CC JAPAN INCOME & GROWTH TRUST PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2019

ASSET MANAGEMENT
CouplandCardiff

CONTENTS

INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

INVESTMENT OBJECTIVE

The investment objective of the Company is to provide Shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

FINANCIAL INFORMATION

	At 31 October 2019	At 31 October 2018
Net assets (millions)	£214.1	£190.9
Net asset value ("NAV") per Ordinary Share ("Share")[1]	158.9p	148.6p
Share price	150.0p	153.0p
Share price (discount)/premium to NAV[2]	(5.6%)	3.0%
Ongoing charges[2]	1.06%	1.09%

1 Measured on a cum income basis.

2 This is an Alternative Performance Measure ('APM').

PERFORMANCE SUMMARY

	For the year to 31 October 2019 % change[1]	For the year to 31 October 2018 % change[1]
NAV total return per share[2]	+9.9%	+4.1%
Share price total return[2]	+0.7%	+2.8%
Topix index total return	+7.2%	-0.4%

1 Total returns are stated in GBP sterling, including dividends reinvested.

2 These are Alternative Performance Measures (APM). Definitions of these and other APMs used in this Annual Report, together with how these measures have been calculated are disclosed on pages 55 and 56 of this Annual Report.

Source: Bloomberg.

CHAIRMAN'S STATEMENT

Performance

I am pleased to present the results for the Company's fourth annual report. Over the financial year to 31 October 2019, the Company's Net Asset Value (NAV) increased by 9.9% in sterling total return terms while the sterling total return of the Tokyo Stock Exchange (Topix) was up by 7.2%. The Company has recorded a 69.7% NAV total return since listing in December 2015 until the recent financial year end. This compares favourably to the Topix total return of 58.5% over the same period.

During the year to 31 October 2019, the share price again measured by total return to include dividends paid during the period, rose by only 0.7%. Share price performance reflected weak sentiment across Asian equity markets that has also seen the Company's premium share price rating erode to a discount. Since listing, the share price, measured by total return in sterling, has risen by 62.8%.

In last year's Annual Report, I commented on the deterioration of global liquidity but, during 2019, we have seen a *volte face* in central banks' monetary policy, with the U.S. Federal Reserve leading the way with three interest rate cuts and renewed balance sheet expansion. This has led to a rebound in markets despite sentiment being heavily affected by President Trump's aggressive trade negotiations, notably with China. The imposition of trade tariffs and protectionist moves are undermining confidence in the direction of global growth, consequently occluding the picture for corporate earnings. Although approximately two thirds of Japanese stock market earnings are generated overseas, the domestic economy still remains relatively robust.

Growth of the Company

The issued share capital has more than doubled since launch, while the net assets of the Company stand at £214 million at the financial year end. An additional 6,278,829 Ordinary Shares were issued by "tap" issues and a Placing during the first half of the financial year, raising some £8.7 million in total. Although the Board remains fully committed to growing the Company, the loss of our share premium precluded any further issuance in the second half of the financial year. Investors should recognise the exceptional potential for harvesting growing and sustainable corporate income distributions in Japan, which in turn should provide our Investment Manager, equipped with an income seeking mandate, with the ability to produce continued strong investment performance coupled with dividend growth for Shareholders of the Company.

The Board has the authority to buy back Ordinary Shares to be held in Treasury and will seek Shareholders' approval to renew this power at the Annual General Meeting, although no Ordinary Shares have been bought back to date.

Income

Reflecting the underlying trend for increased dividends, the net revenue return increased by 37% to £7.0 million for the year, from £5.1 million last year. The revenue account benefitted from a one-off VAT refund of £183,000 received during the year and from a favourable £/yen cross rate in income translation. This may reverse if sterling benefits from greater clarity over Brexit and the UK's political future. Nevertheless, it is not our policy to hedge currency risk on revenue receivables although the Board and Investment Manager monitor the situation closely.

Dividends

The Board has declared a final dividend for the year of 3.10p per Ordinary Share, which represents a 24% increase over last-year's final dividend distribution of 2.50p. This will be paid on 19 March 2020 to those Shareholders on the register at 7 February 2020. The total declared dividend for the year of 4.50p per Ordinary Share (2018: 3.75p) represents a 20% increase over the previous financial year and I am pleased to note that this rebases the dividend yield towards the 3% level offered at launch.

The Board believes that this is a very attractive headline yield being a "clean" dividend paid out of covered income. Shareholders should note that we have the power to distribute from capital, having created a special reserve at launch for this purpose, although this is very much "held up the Board's sleeve" to act as a contingency facility.

After taking into account the final dividend, the revenue reserve at 31 October 2019 stands at £1.8 million representing 1.36p per Ordinary Share.

Over the life of the Company, the overall level of annual dividend distribution has increased by 50%.

Outlook

On 20 November 2019, Shinzo Abe became the longest serving Prime Minister in Japan's history. This is notable not just because of the length of his service but also the stability this has offered during a period of an increasingly uncertain political environment around the world and also Japan's recent history which saw six Prime Ministers in as many years prior to his appointment in December 2012.

While the jury will remain out for some time on the ultimate success of his *Abenomics* policy initiatives to reinvigorate and reform the economy, the significant progress in the areas of capital efficiency, corporate governance and shareholder return should be highlighted. These trends are particularly relevant to the philosophy of the Investment Manager and the investment case for Japanese equities. There are quantifiable improvements. Return on Equity ("ROE") has doubled for all listed constituents from under 5% to 10.8% between FY12 and FY18. The percentage of Tokyo Stock Exchange 1st Section companies appointing outside independent directors is now 93%, up from 17% in 2012. There is a consistent increase in the total dividends paid from Y6.8 trillion in FY2013 to Y15.0 trillion in FY2019. The corporate sector in Japan has aggregate cash balances of Y240 trillion (US$2.2 trillion), which underscores the potential.

Japan's Stewardship Code was adopted in 2014 and revised in 2017, while their Corporate Governance Code was adopted in 2015 and revised in 2018. These initiatives have been integral to the positive developments by encouraging dialogue between investors and corporate managers that were not previously evident and is continuing to reap benefits. Cross-shareholdings continue to fall and there has been an acceleration in the unwinding of the parent/subsidiary listing relationship through consolidation or sale, which enhances business focus, decision making and capital allocation.

The clear conclusion from these initiatives and the ongoing discussions is that these improvements are here to stay and have established a foundation for the next leg of progress. The recent slowing of economic growth has not tempered the enthusiasm for change. It is particularly encouraging that corporate managers are demonstrating a commitment to the stability of dividends over time despite earnings volatility and also demonstrating a more flexible approach to share buybacks in order to achieve greater capital efficiencies. The increase in share buybacks over the last twelve months (almost 100% year-on-year, as equity valuations have fallen), is a notable feature of recent market dynamics and a commendable response to any weakness in share prices.

These improvements will feature prominently amongst Prime Minister Abe's legacy achievements. The framework created through the introduction of the codes of behaviour, market index creation and law revisions will ensure that the improvements will be maintained well beyond his tenure. The Investment Manager believes that the favourable characteristics will continue to be recognised by domestic and international investors and should ensure that they are able to differentiate between long term investment opportunities and short term market trends.

Some disquiet has arisen as a result of recent moves to restrict stock activists. Private equity firms have been very busy in Japan. The Japanese parliament (Diet) has amended the Foreign Exchange and Foreign Trade Act (FEFTA) to introduce pre-filing requirements for foreign investors wishing to purchase stakes in certain business sectors deemed of "national security". The Government Pension Fund has also announced that it will cease its stock lending programme which as a major holder of equities will curtail the activities of short sellers. These moves may have affected sentiment but are largely irrelevant to our Investment Manager in the execution of our investment process.

Perhaps the 2020 Tokyo Olympics will act as a catalyst for investor interest in Japan. Additional fiscal stimulus announced in December 2019 is positive and more than offsets the apparently negligible effects of the increase in the Government Sales Tax. Recently, foreign investors have turned net buyers of Japanese equities after nearly two years of net selling. It seems bizarre that domestic savings continue to have an obsessive appetite for foreign high yield products with inherent currency risk, when it is possible to invest in a basket of leading domestic companies offering yields of over 4%. Indeed, the yield on the Topix exceeds that of the S&P 500.

A US – Iranian war would undermine confidence in world equity markets, besides driving oil prices higher, in itself a negative for Japan as an oil importer. We must hope that diplomatic efforts to calm a dangerously unstable Middle Eastern situation will prevail. Any improvement in China/US trade relations would be a positive catalyst for Japanese equities but, irrespective of developments on that score, our Investment Manager remains alert to manifold opportunities in a fertile income landscape.

Harry Wells

23 January 2020

INVESTMENT MANAGER'S REPORT

Performance Review

The portfolio produced a positive return over the twelve months period to 31 October 2019 with the Net Asset Value (NAV) per Ordinary Share rising from 148.6p to 158.9p (+ 6.9%). In addition, Shareholders have received dividend distributions of 3.90p per Share paid during the financial year delivering a total return of 9.9%, which represents an outperformance of the Topix total return index over the same period.

