:					
Profit/(loss) for the year	-	-	(20,305)	26,900	6,595
Transactions with owners, recorded directly to equity:					
Dividends paid	-	-	-	(25,987)	(25,987)
Shares issued	17,983	-	-	-	17,983
Share issue costs	(69)	-	-	-	(69)
Total equity at 31 August 2018	139,698	180,471	97,255	23,580	441,004
	=====	=====	=====	=====	=====
	Stated share capital	Distributable reserve	Capital reserves	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 August 2017					
Total equity at 31 August 2016	109,471	180,471	75,759	21,158	386,859
Total comprehensive income:					
Profit for the year	-	-	41,801	25,410	67,211
Transactions with owners, recorded directly to equity:					
Dividends paid	-	-	-	(23,901)	(23,901)
Shares issued	12,362	-	-	-	12,362

Share issue costs	(49)	-	-	-	(49)
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Total equity at 31 August 2017	121,784	180,471	117,560	22,667	442,482
	=====	=====	=====	=====	=====

Audited Balance Sheet

	31 August 2018 £'000	31 August 2017 £'000
Non current assets		
Investments held at fair value through profit or loss	462,638	465,266

Current assets		
Other receivables	3,253	3,420
Cash and cash equivalents	7,117	10,241
	-----	-----
	10,370	13,661
	-----	-----
Total assets	473,008	478,927
	-----	-----
Current liabilities		
Investments held at fair value through profit or loss - written options	(461)	(3,671)
Other payables	(768)	(941)
Bank loans	(30,775)	(31,833)
	-----	-----
	(32,004)	(36,445)
	-----	-----
Net assets	441,004	442,482
	=====	=====
Equity attributable to equity shareholders		
Stated share capital	139,698	121,784
Distributable reserve	180,471	180,471
Retained earnings:		
Capital reserves	97,255	117,560
Revenue reserves	23,580	22,667
	-----	-----
Total equity	441,004	442,482
	=====	=====
Net asset value per ordinary share	359.26p	375.19p
	=====	=====

The financial statements were approved by the Board of Directors on 2 November 2018 and were signed on its behalf by:

John Russell
Chairman

Audited Statement of Cash Flows

	31 August 2018 £'000	31 August 2017 £'000
Operating activities		
Profit before taxation	9,605	69,611
Add back interest payable	472	338
Losses/(gains) on investments held at fair value through profit or loss	17,574	(45,754)
Net foreign exchange loss excluding foreign exchange gains on investments	63	1,498
Sales of investments	407,666	331,080
Purchases of investments	(425,248)	(342,222)
Decrease/(increase) in prepayments and accrued income	105	(208)
Decrease in amounts due from brokers	62	109
(Decrease)/ increase in other payables	(145)	(677)
Stock dividends included in investment income	(574)	(203)
	-----	-----
Net cash inflow from operating activities before interest and taxation	9,580	13,572
Interest paid	(500)	(301)
Withholding tax on investment income	(3,010)	(2,400)
	-----	-----
Net cash inflow from operating activities after interest and taxation	6,070	10,871
	-----	-----
Financing activities		
Repayment of loan with CBA	(31,833)	-
Initial drawdown of loan with SMBC	32,282	-
Net loan drawdown/(repayment)	(985)	5,232
Equity dividends paid	(25,987)	(23,901)
Share issue proceeds	17,983	12,362
Share issue costs	(69)	(49)
	-----	-----
Net cash outflow from financing	(8,609)	(6,356)
	-----	-----
(Decrease)/increase in cash and cash equivalents	(2,539)	4,515
Cash and cash equivalents at the start of the year	10,241	5,944
Exchange movements	(585)	(218)
	-----	-----
Cash and cash equivalents at the end of the year	7,117	10,241
	=====	=====

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

Basis of preparation

The Company's financial statements for the year ended 31 August 2018 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

	2018	2017
	£'000	£'000
Overseas investment income	29,207	25,997
Participation Note income	133	1,502
Stock dividends	574	203
	-----	-----
	29,914	27,702
	=====	=====
Analysis of investment income by geography:		
Australia	5,595	5,199
China	7,339	7,301
Hong Kong	2,461	2,462
India	-	309
Indonesia	401	349
Malaysia	515	-
New Zealand	852	824
Singapore	1,998	1,005
South Korea	3,376	2,887
Taiwan	5,324	5,552
Thailand	2,053	1,814
	-----	-----
	29,914	27,702
	=====	=====

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

4. Other income

2018	2017
-------------	-------------

	£'000	£'000
Bank and other interest	74	31
Option premium income	2,591	2,532
	-----	-----
	2,665	2,563
	=====	=====

5. Earnings per ordinary share

The earnings per ordinary share figure is based on the net profit for the year of £6,595,000 (2017: £67,211,000) and on the weighted average number of ordinary shares in issue during the year of 121,130,068 (2017: 115,829,263).

