

HENDERSON FAR EAST INCOME LIMITED

Unaudited results for the half-year ended 29 February 2024

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.

PERFORMANCE

Total return performance (including dividends reinvested and excluding transaction costs)

	6 months	1 year	3 years	5 years	10 years
	%	%	%	%	%
NAV ¹	8.2	-1.9	-4.3	2.1	57.3
Share price ²	4.6	-10.0	-12.1	-6.1	45.3
AIC sector ³ average NAV	4.2	-2.0	-2.7	24.3	113.7
FTSE World Asia Pacific ex Japan Index*	5.1	2.1	-6.0	25.9	107.8
MSCI AC Asia Pacific ex Japan High Dividend Yield Index*	10.0	10.2	22.3	33.1	103.0

*The Company does not have a formal benchmark. It uses the FTSE World Asia Pacific ex Japan and MSCI AC Asia Pacific ex Japan High Dividend Yield indices (sterling adjusted and with dividends reinvested) for comparison purposes only.

Financial highlights

	at 29 February 2024	at 31 August 2023
NAV per ordinary share	227.06p	222.12p
Share price	215.00p	218.00p
Net assets	£368,577,000	£362,032,000
Discount ⁴	-5.3%	-1.9%
Dividend yield	11.3%⁵	11.1% ⁶

1. Net asset value per ordinary share total return
 2. Share price total return using closing price
 3. The AIC sector is the Asia Pacific Equity Income sector
 4. The discount expresses, as a percentage, the difference between the closing share price and NAV, including current year revenue, as at the period end date
 5. Dividend yield based on a share price of 215.00p and dividends for the twelve months to 29 February 2024 totalling 24.40p per ordinary share
 6. Dividend yield based on a share price of 218.00p and dividends for the twelve months to 31 August 2023 totalling 24.20p per ordinary share
- Sources: Morningstar Direct

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

After a period of difficult relative and absolute performance, it was encouraging to see substantially better investment returns during the first half of our financial year in response to previous restructuring and the planned changes intended to improve capital returns. As Sat has succinctly outlined in the Fund Manager's report, the changes to our portfolio produced better results that reflected the key themes and altered country weightings that were implemented earlier. Better results were supported by both macro factors and company specific developments across the region. Our earlier decision to significantly reduce exposure to China as it struggles to adjust in a post-Covid environment has proven a good one although we have now reached a point that some valuations in that market are too compelling to ignore. As a result, we expect to add selectively in Chinese names at or around current levels, taking advantage of what may well be unusual dividend and profit opportunities.

In general, it has been encouraging to see Asian markets increasingly responding to strong company-specific fundamentals. Performance was also driven by such themes as corporate reform in Korea, strong macro-economic data in India and Indonesia and the technology sector which has been a beneficiary of artificial intelligence. As we had discussed in detail in the last annual report, the Fund Manager has made a number of changes to the Company's country and sector positioning to take advantage of these investment themes. As we have noted before, our revised approach is intended to ensure that your Company benefits from the many structural growth opportunities in the region whilst also capturing the potential for significantly higher dividends.

Market expectations for changes in interest rates and the prospect of an easing in monetary policy by central banks in the US and Europe were also important for the direction of equities. There is now a clear expectation for rate cuts in 2024 and we believe that Asian markets are well placed to benefit in this environment. Inflation in Asia has remained subdued and China has continued to pursue economic stimulation in the face of relatively slow growth. We would expect rate cuts in the major developed economies to provide stimulus to the Asia region, which already offers attractive valuations. We are also encouraged by efforts on the part of the Korean government to pursue policies to improve shareholder returns and see this as another example of efforts in the region to address the current low dividend payout ratios. This makes for a compelling blend of growth and income, providing a favourable backdrop for the Company over the balance of the year.

Performance

I am pleased to be able to report that the NAV total return for the six months to 29 February 2024 was 8.2%, ahead of the FTSE World Asia Pacific ex Japan Index which returned 5.1% and only slightly behind the MSCI AC Asia Pacific ex Japan High Dividend Yield Index which returned 10.0%. This follows the rebalancing of the portfolio in the latter part of the 2023 calendar year which was addressed in both my statement in the annual report, and the update from the Fund Manager.

Dividends

For the financial year ending 31 August 2024, the Board has to-date declared the first and second interim dividends each in the amount of 6.10p per ordinary share. This represents an increase of 1.7% on the dividends declared in the first half of last year. The second interim dividend will be paid to shareholders on the register at 26 April 2024 and trade ex-dividend on the 25 April 2024. Payment will be made on 31 May 2024.

Share repurchases

Nearly all investment trusts, regardless of their sector focus, saw a significant increase in their discount to net asset value in September 2023, with the average trust discount reaching -19.0%. This reflected the rapid increase in interest rates and thus, the shift in the perceived risk-free rate of return for fixed income and cash investments compared with equities.