Concerns about the slowing global economy and ongoing political tensions have been prominent features during the year and resulted in a delay to monetary policy normalisation in the major economic regions. Lower interest rates were consequently a factor in the strong performance of the real estate investment trust holdings ("REIT") held by the Company. Invesco Office J-REIT, Invincible Investment Corp, Japan Hotel REIT and MCUBS Mid City Investment were all amongst the top contributors to the performance in the fiscal year. This reflects the attractiveness of their yields which have been further enhanced by strong underlying operating fundamentals of the Japanese real estate market. The operating environment for financial companies, such as banks and leasing companies, undoubtedly becomes more challenging while interest rates are low and yield curves flat. The likes of Sumitomo Mitsui Financial Group, Mitsubishi UFJ Holdings, Resona Bank and Tokyo Century consequently suffered from share price weakness although from a shareholder return perspective, financials delivered attractive year on year increases and continue to offer significant potential for further improvement when the economic backdrop improves.

The arguments for maintaining holdings in world leading companies through an industry cycle are based on their increasing commitment to shareholders' interests and progressive dividend policies. This is evident in the performance of Tokyo Electron (semiconductor equipment) and Shin-Etsu Chemical (silicon wafers and PVC) which have been major positive contributors to performance despite weaker short term operating trends. The performance of a number of the smaller capitalisation companies in the portfolio has been disappointing in recent months after prior strong contributions. Yamada Consulting (business succession planning), Gakkyusha (educational services) and Pola Orbis (skincare) have all encountered share price sell offs as their business momentum has temporarily slowed in each case. These shares were the primary negative contributors in the fiscal year but each has delivered satisfactory shareholder returns and we believe will continue to reward investors consistently as business conditions improve.

We believe that maintaining extensive and regular contact with company management as part of our investment process will ensure that we are able to identify companies that offer attractive shareholder returns. We are encouraged that a number of companies have raised their dividend assumptions for the full year ending in March 2020 – Shoei, Noevir, Mitsubishi Corp, Hikari Tsushin, Inpex and Tokio Marine Holdings will all be paying larger distributions than originally expected, while significant share buyback programmes have been announced by a broad range of companies. This includes Toyota Motor (2.94% of outstanding shares), Tokio Marine Holdings (1.8%), Kakaku.com (1.8%) and Mitsubishi Corp (7.5%).

Current Portfolio Positioning

While equity markets, geopolitical developments and economic trends have been volatile, our investment policy remains consistent. It seeks to identify companies with attractive shareholder return policies that will complement underlying business growth in each case. The long average holding periods are a reflection of the time that it can take the market to recognise the improving prospects for shareholder returns and any changes in perception of the underlying business. There are two primary considerations that lead us to sell a position. The first is a fundamental change in the outlook for that particular company and by implication of this, a change to the projected returns to shareholders. The second is valuation. There are times when a share price exceeds the company's potential to deliver growth of the dividend, to an acceptable level in a reasonable time frame.

We are aware of the opportunities that have appeared as a result of the sell down of cyclical stocks and established new positions in Inpex, Kyowa Exeo and Maeda Road in response. Inpex is Japan's largest oil and gas exploration company. Having invested significantly in the Ichthys LNG project in recent years, the company's intention is to utilise the improving cashflow to enhance shareholder returns. Kyowa Exeo is a construction company with two areas of expertise – information and communication networks and urban infrastructure. The company has a strong balance sheet and is focused on improving capital efficiency through buybacks as well as offering a progressive dividend through a Dividend on Equity ("DOE") target of 3.5% (well above the market average). Maeda Road is engaged in the construction of pavements and roads as well as the general sale of asphalt mixtures and other construction materials. The company has demonstrated a strong intention to raise its dividend annually and also buy back shares with the surplus cash on its balance sheet. A new position was also established in Nihon Unisys. The investment case is based around a business structure transformation away from legacy operations to a support services, system services and outsourcing role and a commission based fee structure. The dividend has increased for eight consecutive years with the payout ratio rising steadily towards the 40% targeted in their current mid-term plan.

The strong share price performance of stocks such as Avant, Secom, Hikari Tsushin, Kakaku.com and Nomura Co. resulted in much less attractive current yields, so the holdings in these companies have been reduced to fund the above purchases.

Outlook

The aggregate distribution from Japanese companies to their shareholders is set to achieve another all time high in the fiscal year ending March 2020. Despite a turbulent year in overseas economies in particular, Japanese companies have continued to deliver attractive direct returns to their shareholders through dividends and share buybacks. We believe that the potential for further positive development in these trends remains very exciting due to the excess cash that has accumulated on corporate balance sheets, the high level of dividend cover and the changing attitudes in Japan towards capital allocation. This is an attractive combination for both domestic and international investors seeking income but also to those who have historically been deterred from considering the investment opportunities in Japan due to the perception of poor governance.

Richard Aston
Coupland Cardiff Asset Management LLP

23 January 2020

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

Investment policy

The Company intends to invest in equities listed or quoted in Japan. The Company may also invest in exchange traded funds in order to gain exposure to such equities. Investment in exchange traded funds shall be limited to not more than 20 per cent. of Gross Assets at the time of investment. The Company may also invest in listed Japanese real estate investment trusts (J-REITs).

The Company may enter into long only contracts for difference or equity swaps for gearing and efficient portfolio management purposes.

No single holding (including any derivative instrument) will represent more than 10 per cent. of Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have between 30 to 40 holdings, although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time.

The Company will have the flexibility to invest up to 10 per cent. of its Gross Assets at the time of investment in unquoted or untraded companies.

The Company will not be constrained by any index benchmark in its asset allocation.

Borrowing policy

The Company may use borrowings for settlement of transactions, to meet on-going expenses and may be geared through borrowings and/or by entering into long only contracts for difference or equity swaps that have the effect of gearing the Company's portfolio to seek to enhance performance. The aggregate of borrowings and long only contracts for difference and equity swap exposure will not exceed 25 per cent. of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate, although the Company's normal policy will be to utilise and maintain gearing to a lower limit of 20 per cent. of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in yen.

Hedging policy

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investment denominated in yen, although the Investment Manager and the Board may review this from time to time.

Results and dividend

The Company's revenue return after tax for the financial year amounted to £7,003,000 (2018: £5,117,000). In July 2019, the Company paid an interim dividend of 1.40p (2018: 1.25p) per Ordinary Share. The Directors are proposing a final dividend for the year ended 31 October 2019 of 3.10p (2018: 2.50p) per Ordinary Share which, subject to Shareholder approval, will be paid on 19 March 2020 to Shareholders on the register at 7 February 2020. Therefore, the total dividend in respect of the financial year to 31 October 2019 will be 4.50p (2018: 3.75p) per Ordinary Share.

The Company made a capital gain after tax of £12,735,000 (2018: capital loss of £2,953,000). Therefore, the total return after tax for the year was £19,738,000 (2018: £2,164,000).

Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) Long term capital growth

The Board considers the Company's Net Asset Value (NAV) total return figures to be the best indicator of performance over time and this therefore is the main indicator of performance used by the Board. The NAV total return for the year to 31 October 2019 was 9.9% (2018: 4.1%) and the NAV total return from the Company's inception to 31 October 2019 was 69.7% (2018: 57.2%).

The Chairman's Statement on pages 3 and 4 incorporates a review of the highlights during the year. The Investment Manager's Report on pages 5 and 6 gives details on investments made during the year and how performance has been achieved.

(ii) Revenue return per Share and dividends

The Company's revenue return per Ordinary Share based on the weighted average number of shares in issue during the year was 5.26p (2018: 4.55p). The Company's proposed total dividend payable in respect of the year ended 31 October 2019, including an interim dividend of 1.40p per Ordinary Share paid on 31 July 2019 and a final dividend of 3.10p payable on 19 March 2020, is 4.50p (2018: 3.75p) per Ordinary Share.

(iii) Discount/premium to NAV

The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The share price closed at a 5.6% discount to the NAV as at 31 October 2019 (2018: 3.0% premium).

(iv) Control of the level of ongoing charges

The Board monitors the Company's operating costs carefully. Based on the Company's average net assets for the year ended 31 October 2019, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.06% (2018: 1.09%).

Principal risks and uncertainties

Together with the issues discussed in the Chairman's Statement and the Investment Manager's Report, the Board considers that the principal risks and uncertainties faced by the Company fall into the following main categories:

(i) Market risks

Economic conditions

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

Sectoral diversification

The Company has no limits on the amount it may invest in any sector. This may lead to the Company having significant concentrated exposure to portfolio companies in certain business sectors from time to time.

Concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to shareholders.

Unquoted companies

The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.

The Company currently holds no unquoted companies.

Management of risks

The Company is invested in a diversified portfolio of quoted investments.

The Company's investment policy states that no single holding (including any derivative instrument) will represent more than 10 per cent. of the Company's Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have between 30 to 40 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time. The Company currently holds 43 holdings with a corresponding amount of CFDs.

A maximum of 10 per cent. of the Company's Gross Assets at the time of investment may be invested in unquoted or untraded companies at time of investment.

Whilst the Company does not have a benchmark, the Board measures performance for reference purposes against the Topix Index. The Board also monitors performance relative to the Company's peer group over a range of periods, taking into account the differing investment policies and objectives.

(ii) Corporate governance and internal control risks (includes cyber security)

The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements.

The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Investment Manager, and the performance of administrative, registration and custodial services. These could lead to various consequences including the loss of the Company's assets, inadequate returns to Shareholders and loss of investment trust status. Cyber security risks could lead to breaches of confidentiality, loss of data records and inability to make investment decisions.

Management of risks

Each of the above contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis. The Board monitors key personnel risks as part of its oversight of the Investment Manager. The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks.