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

	2018 £'000	2017 £'000
Net revenue profit	26,900	25,410
Net capital profit	(20,305)	41,801
	-----	-----
Net total profit	6,595	67,211
	=====	=====

Weighted average number of ordinary shares in issue during the year	121,130,068	115,829,263
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	2018 Pence	2017 Pence
Revenue earnings per ordinary share	22.21	21.94
Capital earnings per ordinary share	(16.77)	36.09
	-----	-----
Total earnings per ordinary share	5.44	58.03
	=====	=====

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

	Record date	Pay date	2018 £'000	2017 £'000
Fourth interim dividend 5.10p for the year ended 2016	4 November 2016	30 November 2016	-	5,859
First interim dividend 5.10p for the year ended 2017	3 February 2017	28 February 2017	-	5,894
Second interim dividend 5.10p for the year ended 2017	5 May 2017	31 May 2017	-	5,924
Third interim dividend 5.30p for the year ended 2017	4 August 2017	31 August 2017	-	6,224
Fourth interim dividend 5.30p for the year ended 2017	3 November 2017	30 November 2017	6,334	-
First interim dividend 5.30p for the year ended 2018	2 February 2018	28 February 2018	6,403	-

the year ended 2018

Second interim dividend 5.30p	4 May 2018	31 May 2018	6,499	-
for the year ended 2018				
Third interim dividend 5.50p for	3 August 2018	31 August 2018	6,751	-
the year ended 2018				
			-----	-----
			25,987	23,901

The fourth interim dividend for the year ended 31 August 2018 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 £26,900,000 (2017: £25,410,000).

	2018	2017
	£'000	£'000
First interim dividend for 2018 – 5.30p (2017: 5.10p)	6,403	5,894
Second interim dividend for 2018 – 5.30p (2017: 5.10p)	6,499	5,924
Third interim dividend for 2018 – 5.50p (2017: 5.30p)	6,751	6,224
Fourth interim dividend for 2018 – 5.50p (2017: 5.30p) (payable 30 November 2018 based on 123,053,564 shares in issue at 2 November 2018)	6,768	6,334
	-----	-----
	26,421	24,376
	=====	=====

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:

	2018		2017	
	Net value share pence	asset per Net value attributable £'000	Net value share pence	asset per Net value attributable £'000
Ordinary shares	359.26p	441,004	375.19p	442,482
	=====	=====	=====	=====

The basic net asset value per ordinary share is based on 122,753,564 (2017: 117,935,564) ordinary shares, being the number of ordinary shares in issue.

8. Stated share capital

	Authorised	Issued and fully paid	2018 £'000	Issued and fully paid	2017 £'000
Opening balance at 1 September	Unlimited	117,935,564	121,784	114,535,564	109,471
Ordinary shares of no par value					
Issued during the year		4,818,000	17,983	3,400,000	12,362
Share issue costs		-	(69)	-	(49)

Closing balance at 31 August	122,753,564	139,698	117,935,564	121,784
	=====	=====	=====	=====

The holders of Ordinary shares are entitled to all the capital growth in the Company and all the income from the Company that is resolved by the Directors to be distributed. Each shareholder present at a general meeting has one vote on a show of hands and on a poll every member present in person or by proxy has one vote for each share held.

During the year, the Company issued 4,818,000 (2017: 3,400,000) shares for the proceeds of £17,914,000 (2017: £12,313,000) net of costs.

9. 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. Having assessed these factors, the principal risks and other matters discussed in connection with the Viability Statement, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

10. 2018 Financial information

The figures and financial information for the year ended 31 August 2018 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.

11. 2017 Financial information

The figures and financial information for the year ended 31 August 2017 are compiled from an extract of the published accounts and do not constitute the statutory accounts for that year.

12. Company Status

The Company is a Jersey domiciled closed-end investment company, number 95064, which was incorporated in 2006 and which is listed on the London and New Zealand Stock Exchanges. The Company is a Jersey fund with its registered office at IFC 1, the Esplanade, St Helier, Jersey JE1 4BP and is regulated by the Jersey Financial Services Commission. With effect from 1 September 2018, the Company's principal place of business is 201 Bishopsgate, London EC2M 3AE.

13. Annual Report and Annual Strategic Report

The Annual Report and financial statements will be available for posting to those shareholders who have requested a copy in late November 2018 and copies will be available on the Company's website (www.hendersonfareastincome.com) or in hard copy format from the Company's registered office, IFC 1, the Esplanade, St Helier, Jersey JE1 4BP. Shareholders who did not indicate that they wished to receive the full Annual Report in future years will receive an abbreviated report on the Company's results for the year, the Annual Strategic Report.

The Annual General Meeting will be held at the offices of Janus Henderson at 201 Bishopsgate, London EC2M 3AE at 11.00 am on Thursday 13 December 2018. The Notice of the Annual General Meeting will be sent to shareholders with the Annual Report.

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Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.