Our Company fared considerably better than most investment trusts with the discount reaching -6.2% at its widest, and averaging only a discount of -3.9% for the six months to 29 February 2024. Having been a regular issuer of shares at a premium, your Board decided that it was appropriate for the Company to repurchase shares during this period of an expanded discount. Between 31 August 2023 and the date of this report, we have repurchased a total of 806,385 shares in the market as part of our ongoing discount management programme. The Board continues to closely monitor the discount and the demand for the Company's shares.

Board composition

Carole Ferguson and Susie Rippingall joined the Board on 1 December 2023 and we said goodbye to David Mashiter following the annual general meeting held on 24 January 2024. We believe this refreshed Board will bring new challenge and different views on the oversight we bring to the Company's business, which can only be good for shareholders. We once again want to thank David for his outstanding contributions to the Company with our best wishes for the future.

Outlook

While there will be new challenges during the second half of our financial year, there are certainly good reasons for optimism about investment returns in the Asia Pacific region over the balance of our year. Attractive valuations, a return to high growth and a revitalized focus on increasing dividends all suggest a positive outlook. There are exciting opportunities across a number of sectors and markets in the region despite our ongoing macro-economic concerns in China. We remain open to investment ideas within China given the current low valuations, but we have yet to see a genuine resolution of the many structural issues that beset the People's Republic of China. The government certainly has the wherewithal to successfully tackle these, but they will take time to address.

The strength of the Asia Pacific region lies in the diversification of its many market economies at widely different stages of development. This offers a combination of mature markets with high dividends and emerging markets offering dividend growth. These differences are reflected in the composition of our portfolio and your Company is well placed to capture growth as well as high dividends. This will be important as we seek to recapture capital performance whilst maintaining a high income focus in the years ahead.

Ronald Gould**Chairman**

25 April 2024

FUND MANAGERS' REPORT

Review

The drivers of market performance in the first half of the current financial year were a continuation of many of the previously established growth themes in markets such as India, Indonesia, Korea and Taiwan. China underperformed again despite a host of government measures to support the economy. Concern remained around property, local government indebtedness, deflation and geopolitical risk, despite a meeting between Xi and Biden, which dampened investors' interest. At a global level the actions of the Federal Reserve once again dictated sentiment for equities. This time, expectations of peaking interest rates after softer Consumer Price Index and employment data, followed by supportive comments from the Federal Reserve, led to forecasts for rate cuts in 2024. This context was supportive for equities generally.

The period ended positively with the FTSE World Asia Pacific ex Japan Index up 5.1% as a number of different market themes flourished simultaneously. Strong guidance from the dominant US companies in the sector driving the artificial intelligence (AI) sector revived this theme. This boosted the performance of the technology sector in our region particularly in Korea and Taiwan. Another dominant theme was corporate reform, with the Korean government recently announcing a wide-ranging initiative to improve shareholder returns, taking a leaf out of Japan's book. This 'Value-up' initiative has been received very positively by the market. Finally, India was another bright spot as macro-economic data continued to strengthen, which led to a broadening of market performance. This favoured the more value-orientated sectors where we have exposure, such as energy and utilities. It is encouraging that the re-positioning of our portfolio at the beginning of the period captured performance in many of these areas.

We remain focused on re-establishing the capital performance of the Company and a number of themes which are unique to our region were highlighted in the most recent annual report. The portfolio had been re-positioned to take advantage of opportunities with a compelling capital and dividend growth trajectory. These include the build-out of green infrastructure, strong consumption trends, technology supply chains supporting global innovation as well as financial inclusion as household wealth increases.

The Indian market was the best performer in the six month period as positive macro-economic data, robust corporate results and local state election wins by Modi's BJP boosted hopes of a continuation of the supportive economic policy with a general election due to take place later this year. Taiwan also performed strongly, supported by positive guidance from technology names such as TSMC and other AI beneficiaries. Korea delivered solid results driven by the performance of technology names and latterly government efforts to improve shareholder returns.

China and Hong Kong were weak in the period owing to flagging economic growth and an ineffective response to key domestic structural issues. However, we have tentatively added to our existing positions in these markets. This was motivated by recent signs of stabilisation in the property market and some positive indicators following Chinese Lunar New Year data, which indicated some pick-up in consumption trends and robust travel data. There are ongoing efforts from the government to provide piecemeal stimulus to support the equity market which, along with compelling valuations, may provide more opportunities. However, we remain comfortable with our current underweight position. In terms of sectors, technology and utilities stand out as key performers whilst real estate was the notable underperformer.