(iii) Regulatory risks

Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006, The Financial Services and Markets Act, The Alternative Investment Fund Managers' Directive, Accounting Standards, The General Data Protection Regulation, The Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules could result in financial penalties or legal proceedings against the Company or its Directors. Failure of the Investment Manager to meet its regulatory obligations could have adverse consequences on the Company.

Management of risks

The Company has contracted out relevant services to appropriately qualified professionals. The Investment Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

(iv) Financial risks

The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk. The Company's portfolio income from dividends is received in Japanese yen but the Company's dividend payable to shareholders is payable in sterling.

Management of risks

The Company converts its dividends received into sterling upon receipt. Further details of financial risks and the management of those risks are disclosed in note 17 to the financial statements.

Viability statement

The Directors have assessed the viability of the Company for the period to 31 October 2024 (the "Period") taking into account the long-term nature of the Company's investment strategy and the principal risks outlined above. The Board has chosen a five year period to assess the Company's viability because they believe it to be a period over which the investment objective and the principal risks and uncertainties are unlikely to change significantly. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the Period.

In their assessment of the prospects of the Company, the Directors have considered each of the principal risks and uncertainties set out above and the liquidity and solvency of the Company. The Directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements. Portfolio activity and market developments are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The Directors do not expect there to be any material increase in the annual ongoing charges of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the period of their assessment.

The Chairman's Statement and Investment Manager's Report present the positive long-term investment case for Japanese equities which also underpins the Company's viability for the Period.

The continuation of the Company was approved by Shareholders at the Annual General Meeting held in March 2019 and is subject to the approval of Shareholders at the Annual General Meeting of the Company to be held in 2022 and, if passed, every three years thereafter.

Environmental matters

As an investment company with no employees and which does not provide goods or services or operational activity, beyond investment activity, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Employees

The Company has no employees. As at 31 October 2019 the Company had five Directors, four of whom are male and one female. The Board's policy on diversity is contained in the Corporate Governance Report (see page 20).

Social, community and human rights issues

Having no employees, the Company, as an investment company, has little direct impact on social, community, environmental or human rights matters. The Company's appointed Investment Manager, Coupland Cardiff, is a signatory of the Principles of Responsible Investment; the identification of investment opportunities with high governance standards is incorporated into the investment policy.

Modern slavery disclosure

Due to the nature of the Company's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk to this matter.

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery, corruption and tax evasion and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. Taking account of the nature of the Company's business and operations, the Board has adopted policies and procedures that allow it to have reasonable assurance that persons associated with the Company are prevented from engaging in bribery or corruption for and on behalf of the Company.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on pages 3 and 4.

Strategic Report

The Strategic Report set out on pages 2 to 12 of this Annual Report was approved by the Board of Directors on 23 January 2020.

For and on behalf of the Board

Harry Wells

Director

23 January 2020

HOLDINGS IN PORTFOLIO

AS AT 31 OCTOBER 2019

Company	Sector	Market value £'000	% of net assets
Invesco Office J-REIT	Real Estate	9,012	4.2
Shin-Etsu Chemical	Chemicals	8,671	4.0
Nippon Telegraph & Telephone	Information & Communications	8,436	3.9
Itochu Corp	Wholesale	8,172	3.8
Tokio Marine	Insurance	8,029	3.7
Toyota Motor	Transport Equipment	7,493	3.5
Invincible Investment Corp	Real Estate	7,103	3.3
Bridgestone Corp	Rubber Products	7,092	3.3
Japan Hotel REIT	Real Estate	6,711	3.1
Sumitomo Mitsui Financial Group	Banks	6,696	3.1
Tokyo Electron	Electrical Appliances	6,132	2.9
Mitsubishi Corp	Wholesale	6,111	2.9
Noevir	Chemicals	6,062	2.8
Kao	Chemicals	5,675	2.7
Kakaku.com	Services	5,669	2.7
Daiwa House	Construction	5,320	2.5
Sho-Bond Holdings	Construction	5,118	2.4
Mitsubishi UFJ Financial Group	Banks	5,077	2.4
Secom	Services	5,024	2.4
Shoei	Securities & Commodities	4,887	2.3
Tsubaki Nakashima	Machinery	4,761	2.2
Hikari Tsushin	Information & Communications	4,586	2.1
Amada	Machinery	4,519	2.1
Komatsu	Machinery	4,472	2.1
MCUBS Midcity Investment	Real Estate	4,469	2.1
Japan Tobacco	Foods	4,412	2.1
Pola Orbis	Chemicals	4,389	2.1
Kyowa Exeo	Construction	4,344	2.0
Tokyo Century	Other Financing Business	4,306	2.0
Canon	Electrical Appliances	4,139	1.9
Resona Holdings	Banks	4,066	1.9
SBI Holdings	Securities & Commodities	3,635	1.7
Gakkyusha	Services	3,631	1.7
Yamada Consulting	Services	3,063	1.4

Company	Sector	Market value £'000	% of net assets
Nihon Unisys	Information & Communications	3,060	1.4
Inpex	Mining	2,875	1.3
Mabuchi Motor	Electrical Appliances	2,828	1.3
GCA Corporation	Services	2,468	1.2
Nippon Parking Development	Real Estate	2,415	1.1
Maeda Road Construction	Construction	2,255	1.1
Park24	Real Estate	2,190	1.0
Avant	Information & Communications	1,437	0.7
Nomura Co	Services	430	0.2
Total holdings		**211,240**	**98.6**
Other net assets		2,886	1.4
Net asset value		**214,126**	**100.0**

TOP TEN SECTORS

AS AT 31 OCTOBER 2019

Sector	% of net assets
Real Estate	14.8
Chemicals	11.6
Services	9.5
Information & Communications	8.2
Construction	8.0
Banks	7.4
Wholesale	6.7
Machinery	6.4
Electrical Appliances	6.1
Securities & Commodities	4.0
Other Sectors	15.9
Other net assets	1.4
Total	**100.0**

TOP TEN CONTRACTS FOR DIFFERENCE ("CFDs")

AS AT 31 OCTOBER 2019

Company	Sector	Absolute value £'000	Absolute value as a % of net assets	Market value £'000
Invesco Office J-REIT	Real Estate	1,802	0.8	617
Shin-Etsu Chemical	Chemicals	1,734	0.8	382
Nippon Telegraph & Telephone	Information & Communications	1,687	0.8	29
Itochu Corp	Wholesale	1,634	0.8	211
Tokio Marine	Insurance	1,606	0.7	190
Toyota Motor	Transport Equipment	1,499	0.7	42
Invincible Investment Corp	Real Estate	1,421	0.7	366
Bridgestone Corp	Rubber Products	1,418	0.7	(113)
Japan Hotel REIT	Real Estate	1,342	0.6	138
Sumitomo Mitsui Financial Group	Banks	1,339	0.6	(322)
Top ten		**15,482**	**7.2**	**1,540**
Other CFDs		26,765	12.4	(3,422)
Total		**42,247**	**19.7**	**(1,882)**

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 October 2019.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 12.

Corporate governance

The Corporate Governance Statement on pages 18 to 22 forms part of this report.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The manner in which the Company conducts its affairs meets the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 October 2019 and intends to continue to do so.

Management

Coupland Cardiff Asset Management LLP ("CCAM") has been appointed as the Company's Investment Manager and Alternative Investment Fund Manager (the "Investment Manager" or the "AIFM"). CCAM is authorised and regulated by the Financial Conduct Authority.

The Investment Management Agreement is subject to not less than six months' written notice. There is no compensation payable on termination of the agreement.

The Investment Manager is entitled to remuneration each month at a rate equivalent to one twelfth of 0.75% of the Net Asset Value of the Company.

In accordance with the Directors' policy on the allocation of expenses between revenue and capital 80% of the management fee is charged to capital and the remaining 20% to income.

The Board reviews this policy on a periodic basis and confirms this allocation remains consistent with their expectations of future returns from the portfolio.

Management engagement

Having carefully reviewed the Investment Manager's appointment during the year, the Directors are satisfied that the Investment Manager continues to provide satisfactory performance and has the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the Investment Manager is in the interests of Shareholders as a whole. Since inception, the Company has delivered positive total return performance and met its objectives set out in the prospectus in relation to the annual dividend, which has risen every year since inception.

Alternative Investment Fund Managers' Directive ("AIFMD")

In accordance with the AIFMD, the Company has appointed CCAM as its Alternative Investment Fund Manager ("AIFM"). The AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules is included in this Annual Report or will be made available on the AIFM's website: (**www.ccjapanincomeandgrowthtrust.com/report-accounts**).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period which is the year ended 31 December 2018. These disclosures are available on the AIFM's website (**www.couplandcardiff.com/aifm-remuneration-disclosure**) or are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 200%. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	200%	200%
Actual leverage at 31 October 2019	121%	120%

Dividend policy

The Company intends to pay dividends on a semi-annual basis, with dividends normally declared in January and June and paid in March and July/August in each year, and to grow the dividend over time. The dividends will not necessarily be of equal amounts.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting year.

In order to increase the distributable reserves available to facilitate the payment of future dividends, the amount standing to the credit of the share premium account of the Company immediately following completion of the first issue of Ordinary Shares on 15 December 2015 was cancelled and transferred to a special distributable reserve. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

Dividends will normally be funded through distributions from portfolio companies including dividends and other distributions, taking account of share buybacks by portfolio companies.

The Company declared an interim dividend of 1.40p per Ordinary Share in June 2019, which was paid on 31 July 2019 and is proposing a final dividend in respect of the year ended 31 October 2019 of 3.10p per Ordinary Share, which, subject to Shareholder approval at the Company's Annual General Meeting, will be paid on 19 March 2020.

Share issuance programme

A prospectus and supplementary prospectus were issued by the Company on 9 January 2018 and 19 January 2018 respectively to authorise the 2018 Share Issuance Programme which expired on 8 January 2019. At a General Meeting held on 4 February 2019, authority was granted by shareholders to issue up to a further 16,932,556 Ordinary Shares. This authority expired at the Annual General Meeting held in 2019.

General authority to issue shares

A general authority to issue up to 25,827,400 Ordinary Shares and to disapply pre-emption rights when issuing those shares was granted at the Company's last Annual General Meeting. This authority will expire at the time of the Annual General Meeting to be held in March 2020.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 26,932,648 Ordinary Shares (representing approximately 19.99% of the shares in issue at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to Shareholders at the Annual General Meeting.

During the year under review the Company issued a total of 6,278,829 Ordinary shares as detailed opposite:

Date Announced	Issue Price Per Ordinary Share (£)	Ordinary Shares Issued	Aggregate Nominal Value (£0.01 per share)
14 November 2018	1.441	750,000	£7,500.00
12 February 2019	1.383	5,528,829	£55,288.29

Any Ordinary Share issues will be issued at a premium to (cum income) Net Asset Value.

Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchases to be held as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum income) Net Asset Value per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. No Ordinary Shares were bought back during the year ended 31 October 2019 and no Ordinary Shares are currently held in Treasury.

Discount management

The Directors recognise the importance to investors of the Ordinary Shares not trading at a significant discount to their prevailing NAV. To the extent that the Ordinary Shares trade at a significant discount to their prevailing NAV, the Board will consider whether, in the light of the prevailing circumstances, the Company should purchase its own Ordinary Shares, whether pursuant to the general authority referred to below or pursuant to tender offers made on appropriate terms. There is, however, no guarantee or assurance that any discount control mechanisms proposed by the Board will reduce any discount.

The Directors currently have the authority to make market purchases of up to 19,367,346 Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining shareholders.

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each Annual General Meeting of the Company and such a resolution will put forward at the forthcoming Annual General Meeting. Purchases of Ordinary Shares will be made within guidelines to be established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company and when shares are trading and at a price that is below the then prevailing NAV per Ordinary shares. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Life of the Company

The Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Company will be proposed at the Annual General Meeting to be held in 2022, and, if passed, every three years thereafter. Upon any such resolution not being passed, within 90 days, proposals will be put forward to the effect that the Company be wound up, liquidated, reconstructed or unitised.

Market information

The Company's share capital is admitted to the premium listing segment of the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange. The NAV per share is calculated in sterling for each business day that the London Stock Exchange is open for business. The daily NAV per share is published through a regulatory information service.

Bank overdraft facility

The Company has a bank overdraft facility with The Northern Trust Company. Under the terms of the facility a maximum of £12 million, or the equivalent in Japanese yen, can be drawn down. As at the year end date, the equivalent of £1,174,000 (2018: £3,934,000) of the overdraft facility has been utilised on the Japanese yen bank account.

Derivatives

The Company may utilise long only contracts for difference or equity swaps for gearing and efficient portfolio management purposes. Where the Company uses such instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default.

During the year, the Company held contracts for difference and the gross exposure at 31 October 2019 was £44,129,000 (2018: £41,290, 000).

Financial instruments

The financial instruments of the Company generate liquidity risk, credit risk and market risk. An explanation of these risks and how they are managed and the policy and practice with regards to financial instruments are contained in note 17 of the financial statements.

Depositary and custodian

Northern Trust Global Services Limited is the Company's depositary and custodian.

Company Secretary

PraxisIFM Fund Services (UK) Limited is appointed as the company secretary of the Company.

Administrator

PraxisIFM Fund Services (UK) Limited is appointed to provide administration services to the Company including calculation of its daily Net Asset Value.

Capital structure and voting rights

At the financial year end, the Company's issued share capital comprised 134,730,610 Ordinary Shares of 1p nominal value. Each Ordinary Share held entitles the holder to one vote. All shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Annual General Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

Significant Shareholders

As at 31 October 2019, the Directors have been notified of the following shareholdings comprising 3% or more of the issued share capital of the Company in accordance with DTR 5 (The Disclosure and Guidance Transparency Directive):

Significant Shareholder	Holding	%
Rathbone Investment Management Ltd	13,404,704	9.95
1607 Capital Partners LLC	9,431,376	7.00
Charles Stanley Group PLC	5,689,763	4.22
J M Finn Nominees Limited	5,455,300	4.05
Derbyshire County Council	5,000,000	3.71
Brooks Macdonald Asset Management Limited	4,725,154	3.51

Since the year end, the Company has not been notified of any changes to the above shareholdings.

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DIRECTORS' REPORT continued

Settlement of ordinary share transactions

Ordinary Share transactions in the Company are settled by the CREST share settlement system.

Political donations

There were no political donations made during the financial year to 31 October 2019 (2018: nil).

Notice of general meetings

For the Annual General Meeting at least twenty-one days' notice shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days has been passed, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than fourteen days. Reduced notice will only be used under exceptional circumstances.

Going concern

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company, which should be read in conjunction with the Viability Statement on page 9.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 31 October 2019 were £214.1 million (2018: £190.9 million). As at 31 October 2019, the Company held £211.2 million in quoted investments (2018: £189.4 million) and had cash of £2.5 million (2018: £1.6 million). The total expenses (excluding finance costs and taxation) for the year ended 31 October 2019 were £1.9 million (2018: £1.9 million), which represented approximately 1.06% (2018: 1.09%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

Since inception the Company has delivered positive total return performance and met its objectives set out in the prospectus in relation to the annual dividend.

Appointment and replacement of Directors

The rules governing the appointment and replacement of directors are contained in the Company's Articles of Association which requires that Board members retire at every third AGM after appointment. However, the Board have agreed that they will be subject to Annual re-election.

If a Board member does not put themself forward for re-election at the Annual General Meeting, or the resolution to re-elect them to the Board fails, they will step down. Furthermore, the Board may determine that a Board member or a Board member, may decide to step down at any time.

No Board member is subject to compensation for loss of office.

Articles of Association

Amendment of the Company's Articles of Association requires shareholder approval.

Directors' indemnities

Details on the Directors' indemnities in place are provided in the Directors' Remuneration Implementation Report.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) the Director has taken all steps that they ought to have taken as Director to make themself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put forward at the forthcoming Annual General Meeting.

Future trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Manager's Report section of this Strategic Report on pages 5 and 6. Further details as to the risks affecting the Company are set out in the 'Principal Risks and Uncertainties' on pages 7 to 9.

Annual General Meeting

The Company's forthcoming AGM will be held at 12 noon on 10 March 2020 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH. The Notice of the AGM can be found on pages 62 and 63 of this Annual Report and downloaded from the website.

By order of the Board

Brian Smith
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary

23 January 2020

CORPORATE GOVERNANCE

Introduction

The Board of the Company has considered the principles and recommendations of the 2016 Association of Investment Companies ("AIC") Code by reference to the AIC Guide. The 2016 AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. A copy of the AIC Code can be viewed on the AIC's website **https://www.theaic.co.uk/aic-code-of-corporate-governance-0**

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide more relevant information to Shareholders than solely reporting against the UK Corporate Governance Code.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the 2016 AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the 2016 AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

During the financial year ended 31 October 2019, the Company has complied with the recommendations of the 2016 AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive directors. Therefore the Company is not obliged to comply.

In February 2019 the AIC issued a revised AIC Code which will be first reported in the Company's financial year ending 31 October 2020.

The Board of Directors

As at the date of this report, the Board consists of five non-executive Directors including the Chairman. All the Directors apart from Kate Cornish Bowden have served during the entire period since 13 November 2015. Kate Cornish Bowden was appointed as a Director with effect from 3 September 2018. Peter Wolton is the Senior Independent Director.

The Board believes that during the year ended 31 October 2019 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Investment Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below:

Harry Wells *(non-executive Chairman)*

Harry has over 40 years' experience of investment markets, primarily as an institutional stockbroker specialising in the Asia Pacific region, based in London and Hong Kong, latterly as a Managing Director of Salomon Smith Barney. He was previously Chairman of the Martin Currie Asia Unconstrained Investment Trust PLC and The Establishment Investment Trust PLC. Harry holds an MA degree in Land Economy from Cambridge University and is a Fellow of the Chartered Institute for Securities and Investment and a Member of the Royal Institution of Chartered Surveyors.

Kate Cornish-Bowden *(non-executive Director)*

Kate worked for Morgan Stanley Investment Management for 12 years, where she was a Managing Director and head of Morgan Stanley Investment Management's Global Core Equity business. Prior to joining Morgan Stanley, Kate worked for M&G Investment Management where she spent two years as a research analyst. Kate is a non-executive Director of Schroder Oriental Income Fund Limited, a non-executive Director of Finsbury Growth & Income Trust plc and a non-executive Director and Chair of the Audit Committee of Calculus VCT plc. Kate is an Associate of the Institute of Investment Management and Research (formerly AIMR, now Chartered Financial Analyst Institute), holds a Masters in Business Administration (MBA), and has completed the Financial Times Non-Executive Director Diploma. She is also a Mentor for The Prince's Trust.