Performance

The NAV total return was 8.2% in sterling terms over the period, ahead of our peers and ahead of the FTSE World Asia Pacific ex Japan Index which returned 5.1%. However, performance was behind the more concentrated MSCI AC Asia Pacific ex Japan High Dividend Yield Index which returned 10.0%. We are seeing some early evidence that the repositioning of the portfolio towards the key structural growth drivers in our region is having a positive impact on performance.

The Company's performance greatly benefitted from our Indian holdings with Bharat Petroleum, Power Grid, NTPC, ONGC and HCL Technologies all appearing in our list of top contributors. The other positive area was technology with the likes of TSMC, Mediatek and Samsung Electronics key contributors. Our other recent holdings of Kia Corp and Wesfarmers, an Australian conglomerate, were also in the top ten contributors. Performance was negatively impacted by our China holdings with JD.com, Guangdong Investment and Li Ning remaining weak as Chinese economic data continued to falter.

Revenue

The income from investments fell 18% from the same period last year, while income from option writing more than doubled, increasing by 107%*. Total income fell by 3% compared to last year.

The key reason for the decline in income from investments was due to the change in ex-dividend dates for our Korean holdings which are paying large dividends in March rather than the usual December date. This is part of a raft of measures from the Korean government to reform corporate structures, a very positive development given our large weighting.

We have modified our options strategy to focus largely on writing call options with much less emphasis on writing put options. We feel this will reduce the risk profile of the strategy and has helped to increase income by using smaller positions over a wider number of underlying holdings.

Portfolio activity

We view the current Korean corporate reform as potentially very exciting and added exposure ahead of the official announcements. This was funded by reducing our positions in India where the market had performed well but where we see less upside for our stocks following strong moves. Additionally, Korean stocks are demonstrating higher dividend growth this year. We remain focused on opportunities arising from this reform with the purchase of insurers DB Insurance and Samsung Fire & Marine and the auto companies Hyundai Motor and Kia Corp. All of these names have performed strongly following the government's reform announcements. We sold LG Corp and SK Telecom to fund these positions.

We added Netease, a gaming company in China with an outstanding pipeline of new games, an established reputation in the sector and the prospect of increasing dividends. We have added further to our existing positions in China where valuations have become more attractive without any change in the fundamentals of the key areas in which we have invested in, namely infrastructure, technology and domestic consumer brands.

Outlook

Whilst the challenges faced by China dominate headlines, there are numerous bright spots which we expect to be positive for performance. We expect this to continue as the likes of India, Indonesia, Taiwan and South Korea provide compelling exposure to growth themes in our region. There is also evidence of dividend growth in areas such as Indonesian banks, Korean corporate reform names and Taiwanese technology companies. If the recent stabilisation in China macro-economic data develops into a more positive trend, then this, along with potential interest rate cuts, in the second half of 2024, could provide a further boost to our markets.

The growth differential between Asia and the rest of the world remains wide and valuations continue to be attractive. We are observing significant opportunities to accumulate quality companies which are growing their earnings and increasing their dividends across many of our markets. The outlook for dividends in the region remains robust. Positive free cash flow generation alongside the strength of balance sheets, with record cash held by corporates, provides a strong backdrop across several sectors and markets across our region.

Sat Duhra

Fund Manager

25 April 2024

*Excludes interest

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment and strategy – adopting an inappropriate investment strategy or underperformance for an extended period leading to a wide discount;
- Accounting, legal and regulatory – failure to maintain accurate accounting records or a breach of legal or regulatory requirements resulting in financial or reputational loss;
- Operational – disruption to or failure of a third-party service provider leading to a loss of shareholder value;
- Financial – changes in market prices, currency exchange rates, interest rates or poor liquidity or counterparty management leading to a loss of shareholder value

Further information on these risks and how they are managed is given in the annual report for the year ended 31 August 2023. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors (listed in note 13) confirm that, to the best of their knowledge:

- the unaudited condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting ('IAS 34') and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Disclosure Guidance and Transparency Rule ('DTR') 4.2.4R;
- the interim management report includes a fair review of the information required:
 - by DTR 4.2.7R (indication of important events during the first six months of the financial year, and their impact on the unaudited condensed set of financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
 - by DTR 4.2.8R (disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Company during the period; and any changes in related party transactions described in the latest annual report that could have an impact in the first six months of the current financial year).