John Scott *(non-executive Director and chairman of the Audit Committee)*

John has considerable experience of both Asian markets and of the investment trust sector. He is also Chairman of the specialist trusts, Impax Environmental Markets plc, JP Morgan Global Core Real Assets plc and Jupiter Emerging and Frontiers Income Trust plc, and Chairman of the Lloyd's Members' agent, Alpha Insurance Analysts.

His other Directorships include a Guernsey registered business, Bluefield Solar Income Fund Limited. John started his career in Hong Kong with Jardine Matheson in 1974 and joined investment bank, Lazard Brothers in London in 1981, where he spent 20 years, including three years in Tokyo.

John is a Fellow of the Chartered Insurance Institute. He has a degree in Economics from Cambridge University and an MBA from INSEAD, France.

Mark Smith *(non-executive Director)*

Mark is an Investment Manager at Waverton Investment Management (formerly known as J O Hambro Investment Management) which he joined in 2002. He manages portfolios for both UK and international clients, is a Japanese equity specialist and a member of the Stock Selection Committee. Prior to joining Waverton, Mark spent a number of years in institutional fund management specialising in Japanese equities, firstly at Provident Mutual but mainly at Foreign & Colonial where he worked for five years, ultimately managing large Japanese equity funds. Mark graduated from Exeter University in 1994 with a degree in Spanish, has passed his IIMR exams and is an Associate of the Institute (now CFA).

Peter Wolton *(Senior Independent Director)*

Peter has wide experience of Japan and the investment trust sector. He was resident in Tokyo from 1994 to 1998 where he was responsible for Schroders' asset management activities and, from 1996, Schroders' Country Head. He is a former Director of Dunedin Income Growth Investment Trust plc, TR Property Investment Trust plc and Schroder Japan Growth Fund plc.

He commenced his career with Savills, qualifying as a Chartered Surveyor in 1980. From 1983 until 2001 he worked for Schroders, specialising in the management of UK equity portfolios for pension funds and charities until 1993 when he was transferred to Japan. From 1998 to 2001 he headed Schroders' global retail businesses and from 2002 to 2003 was Chief Executive Officer of the Investment Management Group of Baring Asset Management. Peter has degrees in Land Economy from Cambridge University and Contextual Theology from Middlesex University.

In line with best practice, all the Directors have agreed to retire and stand for re-election on a voluntary basis. The Board as a whole has considered each Board members' re-election, abstaining from the proceedings when discussing their own re-election, and, in recognition of their collective experience, knowledge and skills both within and outside meetings, they would like to recommend that shareholders vote in favour of their re-election at the forthcoming Annual General Meeting.

Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction. In addition, relevant training is available to Directors on an ongoing basis.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

Board committees

The Company has an Audit and Risk Committee which is chaired by John Scott and consists of all the Directors. A report of the Audit and Risk Committee is included in this Annual Report.

The Company has a Management Engagement Committee which is chaired by the Chairman of the Company, Harry Wells, and consists of all the Directors. The Management Engagement Committee's principal duties are to consider the terms of appointment of the Investment Manager and it annually reviews that appointment and the terms of the Management Agreement. The Management Engagement Committee also reviews the continued appointment and performance of the Company's other service providers.

The Company also has a Nomination Committee which is chaired by the Chairman of the Company, Harry Wells. The Nomination Committee is responsible for identifying and proposing candidates for the office of Director of the Company. The Nomination Committee also considers and reviews the fees payable to the non-executive Directors and makes recommendations regarding such fees to the Board.

Meeting attendance

The number of formal meetings of the Board and Committees are as follows, together with individual Directors' attendance at those meetings.

	Quarterly Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee
Number of meetings held	4	3	1	1
Harry Wells	4	3	1	1
Mark Smith	4	3	1	1
John Scott	4	3	1	1
Peter Wolton	4	3	1	1
Kate Cornish-Bowden	4	3	1	1

There were also a number of other ad hoc Board and committee meetings to deal with administrative matters and approval of documentation.

Board diversity

The Company's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the 2016 AIC Code and other guidance on boardroom diversity. The Board comprises one female and four male Board members.

Performance appraisal

A performance review of the Investment Manager was undertaken using a programme of open and closed ended questions from each of the Board members which were reviewed by the Chairman of the Management Engagement Committee and discussed with the Board. The results were considered and the Board concluded that the continued appointment of the Investment Manager was in the best interests of the Company's shareholders.

The Committee separately considered each of its other service providers and concluded that their continued appointment was in the best interests of the Company's shareholders.

A formal annual performance appraisal process is performed on the Board, the committees and the individual Directors. A programme consisting of open and closed ended questions was used as the basis for this appraisal. The results were reviewed by the Chairman of the Nomination Committee and discussed with the Board. A separate appraisal of the Chairman has been carried out by the other members of the Board and the results reported back by the Senior Independent Director to the Chairman. The results of the performance evaluation were positive and demonstrated that the Chairman and Directors showed the necessary commitment and have the requisite experience for the fulfilment of their duties.

Conflicts of Interest

As required by law, a Director must avoid a situation where he or she has an interest that conflicts with the Company's interests. The Company's Articles of Association provide the Directors authority to authorise potential conflicts of interest. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The procedure observed by the Board in considering dealing with conflicted matters is as follows:

- Any Board member so conflicted must recuse them self from the discussion involving the relevant conflict;
- Only Directors who have no interest in the matter being considered are able to debate the matter and take the relevant decision; and
- In taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success.

The Directors have declared any potential conflicts of interest to the Company. These are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The Directors are obliged to advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

Internal control

The 2016 AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures, the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report. The system in place accords with The FRC's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but it is fully informed of the internal control framework established by the Investment Manager, the Administrator and the Company's Custodian to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include review of management accounts and Net Asset Value and monitoring of performance at quarterly Board meetings, supervision by Directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks. In addition, procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the accounts is on page 28 and a Statement of Going Concern is on page 16. The Report of the Independent Auditor is on pages 29 to 35.

Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Investment Manager on key operational issues. The Investment Manager reports in writing to the Board on operational and compliance issues. The Investment Manager reports direct to the Audit and Risk Committee concerning the internal controls applicable to the Investment Manager's dealing, investment and general office procedures.

The Board reviews detailed management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Company. The Depositary provides oversight reports for the quarterly Board meetings. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, Praxis. Praxis is responsible to the Board; ensuring that Board procedures are followed and that the Board complies with applicable rules and regulations.

This contact with the Investment Manager and the other key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of the Administrator's, the Depositary and the Registrar's internal controls report. There are no significant findings to report from the review.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report.

Shareholder relations

The Company encourages all Shareholders to attend the Annual General Meeting ("AGM"). The Notice of Annual General Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Investment Manager has a programme of meetings with significant Shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from Shareholders.

CORPORATE GOVERNANCE continued

Exercise of voting powers and stewardship code

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council. The Investment Manager has published its proxy voting policy and statement of compliance with the principles of best practice of the Stewardship Code on its website at **https://www.couplandcardiff.com/stewardship-code**.

Social and environmental policy

The Company has no staff, premises, manufacturing or other operations. The Investment Manager incorporates Environmental, Social and Governance (ESG) issues into its investment analysis and decision-making processes. The Board reviews the Company's portfolio and considers any ESG issues relating to its portfolio at each of its meetings.

DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION REPORT

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

An Ordinary Resolution will be proposed at the forthcoming Annual General Meeting ("AGM") to be held on 10 March 2020 to re-approve the Remuneration Policy. The Board is required to put the Remuneration Policy to its Shareholders, as a binding vote, at least at every third AGM. The provisions set out in this policy apply until they are next put forward for Shareholder approval. In the event of any proposed variation to the policy, Shareholder approval will be sought for the proposed new policy prior to its implementation. It is the Board's intention that the proposed Remuneration Policy continue for three years following the forthcoming AGM to the financial year ending 31 October 2023. The below stated Remuneration Policy remains unchanged from the Remuneration Policy last placed before shareholders at the Company's AGM held in 2017.

The Directors' Remuneration Implementation Report is put forward for approval by Shareholders on an annual basis. The result of the Shareholder resolution on the Implementation Report is non-binding on the Company, although it gives Shareholders an opportunity to express their views, which will be taken into account by the Board. An ordinary resolution to approve this Directors' Remuneration Implementation Report will be put forward for approval at the Company's Annual General Meeting to be held on 10 March 2020.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 29.

REMUNERATION POLICY

Current and future policy

Component	Position	Purpose of reward	Operation
Annual fee	Chairman of the Board	For services as Chairman of a plc	Determined by the Board
Annual fee	Other Directors	For services as non-executive Directors of a plc	Determined by the Board
Annual fee	Chairman of the Audit Committee	For additional responsibility and time commitment	Determined by the Board
Annual fee	Senior Independent Director	For additional responsibility and time commitment	Determined by the Board
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION REPORT continued

In accordance with article 103 of the Company's Articles of Association, Directors' fees must not exceed £500,000, unless otherwise determined by Ordinary resolution at a General Meeting of the Company. The Board currently has no intention of seeking Shareholder authority to increase this limit.

Any new Director would be remunerated in line with other Board members or, in the case of a replacement Chairman, Senior Independent Director or Audit Chair, they would be remunerated at the same level as the departing Board member.

Remuneration Implementation

The Company currently has five non-executive Directors.

The Board has not established a separate Remuneration Committee. Board fees are considered annually by the Board as a whole through the Nomination Committee. The Board sets its fees by reference to other investment trusts of a similar nature to that of the Company, to RPI and CPI and other inflationary measures, the time commitment of the Board and the size and the impact to the Company's ongoing charges following a rise in fees. Board fees are not considered against any performance measure.

No remuneration consultants were appointed during the financial year to 31 October 2019.

The Directors' fees with effect from 1 November 2018 are shown in the table on page 25. Following the year end, a review was undertaken and after careful consideration the Board approved that, with effect from 1 November 2019 an increase in annual Directors' fees was warranted to £37,500 for the Chairman of the Company, £26,000 for the Senior Independent Director, £30,125 for the Chairman of the Audit and Risk Committee and £25,000 per annum for the other Board members.

The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's size and are fair in the context of the additional workload involved in corporate actions and responsibilities involved with the complexity of and increase in new regulation.

Directors' service contracts

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office and no payment was made to past directors for loss of office. The Directors have appointment letters which do not provide for any specific term. In accordance with best practice the Board put themselves forward for annual re-election. There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares. The Directors' letters of appointment can be inspected at the Company's registered office.

Directors' indemnities

Subject to the provisions of the Companies Act 2006, the Company may indemnify any person who is a Director, secretary or other officer (other than an auditor) of the Company, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by them in relation to the Company or any associated company or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a Director, secretary, or other officer (other than an auditor) of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, secretary or officer.

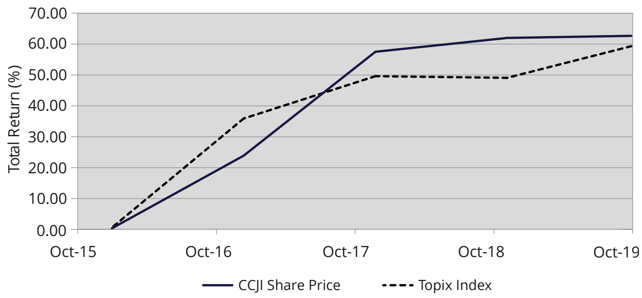
A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

Director search and selection fees

No Director search and selection fees were incurred during the year.

Performance

The following chart shows the performance of the Company's share price by comparison to the Topix Index, on a total return basis. The Board deems the Topix Total Return Index to be the most appropriate comparator for this report.



Directors' emoluments for the year ended 31 October 2019 (audited)

The Directors who served during the year ended 31 October 2019 received the following remuneration for qualifying services.

Fees and taxable benefits

	Fees 2019 £'000	Taxable benefits 2019 £'000	Fees 2018 £'000	Taxable benefits 2018 £'000
Harry Wells	36.75	–	36.00	–
John Scott	29.50	–	29.00	–
Kate Cornish-Bowden	24.50	–	3.90	–
Mark Smith	24.50	–	24.00	–
Peter Wolton	25.50	–	25.00	–
	140.75	**–**	**117.90**	**–**

In addition to the above, the Company paid £2,540 (2018: £2,481) in expenses to the Directors. None of the above fees was paid to third parties. No Director has waived or agreed to waive any emoluments from the Company.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 October 2018 was put forward at the Annual General Meeting held on 12 March 2019. The resolution was passed with proxies representing 99.96% of the shares voted being in favour of the resolution.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 22 March 2017. The resolution was passed with proxies representing 100% of the shares voted being in favour of the resolution.

The Board takes an active role in shareholder engagement and particularly voting outcomes. Shareholders have the opportunity to express their views and ask questions in respect of the Remuneration Policy and Remuneration Implementation Report at the Annual General Meeting. Since the Company's listing, no shareholder has commented in respect of the Remuneration Policy or Remuneration Report.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to management fees and other expenses incurred by the Company and the distributions to Shareholders by way of dividends.

	2019 £'000	2018 £'000
Directors' fees	141	118
Management fees	1,466	1,308
Dividends paid and payable to Shareholders	6,063	4,766

The information in the table above is required by the regulations with the exception of management fees and other expenses which have been included to show the total operating expenses of the Company.

Directors' holdings (Audited)

The interests of the Directors in the Ordinary Shares of the Company as at 31 October 2019 and at 31 October 2018 were as follows. All share holdings are beneficially owned.

	Ordinary Shares as at 31 October 2019	Ordinary Shares as at 31 October 2018
Harry Wells	40,000	40,000
John Scott	62,500	52,500
Kate Cornish-Bowden	30,000	20,000
Mark Smith	10,000	10,000
Peter Wolton	60,000	60,000

All directors own shares in the Company although they are not specifically required to do so.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year to 31 October 2019:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions have been taken.

Harry Wells
Chairman
23 January 2020

REPORT OF THE AUDIT AND RISK COMMITTEE

Role of the Audit and Risk Committee

The 2016 AIC Code of Corporate Governance (the "2016 AIC Code") recommends that boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself that at least one member of the Audit and Risk Committee has recent and relevant financial experience. The main role and responsibilities of the Audit and Risk Committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the 2016 AIC Code.

The Audit and Risk Committee meets formally at least three times a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual report and half-yearly financial report. The Audit and Risk Committee also reviews the Company's internal financial controls and its internal control and risk management systems. Where non-audit services are provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding.

The Audit and Risk Committee's role and responsibility is the governance of risk management matters, which include supporting the Board in fulfilling its oversight responsibilities and reviewing the adequacy and effectiveness of the Company's risk management and internal control procedures.

Composition

All of the Directors of the Company are currently members of the Audit and Risk Committee and I have served as Chairman of the Committee since inception.

The Audit and Risk Committee has formal written terms of reference and copies of these are available on the Company's website or on request to the Company Secretary. The Audit and Risk Committee as a whole has recent and relevant financial experience. The Audit and Risk Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit and Risk Committee keeps the needs for an internal function under periodic review. The Chairman of the Company is a member of the Audit and Risk Committee. The Board and the Audit and Risk Committee believe that this is appropriate as he has recent and relevant financial experience and he is independent.

Performance Evaluation

The Audit and Risk Committee are subject to an annual review of its effectiveness. Further details of the evaluation of the Audit and Risk Committee can be found on page 20.

Meetings

There have been three Audit and Risk Committee meetings in the year ended 31 October 2019. Meeting attendance is shown on page 20 of this Annual Report.

Financial statements and significant accounting matters considered during the year

The Audit and Risk Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 31 October 2019.

Valuation and existence of investments

The Company holds the majority of its assets in quoted investments. The valuation and existence of these investments is the most material matter in the production of the financial statements. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Depositary's records. The Audit and Risk Committee reviewed the Administrator's procedures in place for ensuring accurate valuation and existence of investments. The Audit and Risk Committee also receives and reviews any significant pricing or custody reconciliation exceptions and reports from the Depositary.

Recognition of income

Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Audit and Risk Committee reviewed the Administrator's procedures for recognition of income and reviewed the treatment of any special dividends receivable in the year. The Audit and Risk Committee also reviewed the Administrator's forecast of revenue against actual revenue received.

Calculation of management fees

Incorrect amounts may be paid to the Investment Manager and recognised in the financial statements if the fees are not calculated correctly. The Audit and Risk Committee reviewed the Administrator's procedures in place for the calculation of management fees and a member of the Audit and Risk Committee approves management fee invoices prior to payment.

Conclusion with respect to the Annual Report and financial statements

The Audit and Risk Committee has concluded that the Annual Report for the year ended 31 October 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit and Risk Committee has reported its conclusions to the Board of Directors. The Audit and Risk Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the Annual Report.

Audit tenure

Ernst & Young LLP was selected as the Company's Auditor at the time of the Company's launch following a competitive process and review of the Auditor's credentials. The auditors have provided this service for four years, with Matthew Price as Audit Partner. The appointment of the auditor is reviewed annually by the Audit and Risk Committee and the Board and is subject to approval by Shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP in December 2015.

Effectiveness of external audit

The Audit and Risk Committee is responsible for reviewing the effectiveness of the external audit process. The Audit and Risk Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit and Risk Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit and Risk Committee has agreed that the re-appointment of the Auditor should be recommended to the Board and the Shareholders of the Company.

Provision of non-audit services

The Audit and Risk Committee has put in place a policy on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may be provided to the Company only if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

Ernst & Young LLP did not provide any non-audit services to the Company during the year. For the year to 31 October 2018 the Auditors provided non-audit services to the Company in connection with the prospectus issued on 9 January 2018 and the supplementary prospectus issued on 19 January 2018. These services were approved by the Audit and Risk Committee and fee amounted to £30,000.

The Audit fees (excluding VAT) incurred during the year amounted to £36,000 (2018: £30,000).

Auditor independence

The Audit and Risk Committee considered the independence of the auditor and the objectivity of the audit process and is satisfied that Ernst & Young LLP has fulfilled its obligations to shareholders and as independent auditor to the Company for the year.