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

On behalf of the Board
Ronald Gould
Chairman
25 April 2024

INVESTMENT PORTFOLIO at 29 February 2024

	Company	Country of incorporation	Sector	Valuation £'000	% of Portfolio
1	Taiwan Semiconductor Manufacturing ¹	Taiwan	Technology	19,777	5.07
2	Samsung Electronics ²	South Korea	Technology	13,698	3.52
3	Hyundai Motor ²	South Korea	Consumer discretionary	12,343	3.17
4	Samsonite	Hong Kong	Consumer discretionary	12,203	3.13
5	Samsung Fire & Marine	South Korea	Financials	12,107	3.11
6	DB Insurance	South Korea	Financials	11,171	2.86
7	MediaTek	Taiwan	Technology	11,156	2.86
8	Midea Group	China	Consumer discretionary	10,476	2.69
9	BHP Group Limited	Australia	Basic Materials	10,355	2.66
10	VinaCapital Vietnam Opportunity Fund	Vietnam ³	Financials	9,614	2.47
Top Ten Investments				122,900	31.54
11	ANTA Sports	China	Consumer discretionary	9,592	2.46
12	Rio Tinto Limited	Australia	Basic Materials	9,583	2.46
13	Swire Properties	Hong Kong	Real Estate	9,559	2.45
14	HSBC	Hong Kong	Financials	9,068	2.33
15	ASE Technology	Taiwan	Technology	8,847	2.27
16	Bank Negara Indonesia	Indonesia	Financials	8,773	2.25
17	Nari Technology	China	Industrials	8,582	2.20
18	Bank Mandiri	Indonesia	Financials	8,539	2.19
19	Kia	South Korea	Consumer discretionary	8,300	2.13
20	Macquarie Korea Infrastructure Fund	South Korea	Financials	8,284	2.13
Top Twenty Investments				212,027	54.41
21	Wesfarmers	Australia	Consumer discretionary	8,186	2.10
22	Guangdong Investment	Hong Kong	Utilities	8,027	2.06
23	Lenovo	China	Technology	8,006	2.05
24	Woodside Energy	Australia	Energy	7,957	2.04
25	Oversea-Chinese Banking	Singapore	Financials	7,626	1.96
26	HDFC Bank	India	Financials	7,378	1.89
27	NTPC	India	Utilities	7,277	1.87
28	HCL Technologies	India	Technology	7,254	1.86
29	CapitaLand Integrated Commercial Trust	Singapore	Real Estate	7,203	1.85
30	Power Grid	India	Utilities	7,183	1.84
Top Thirty Investments				288,124	73.93
31	Macquarie Group	Australia	Financials	7,174	1.84
32	Infosys	India	Technology	7,009	1.80
33	Fortescue	Australia	Basic Materials	6,890	1.77
34	CITIC Securities	China	Financials	6,781	1.74
35	Bharat Petroleum	India	Energy	6,544	1.68
36	United Overseas Bank	Singapore	Financials	6,481	1.66
37	Pilbara Minerals	Australia	Basic Materials	6,186	1.59
38	Spark New Zealand	New Zealand	Telecommunications	6,176	1.58
39	Goodman Group	Australia	Real Estate	6,072	1.56
40	Astra International	Indonesia	Consumer discretionary	6,028	1.55
Top Forty Investments				353,465	90.70

	Company	Country of incorporation	Sector	Valuation £'000	% of Portfolio
41	HKT Trust & HKT	Hong Kong	Telecommunications	5,679	1.46
42	Mapletree Logistics	Singapore	Real Estate	5,420	1.39
43	Hon Hai Precision Industry	Taiwan	Technology	5,296	1.35
44	Mega Financial	Taiwan	Financials	5,169	1.33
45	NetEase	Hong Kong	Consumer discretionary	3,662	0.94
46	AIA Group	Hong Kong	Financials	3,468	0.89
47	JD.com	China	Consumer discretionary	2,999	0.77
48	Alibaba Group	China	Consumer discretionary	2,440	0.63
49	PT Telkom	Indonesia	Telecommunications	2,087	0.53
50	Digital Telecommunications Infrastructure Fund	Thailand	Telecommunications	1,677	0.43
Top Fifty Investments				391,362	100.42
51	China Forestry ⁴	China	Basic Materials	-	-
52	Lenovo Put 7.96 (exp 05/03/24)	China	Technology	(3)	-
53	NetEase Put 135 (exp 27/03/24)	Hong Kong	Technology	(5)	-
54	Pilbara Minerals Put 3.02 (exp 16/05/24)	Australia	Basic Materials	(23)	-
55	Alibaba Group Call 87.9 (exp 07/05/24)	China	Consumer discretionary	(32)	(0.01)
56	NetEase Put 151 (exp 07/05/24)	Hong Kong	Consumer discretionary	(48)	(0.01)
57	MediaTek Call 122 (exp 29/05/24)	Taiwan	Technology	(67)	(0.02)
58	Taiwan Semiconductor Manufacturing Call 139 (exp 13/05/24)	Taiwan	Technology	(68)	(0.02)
59	AIA Group Call 66.4 (exp 02/05/24)	Hong Kong	Financials	(119)	(0.03)
60	JD.com Call 99.7 (exp 14/05/24)	China	Consumer discretionary	(120)	(0.03)
Top Sixty Investments				390,877	100.30
61	Pilbara Minerals Call 4.12 (exp 11/03/24)	Australia	Basic Materials	(131)	(0.03)
62	China Resources Put 21.9 (exp 30/05/24)	Hong Kong	Consumer discretionary	(173)	(0.05)
63	Anta Sports Call 73.5 (exp 02/05/24)	China	Consumer discretionary	(267)	(0.07)
64	Samsonite Call 24.8 (exp 01/03/24)	Hong Kong	Consumer discretionary	(288)	(0.07)
65	CITIC Securities Call 15.7 (exp 30/05/24)	China	Financials	(310)	(0.08)
Total Investments				389,708	100.00