John Scott
Audit and Risk Committee Chairman
23 January 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable to the UK and Republic of Ireland and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates, which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company Reports and Accounts are published on its website at **www.ccjapanincomeandgrowthtrust.com** which is maintained by the Company's Investment Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

The Directors each confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Harry Wells
Director
23 January 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CC JAPAN INCOME & GROWTH TRUST PLC

Opinion

We have audited the financial statements of CC Japan Income & Growth Trust Plc (the 'Company') for the year ended 31 October 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 7 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 28 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 40 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 9 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement. • Incorrect valuation and defective title of the investment portfolio.
Materiality	• Overall materiality of £2.1m which represents 1% of shareholders' funds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CC JAPAN INCOME & GROWTH TRUST PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement *(as described on page 26 in the Report of the Audit and Risk Committee and as per accounting policy set out on page 41)*. The total revenue received for the year to 31 October 2019 was £8.7m, consisting primarily of overseas dividends and income from contracts for difference (CFDs). The income receivable by the Company during the year directly affects the Company's revenue return and in turn, the dividend that must be paid by the Company. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. We have identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends.	**We have performed the following procedures:** We obtained an understanding of the Coupland Cardiff Asset Management LLP's (the 'Manager') and PraxisIFM Fund Services (UK) Limited's (the 'Administrator') processes and controls around revenue recognition and classification of special dividends by reviewing their internal controls reports and performing walkthrough procedures. For the classification of special dividends, we also evaluated the design and implementation of controls. We agreed a sample of dividends received as noted in the income report to the corresponding announcement made by the investee company. We recalculated the dividend income by multiplying the investment holdings at the XD date by the dividend per share as agreed to an external source. We also agreed the exchange rates to an external source and we agreed the dividends received to bank statements. We agreed a sample of income received from CFDs as noted in the income report to the corresponding announcement made from the underlying investee Company. We recalculated the CFD income by multiplying the notional holdings at the XD date by the dividend rate per share as agreed to an external source. We also agreed the exchange rates to an external source and we agreed the income received to bank statements.	**The results of our procedures are:** We have no issues to report to the Audit and Risk Committee with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	We agreed a sample of investee Company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all income accrued at the year end, we reviewed the investee Company announcements to assess whether the obligation arose prior to 31 October 2019. We agreed the dividend rate to corresponding announcements made by the investee Company. We recalculated the amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements, if paid post year end. We performed a review of the income and capital reports to identify all dividends received and accrued during the period that were above our testing threshold. We identified which of the dividends above our testing threshold were special dividends with reference to an external source. From this testing we have not identified any special dividends exceeding our testing threshold. We corroborated the appropriateness of journal entry adjustments made in relation to special dividends with source documentation.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CC JAPAN INCOME & GROWTH TRUST PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect valuation and defective title of the investment portfolio *(as described on page 26 in the Report of the Audit and Risk Committee and as per the accounting policy set out on page 40).* The valuation of the portfolio at 31 October 2019 was £211.2m consisting of listed equity investments. The Company also holds long CFD positions. These have been recognised separately in the Statement of Financial Position as amounts due in respect of CFDs and amounts payable in respect of CFDs. The amount due in respect of CFDs at 31 October 2019 was £3.3m and the amount payable was £5.1m. The valuation of the assets held by the Company is the key driver of the net asset value and total return. Incorrect asset pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at the reporting date. CFDs are held at fair value with reference to the underlying market value of the corresponding security.	**We performed the following procedures:** We obtained an understanding of the Administrator's process surrounding investment pricing by reviewing their internal controls report and by performing walkthrough procedures. For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. For the CFDs held at the year end, we compared the market prices of the underlying Company and exchange rates used to an independent pricing vendor and recalculated the fair value at the year-end. We reviewed the stale pricing report produced by the Administrator to investigate any stale priced investments held as at the year end. We also assessed the liquidity of the investment portfolio through analysing the monthly average trading volume of the investments. We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depositary as at 31 October 2019 and from the relevant broker with respect to the CFDs as at 31 October 2019.	**The results of our procedures are:** We have no issues to report to the Audit and Risk Committee with respect to our procedures performed over the risk of incorrect valuation and defective title of the investment portfolio.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.1m which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £1.6m.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £0.4m being 5% of net return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.1m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 28** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Risk committee reporting set out on page 26** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit and risk committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 18** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and Directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CC JAPAN INCOME & GROWTH TRUST PLC continued

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit and Risk Committee we were appointed by the Company on 12 May 2016 to audit the financial statements of the Company for the year ended 31 October 2016 and subsequent financial periods. Our total uninterrupted period of engagement is 4 years, covering the period from our appointment through to the year ended 31 October 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Price (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor, London
23 January 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2019

	Note	Year ended 31 October 2019 Revenue £'000	Capital £'000	Total £'000	Year ended 31 October 2018 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	3	–	14,207	14,207	–	(1,741)	(1,741)
Currency losses		–	(124)	(124)	–	(28)	(28)
Income	4	8,671	–	8,671	6,693	–	6,693
Investment management fee	5	(293)	(1,173)	(1,466)	(262)	(1,046)	(1,308)
Other expenses	6	(434)	–	(434)	(597)	–	(597)
Return on ordinary activities before finance costs and taxation		**7,944**	**12,910**	**20,854**	**5,834**	**(2,815)**	**3,019**
Finance costs	7	(74)	(175)	(249)	(48)	(138)	(186)
Return on ordinary activities before taxation		**7,870**	**12,735**	**20,605**	**5,786**	**(2,953)**	**2,833**
Taxation	8	(867)	–	(867)	(669)	–	(669)
Return on ordinary activities after taxation		**7,003**	**12,735**	**19,738**	**5,117**	**(2,953)**	**2,164**
Return per Ordinary Share	14	5.26p	9.57p	14.83p	4.55p	(2.62)p	1.93p

The total column of the Income Statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations.

Both the supplementary revenue and capital columns are prepared under guidance from the Association of Investment Companies. There is no other comprehensive income and therefore the return for the year is also the total comprehensive income for the year.

The notes on pages 40 to 54 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 31 OCTOBER 2019

	Note	31 October 2019 £'000	31 October 2018 £'000
Fixed assets			
Investments at fair value through profit or loss	3	211,240	189,419
Current assets			
Cash and cash equivalents		2,472	1,633
Cash collateral in respect of Contracts for Difference ("CFDs")		16	689
Amounts receivable in respect of CFDs		3,258	1,001
Other debtors	10	2,571	2,811
		8,317	**6,134**
Creditors: amounts falling due within one year			
Amounts payable in respect of CFDs		(5,140)	(4,413)
Other creditors	11	(291)	(225)
		(5,431)	**(4,638)**
Net current assets		**2,886**	**1,496**
Net assets		**214,126**	**190,915**
Capital and reserves			
Share capital	12	1,348	1,285
Share premium		98,437	89,911
Special reserve		64,671	64,671
Capital reserve			
– Revaluation gains on investment held at year end	3	26,156	15,157
– Other capital reserves		17,511	15,775
Revenue reserve		6,003	4,116
Total Shareholders' funds		**214,126**	**190,915**
NAV per share - Ordinary Shares (pence)	15	**158.93p**	**148.63p**

Approved by the Board of Directors and authorised for issue on 23 January 2020 and signed on their behalf by:

Harry Wells
Director

CC Japan Income & Growth Trust plc is incorporated in England and Wales with registration number 9845783.

The notes on pages 40 to 54 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2019

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 November 2018		**1,285**	**89,911**	**64,671**	**30,932**	**4,116**	**190,915**
Return on ordinary activities after taxation		–	–	–	12,735	7,003	19,738
Dividends paid	9	–	–	–	–	(5,116)	(5,116)
Issue of Ordinary Shares	12	63	8,665	–	–	–	8,728
Ordinary Shares issue costs		–	(139)	–	–	–	(139)
Balance at 31 October 2019		**1,348**	**98,437**	**64,671**	**43,667**	**6,003**	**214,126**

For the year ended 31 October 2018

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 November 2017		**892**	**28,111**	**64,671**	**33,885**	**2,586**	**130,145**
Return on ordinary activities after taxation		–	–	–	(2,953)	5,117	2,164
Dividends paid	9	–	–	–	–	(3,587)	(3,587)
Issue of Ordinary Shares	12	393	62,980	–	–	–	63,373
Ordinary Shares issue costs		–	(1,180)	–	–	–	(1,180)
Balance at 31 October 2018		**1,285**	**89,911**	**64,671**	**30,932**	**4,116**	**190,915**

The Company's distributable reserves consist of the special reserve, capital reserve and revenue reserve.

The notes on pages 40 to 54 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2019

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Operating activities cash flows		
Return on ordinary activities before finance costs and taxation*	20,854	3,019
Adjustment for:		
Gains on investments	(12,932)	(123)
CFD transactions	(857)	7,060
Increase in other debtors	(168)	(973)
Increase in other creditors	65	69
Tax withheld on overseas income	(867)	(669)
Net cash flow from operating activities	**6,095**	**8,383**
Investing activities cash flows		
Purchases of investments	(38,854)	(91,089)
Proceeds from sales of investments	30,373	26,784
Net cash flow used in investing activities	**(8,481)**	**(64,305)**
Financing activities cash flows		
Issue of Ordinary Share capital	8,728	63,373
Payment of Ordinary Share issue costs	(139)	(1,180)
Equity dividends paid	(5,116)	(3,587)
Finance costs paid	(248)	(188)
Net cash flow from financing activities	**3,225**	**58,418**
Increase in cash and cash equivalents	**839**	**2,496**
Cash and cash equivalents at the beginning of the year	1,633	(863)
Cash and cash equivalents at the end of the year	**2,472**	**1,633**

* Cash inflow from dividends was £8,506,000 (2018: £5,719,000).