1. American Depositary Receipts

2. Preferred shares

3. Incorporated in Guernsey with 100% exposure to Vietnam

4. Unquoted investment valued at £nil

GEOGRAPHIC EXPOSURE

	Portfolio at 29 February 2024	Portfolio at 31 August 2023
South Korea	16.9	10.7
Australia	16.0	17.2
Hong Kong	13.1	12.3
Taiwan	12.8	11.7
China	12.4	19.7
India	10.9	6.4
Singapore	6.9	7.5
Indonesia	6.5	6.3
Vietnam	2.5	3.2
New Zealand	1.6	1.9
Thailand	0.4	1.3
Japan	-	1.8
Total	100.0	100.0

SECTOR EXPOSURE

	Portfolio at 29 February 2024	Portfolio at 31 August 2023
Financials	28.5	28.2
Technology	20.8	16.0
Consumer discretionary	19.3	13.6
Basic materials	8.4	9.0
Real estate	7.3	9.4
Utilities	5.8	4.0
Telecommunications	4.0	8.3
Energy	3.7	6.7
Industrials	2.2	4.8
Total	100.0	100.0

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 29 February 2024 (Unaudited)			Half-year ended 28 February 2023 (Unaudited)			Year ended 31 August 2023 (Audited)		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	8,307	-	8,307	10,143	-	10,143	37,331	-	37,331
Other income	2,897	-	2,897	1,382	-	1,382	2,937	-	2,937
Gains/(losses) on investments held at fair value through profit or loss	-	20,953	20,953	-	(24,791)	(24,791)	-	(87,446)	(87,446)
Net foreign exchange gains/(losses) excluding foreign exchange (losses)/gains on investments	-	(725)	(725)	-	(986)	(986)	-	318	318
Total income	11,204	20,228	31,432	11,525	(25,777)	(14,252)	40,268	(87,128)	(46,860)
Expenses									
Management fees	(694)	(694)	(1,388)	(749)	(749)	(1,498)	(1,456)	(1,456)	(2,912)
Other expenses	(280)	(280)	(560)	(273)	(273)	(546)	(525)	(524)	(1,049)
Profit/(loss) before finance costs and taxation	10,230	19,254	29,484	10,503	(26,799)	(16,296)	38,287	(89,108)	(50,821)
Finance costs	(399)	(399)	(798)	(248)	(248)	(496)	(766)	(766)	(1,532)
Profit/(loss) before taxation	9,831	18,855	28,686	10,255	(27,047)	(16,792)	37,521	(89,874)	(52,353)
Taxation	(1,203)	343	(860)	(1,428)	159	(1,269)	(4,302)	415	(3,887)
Profit/(loss) for the period and total comprehensive income/(loss)	8,628	19,198	27,826	8,827	(26,888)	(18,061)	33,219	(89,459)	(56,240)
Earnings/(losses) per ordinary share - basic and diluted (note 2)	5.30p	11.79p	17.09p	5.64p	(17.18p)	(11.54p)	20.92p	(56.35p)	(35.43p)

The total column of this statement represents the Condensed Statement of Comprehensive Income of the Company, prepared in accordance with IAS 34.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies ('AIC'). All items in the above statement derive from continuing operations.

All income is attributable to the equity shareholders of the Company. There are no minority interests.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Half-year ended 29 February 2024 (Unaudited)

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2023	268,038	180,471	(108,047)	21,570	362,032
Total comprehensive income:					
Profit for the period	-	-	19,198	8,628	27,826
Transactions with owners, recorded directly to equity:					
Dividends paid	-	(2,875)	-	(16,991)	(19,866)
Buyback of shares for treasury	(1,415)	-	-	-	(1,415)
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Total equity at 29 February 2024	<u>266,623</u>	<u>177,596</u>	<u>(88,849)</u>	<u>13,207</u>	<u>368,577</u>

Half-year ended 28 February 2023 (Unaudited)

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2022	246,997	180,471	(18,588)	26,696	435,576
Total comprehensive income:					
(Loss)/profit for the period	-	-	(26,888)	8,827	(18,061)
Transactions with owners, recorded directly to equity:					
Dividends paid	-	-	-	(18,780)	(18,780)
Shares issued	11,782	-	-	-	11,782
Share issue costs	(22)	-	-	-	(22)
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Total equity at 28 February 2023	<u>258,757</u>	<u>180,471</u>	<u>(45,476)</u>	<u>16,743</u>	<u>410,495</u>

Year ended 31 August 2023 (Audited)

	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2022	246,997	180,471	(18,588)	26,696	435,576
Total comprehensive income:					
(Loss)/profit for the year	-	-	(89,459)	33,219	(56,240)
Transactions with owners, recorded directly to equity:					
Dividends paid	-	-	-	(38,345)	(38,345)
Shares issued	21,083	-	-	-	21,083
Share issue costs	(42)	-	-	-	(42)
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Total equity at 31 August 2023	<u>268,038</u>	<u>180,471</u>	<u>(108,047)</u>	<u>21,570</u>	<u>362,032</u>

CONDENSED BALANCE SHEET

29 February 2024
(Unaudited)
£'000

28 February 2023
(Unaudited)
£'000

31 August 2023
(Audited)
£'000

Non-current assets

Investments held at fair value through profit or loss (note 8)

391,362	435,018	386,867
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Current assets

Other receivables

17,118	6,833	2,587
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Cash and cash equivalents

4,383	11,711	3,944
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21,501	18,544	6,531
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Total assets

412,863	453,562	393,398
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Current liabilities

Investments held at fair value through profit or loss - written options (note 8)

(1,654)	(1,216)	(1,582)
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Deferred taxation

(42)	(161)	(149)
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Other payables

(7,015)	(4,410)	(1,444)
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Bank loans

(35,575)	(37,280)	(28,191)
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(44,286)	(43,067)	(31,366)
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Net assets

368,577	410,495	362,032
=====	=====	=====

Equity attributable to equity shareholders

Stated share capital

266,623	258,757	268,038
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Distributable reserve

177,596	180,471	180,471
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Retained earnings:

Capital reserves

(88,849)	(45,476)	(108,047)
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Revenue reserve

13,207	16,743	21,570
-----	-----	-----

Total equity

368,577	410,495	362,032
=====	=====	=====

Net asset value per ordinary share (note 3)

227.06p	257.71p	222.12p
=====	=====	=====

CONDENSED STATEMENT OF CASH FLOWS

	Half-year ended 29 February 2024 (Unaudited)£'000	Half-year ended 28 February 2023 (Unaudited) £'000	Year ended 31 August 2023 (Audited) £'000
Cash flows from operating activities			
Profit/(loss) before taxation	28,686	(16,792)	(52,353)
Add back:			
Finance costs	798	496	1,532
(Profit)/losses on investments held at fair value through profit or loss	(20,953)	24,791	87,446
Withholding tax on investment income	(1,088)	(885)	(3,727)
Net foreign exchange loss/(profit) excluding foreign exchange losses on investments	725	986	(318)
Decrease/(increase) in prepayments and accrued income	93	(1,588)	839
(Increase)/decrease in amounts due from brokers	(14,504)	(855)	37
Increase/(decrease) in other payables	262	(2,001)	(1,064)
Increase in amounts due to brokers	5,310	2,666	-
	-----	-----	-----
Net cash (outflow)/inflow from operating activities	(671)	6,818	32,392
	-----	-----	-----
Cash flows from investment activities			
Sales of investments	193,715	96,058	348,721
Purchases of investments	(177,530)	(116,170)	(383,956)
	-----	-----	-----
Net cash inflow/(outflow) from investing activities	16,185	(20,112)	(35,235)
	-----	-----	-----
Cash flow from financing activities			
Loan drawdown	156,310	50,143	211,162
Loan repayment	(148,687)	(28,784)	(199,302)
Equity dividends paid	(19,866)	(18,780)	(38,345)
Buyback of shares for treasury	(1,070)	-	-
Share issue proceeds	-	10,718	21,083
Share issue costs	-	(22)	(42)
Interest paid	(798)	(309)	(1,522)
	-----	-----	-----
Net cash (outflow)/inflow from financing activities	(14,111)	12,966	(6,966)
	-----	-----	-----
Increase/(decrease) in cash and cash equivalents	1,403	(328)	(9,809)
Cash and cash equivalents at the start of the period/year	3,944	14,310	14,310
Exchange movements	(964)	(2,271)	(557)
	-----	-----	-----
Cash and cash equivalents at the end of the period/year	4,383	11,711	3,944
	=====	=====	=====
Net debt			
Cash and cash equivalents	4,383	11,711	3,944
Bank loans repayable within one year	(35,575)	(37,280)	(28,191)
	-----	-----	-----
Net debt	(31,192)	(25,569)	(24,247)
	=====	=====	=====

Notes to the condensed financial statements

1. Accounting Policies:

(a) Basis of preparation

The condensed interim financial statements have been prepared on a going concern basis in accordance with IAS 34 and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

The annual report and financial statements for the year ended 31 August 2023 were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Where presentational guidance as set out in the Statement of Recommended Practice (the 'SORP') for investment trusts issued by the Association of Investment Companies (the 'AIC') in July 2022 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP. The unaudited results for the half-year ended 29 February 2024 have been prepared in accordance with the same accounting policies as those applied in the Company's financial statements for the year ended 31 August 2023.

There has been no change to the segmental reporting assessment compared to the 31 August 2023 financial statements.

These condensed financial statements do not include all information required for a full set of financial statements. The figures and financial information for the year ended 31 August 2023 are an extract based on the published financial statements and should be read in conjunction with them.

The condensed financial statements for the half-years ended 29 February 2024 and 28 February 2023 have not been audited or reviewed by the auditor.

(b) Investments held at fair value through profit or loss

All investments are classified upon initial recognition as held at fair value through profit or loss and are measured initially and subsequently at fair value. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. Financial assets are recognised/de-recognised at the trade date of the purchase/disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale less any transaction costs. The fair value of the financial assets is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. The fair value of option contracts is determined by reference to the Black-Scholes model. The fair values of unquoted financial instruments within the portfolio are based on their last audited net asset value discounted where necessary to arrive at a fair value.

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

(c) Material accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions.

The obligations relating to the options valued at £1,654,000 (liability) (28 February 2023: £1,216,000 (liability), 31 August 2023: £1,582,000 (liability)) are valued by reference to the Black-Scholes model.

2. Earnings/(losses) per ordinary share

The earnings per ordinary share figure is based on the net profit after taxation of £27,826,000 (half-year ended 28 February 2023: loss £18,061,000; year ended 31 August 2023: loss £56,240,000) and on 162,852,122 ordinary shares (half-year ended 28 February 2023: 156,514,227; year ended 31 August 2023: 158,745,879) being the weighted average number of ordinary shares in issue during each of the periods, excluding shares held in treasury.

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

	Half-year ended 29 February 2024 (Unaudited) £'000	Half-year ended 28 February 2023 (Unaudited) £'000	Year ended 31 August 2023 (Audited) £'000
Net revenue profit	8,628	8,827	33,219
Net capital profit/(loss)	19,198	(26,888)	(89,459)
Net total profit/(loss)	27,826	(18,061)	(56,240)

Weighted average number of ordinary shares in issue during the period / year	162,852,122	156,514,227	158,745,879
	Pence	Pence	Pence
Revenue earnings per ordinary share	5.30	5.64	20.92
Capital earnings/(loss) per ordinary share	11.79	(17.18)	(56.35)
Total earnings/(loss) per ordinary share	17.09	(11.54)	(35.43)

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

3. Net asset value per ordinary share

The net asset value per ordinary share is based on a net asset value of £368,577,000 (28 February 2023: £410,495,000; 31 August 2023: £362,032,000) and 162,322,917 (28 February 2023: 159,283,564; 31 August 2023: 162,988,564) ordinary shares, being the number of ordinary shares in issue at each period end, excluding shares held in treasury.

4. Transaction costs

Purchase transaction costs for the half-year ended 29 February 2024 were £236,000 (half-year ended 28 February 2023: £132,000; year ended 31 August 2023: £526,000). Sales transaction costs for the half-year ended 29 February 2024 were £329,000 (half-year ended 28 February 2023: £169,000; year ended 31 August 2023: £643,000). Transaction costs for both purchases and sales principally consist of commission fees.

5. Stated share capital

At 29 February 2024, there were 162,988,564 shares in issue, of which 665,647 were held in treasury. The costs of repurchasing shares for treasury is charged to Stated Capital.

During the half-year period ended 29 February 2024, 665,647 shares were repurchased for treasury at a cost of £1,415,000 (half-year ended 28 February 2023: £nil, and year ended 31 August 2023: £nil). No shares have been issued (half-year ended 28 February 2023: 4,335,000 shares for net proceeds of £11,760,000; year ended 31 August 2023: 8,040,000 shares for net proceeds £21,041,000).

Since the period end a further 140,738 shares have been repurchased for treasury at a cost of £312,000.

6. Dividends

The Company pays dividends on a quarterly basis. On 24 November 2023, a fourth interim dividend of 6.10p per ordinary share was paid in respect of the year ended 31 August 2023. A first interim dividend, in respect of the year ended 31 August 2024 of 6.10p per ordinary share was paid on 23 February 2024. The second interim dividend of 6.10p per ordinary share will be paid on 31 May 2024 to shareholders on the register on 26 April 2024. The Company's shares will be quoted ex-dividend on 25 April 2024 (24 April 2024 for shares traded on the New Zealand Stock Exchange). Based on the number of shares in issue on 25 April 2024, the cost of this dividend will be £9.9m.

7. Management fee

The management fee calculation is a flat rate of 0.75% of net assets per annum, charged quarterly in arrears.

8. Financial Instruments

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

Financial assets and financial liabilities at fair value through profit or loss at 29 February 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity investments	391,362	-	-	391,362
- OTC derivatives (options)	-	(1,654)	-	(1,654)
	391,362	(1,654)	-	389,708

Financial assets and financial liabilities at fair value through profit or loss at 28 February 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity investments	435,018	-	-	435,018
- OTC derivatives (options)	-	(1,216)	-	(1,216)
	<u>435,018</u>	<u>(1,216)</u>	<u>-</u>	<u>433,802</u>

Financial assets and financial liabilities at fair value through profit or loss at 31 August 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity investments	386,867	-	-	386,867
- OTC derivatives (options)	-	(1,582)	-	(1,582)
	<u>386,867</u>	<u>(1,582)</u>	<u>-</u>	<u>385,285</u>

Level 3 investments related to one holding of China Forestry was transferred into level 3 in 2012 and written to zero market value during 2014 following a missed coupon payment, delayed publication of annual report and accounts and resignation of Chief Financial Officer and Company Secretary. This investment has continued to be held at zero value throughout 2023 and to 29 February 2024.

There have been no transfers into/out of and no movements in Level 3 investments during the half-years ended 29 February 2024 and 28 February 2023, and the year ended 31 August 2023.

The Company's holdings in options are included within Level 2.

The valuation techniques used by the Company are explained in note 1(b).

Premiums from written options during the half-year ended 29 February 2024 were £2,811,000 (half-year ended 28 February 2023: £1,357,000; year ended 31 August 2023: £2,869,000).

9. Going concern

The assets of the Company consist almost entirely of securities that are readily realisable 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 the financial position and taking account of the ability of the Company to draw down under the existing bank loan facility, as well as the likelihood of being able to renew the facility, and the principal risks and uncertainties facing the Company, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

10. Net debt reconciliation

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 August 2023	3,944	(28,191)	(24,247)
Cash flows	1,403	(7,623)	(6,220)
Exchange movements	(964)	239	(725)
Net debt as at 29 February 2024	<u>4,383</u>	<u>(35,575)</u>	<u>(31,192)</u>

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 August 2022	14,310	(17,206)	(2,896)
Cash flows	(328)	(21,359)	(21,687)
Exchange movements	(2,271)	1,285	(986)
Net debt as at 28 February 2023	<u>11,711</u>	<u>(37,280)</u>	<u>(25,569)</u>

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Total £'000
Net debt as at 31 August 2022	14,310	(17,206)	(2,896)
Cash flows	(9,809)	(11,860)	(21,669)
Exchange movements	(557)	875	318
Net debt as at 31 August 2023	3,944	(28,191)	(24,247)

11. 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 period, with only amounts paid to them being in respect of remuneration.

In relation to the provision of services by the investment manager (other than fees payable by the Company in the ordinary course of business and the provision of marketing services) there have been no material transactions with investment manager affecting the financial position of the Company during the period under review.

12. Half-year report

The half-year report is available on the Company's website (www.hendersonfareastincome.com). Shareholders will be sent a copy of the abridged version of the half-year results in May 2024.

13. General information

a) Company Status

The Company is registered with limited liability in Jersey as a closed end investment company, number 95064, under the Companies (Jersey) Law 1991 and is certified as a collective investment fund under the Collective Investment Funds (Jersey) Law 1998. The Company has obtained a Fund Certificate under Articles 7 of the Collective Investment Funds (Jersey) Law. The Company is listed on the London and New Zealand stock exchanges and became UK tax resident with effect from 1 September 2018.

SEDOL/ISIN number: B1GXH75/JE00B1GXH751

London Stock Exchange (TIDM) code: HFEL

New Zealand Stock Exchange code: HFL

Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.826

Legal Entity Identifier (LEI): 2138008DIQREOD38O596

b) Directors, Secretary and Registered Office

The directors of the Company are Ronald Gould (Chairman), Julia Chapman, Timothy Clissold, Carole Ferguson, Nicholas George and Susan Ripplingall. The Corporate Secretary is Janus Henderson Secretarial Services UK Limited. The registered office is IFC1, The Esplanade, St Helier, Jersey, JE1 4BP. The principal place of business is 201 Bishopsgate, London, EC2M 3AE.

c) Website

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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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) are incorporated into, or form part of, this announcement.