The notes on pages 40 to 54 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

CC Japan Income & Growth Trust plc (the "Company") was incorporated in England and Wales on 28 October 2015 with registered number 9845783, as a closed-ended investment company. The Company commenced its operations on 15 December 2015. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company's investment objective is to provide Shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

The Company's shares were admitted to the Official List of the Financial Conduct Authority with a premium listing on 15 December 2015. On the same day, trading of the Ordinary Shares commenced on the London Stock Exchange.

The Company's registered office is Mermaid House, 2 Puddle Dock, London, EC4V 3DB.

2. ACCOUNTING POLICIES

The principal accounting policies followed by the Company are set out below:

(a) Basis of accounting

The financial statements have been prepared in accordance with FRS 102 ("the Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council), with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in November 2014 and updated in February 2018) and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

The financial statements have been presented in GBP sterling (£), which is also the functional currency as this is the currency of the primary economic environment in which the Company operates. The Board having regard to the currency of the Company's share capital and the predominant currency in which it pays distributions expenses and its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

(b) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 102 Section 11: "Basic Financial Instruments", and Section 12: "Other Financial Instruments". The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board of Directors.

Upon initial recognition investments are designated by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently investments are valued at fair value which is the bid market price for listed investments.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within "gains on investments held at fair value".

(c) Derivatives

Derivatives which comprise of CFDs are held at fair value by reference to the underlying market value of the corresponding security. Where the fair value is positive the CFD is presented as a current asset, and where the fair value is negative the CFD is presented as a current liability. Gains or losses on these derivative transactions are recognised in the Income Statement. They are recognised as capital and are shown in the capital column of the Income Statement if they are of a capital nature, and are recognised as revenue and shown in the revenue column of the Income Statement if they are of a revenue nature. To the extent that any gains or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly.

(d) Foreign currency

Transactions denominated in foreign currencies including dividends are translated into sterling at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Foreign exchange movements on investments and derivatives are included in the Income Statement within gains on investments. Any other gain or loss is included as an exchange gain or loss to capital or revenue in the Income Statement as appropriate.

(e) Income

Investment income has been accounted for on an ex-dividend basis or when the Company's right to the income is established. Special dividends are credited to capital or revenue in the Income Statement, according to the circumstances surrounding the payment of the dividend. Overseas dividends are included gross of withholding tax recoverable.

Interest receivable on deposits is accounted for on an accruals basis.

(f) Dividend payable

Interim dividends are recognised when the Company pays the dividend. Final dividends are recognised in the period in which they are declared by the Directors and approved by the shareholders.

(g) Expenses

All expenses are accounted for on an accruals basis and are charged as follows:

- the basic investment management fee is charged 20% to revenue and 80% to capital;
- CFD finance costs are charged 20% to revenue and 80% to capital;
- investment transactions costs are allocated to capital; and
- other expenses are charged wholly to revenue.

(h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the financial reporting date.

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the relevant accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(i) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly stated at their nominal value.

(j) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being that of an Investment Trust as explained in note 1.

2. ACCOUNTING POLICIES continued

(k) Estimates and assumptions

The preparation of financial statements requires the Directors to make estimates and assumptions that affect items reported in the Statement of financial position and Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

There have not been any instances requiring any significant estimates or judgements in the year.

(l) Cash and cash equivalents

Cash comprises cash and demand deposits. Cash equivalents, include bank overdrafts, and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. INVESTMENTS

(a) Summary of valuation

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Investments listed on a recognised overseas investment exchange	211,240	189,419
	211,240	**189,419**

(b) Movements

In the year ended 31 October 2019

	2019 £'000	2018 £'000
Book cost at the beginning of the year	174,262	106,024
Revaluation gains on investments held at beginning of the year	15,157	23,187
Valuation at beginning of the year	**189,419**	**129,211**
Purchases at cost	38,854	87,277
Sales:		
– proceeds	(29,965)	(27,192)
– gains on investment holdings sold during the year	1,933	8,153
Movements in revaluation gains/(losses) on investment held at year end	10,999	(8,030)
Valuation at end of the year	**211,240**	**189,419**
Book cost at end of the year	185,084	174,262
Revaluation gains on investment held at year end	26,156	15,157
Valuation at end of the year	**211,240**	**189,419**

Transaction costs on investment purchases for the year ended 31 October 2019 amounted to £19,000 (2018: £62,000) and on investment sales for the year amounted to £15,000 (2018: £17,000).

(c) Gains/(losses) on investments

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Gains on non derivative investment holdings sold during the year	1,933	8,153
Movements in revaluation gains/(losses) on investment held at year end	10,999	(8,002)
Other capital (losses)/gains	(24)	10
Total gains on non derivative investments held at fair value	**12,908**	**161**
Realised (losses)/gains on CFD assets and liabilities	(231)	1,510
Unrealised gains/(losses) on CFD assets and liabilities	1,530	(3,412)
Total gains/(losses) on investments held at fair value	**14,207**	**(1,741)**

4. INCOME

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Income from investments:		
Overseas dividends	8,670	6,693
Deposit interest	1	–
Total	**8,671**	**6,693**

Overseas dividend income is translated into sterling on receipt.

5. INVESTMENT MANAGEMENT FEE

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Basic fee:		
20% charged to revenue	293	262
80% charged to capital	1,173	1,046
Total	**1,466**	**1,308**

The Company's Investment Manager is Coupland Cardiff Asset Management LLP. The Investment Manager is entitled to receive a management fee payable monthly in arrears and is at the rate of one-twelfth of 0.75% of Net Asset Value per calendar month. There is no performance fee payable to the Investment Manager.

NOTES TO THE ACCOUNTS continued

6. OTHER EXPENSES

	Year ended 31 October 2019* £'000	Year ended 31 October 2018 £'000
Secretarial services	58	48
Administration and other expenses	382	371
Auditor's remuneration – statutory	36	30
– non-audit	–	30
Directors' fees	141	118
VAT recovered – Revenue**	(183)	–
Total	**434**	**597**

* Excluding VAT where applicable.
** This is in relation to the one-off Value Added Tax ('VAT') recovered on the Company's expenses since inception to 31 October 2019.

7. FINANCE COSTS

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Interest paid – 100% charged to revenue	30	13
CFD finance cost and structuring fee – 20% charged to revenue	43	34
Structure fees – 20% charged to revenue	1	1
	74	**48**
CFD finance cost and structuring fee – 80% charged to capital	171	134
Structure fees – 80% charged to capital	4	4
	175	**138**
Total finance costs	**249**	**186**

8. TAXATION

	Year ended 31 October 2019			Year ended 31 October 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of tax charge in the year:						
Overseas withholding tax	867	–	867	669	–	669
Total tax charge for the year (see note 8 (b))	**867**	**–**	**867**	**669**	**–**	**669**

(b) Factors affecting the tax charge for the year:

The Company's effective tax rate for the year is 19.00% (2018: 19.00%), which the standard rate of corporation tax in the UK for a large company currently at 19.00% (2018: 19.00%).

The differences are explained below:

	Year ended 31 October 2019			Year ended 31 October 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total return before taxation	**7,870**	**12,735**	**20,605**	**5,786**	**(2,953)**	**2,833**
UK corporation tax at 19.00% (2018: 19.00%)	1,495	2,420	3,915	1,099	(561)	538
Effects of:						
Overseas withholding tax suffered	867	–	867	669	–	669
Non-taxable overseas dividends	(1,647)	–	(1,647)	(1,272)	–	(1,272)
Capital gains not subject to tax	–	(2,676)	(2,676)	–	336	336
Finance costs not tax deductible	14	33	47	10	26	36
Movement in unutilised management expenses	138	223	361	163	199	362
Total tax charge	**867**	**–**	**867**	**669**	**–**	**669**

The Company is not liable to tax on capital gains due to its status as an investment trust. The Company has an unrecognised deferred tax asset of £431,000 (2018: £341,000) based on the long term prospective corporation tax rate of 17%. This asset has accumulated because deductible expenses exceeded taxable income for the year ended 31 October 2019. No asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

9. DIVIDEND

(i) Dividends paid during the financial year

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Final dividend - year end 31 October 2018 of 2.50p	3,230	–
Second interim – year end 31 October 2017 of 2.30p	–	2,051
Interim – year end 31 October 2019 of 1.40p (2018: 1.25p)	1,886	1,536
Total	**5,116**	**3,587**

9. DIVIDEND continued

(ii) The dividend relating to the year ended 31 October 2019, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

	Year ended 31 October 2019		Year ended 31 October 2018	
	Pence per Ordinary Share	£'000	Pence per Ordinary Share	£'000
Interim dividend	1.40p	1,886	1.25p	1,536
Final dividend*	3.10p	4,177	2.50p	3,230
	4.50p	**6,063**	**3.75p**	**4,766**

* Not included as a liability in the year ended 31 October 2019 financial statements.

The Directors have declared a final dividend for the financial year ended 31 October 2019 of 3.10p per Ordinary Share. The dividend will be paid on 19 March 2020 to Shareholders on the register at the close of business on 7 February 2020.

10. OTHER DEBTORS

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Accrued income	2,556	2,392
Sales for settlement	–	408
Prepayments	15	11
Total	**2,571**	**2,811**

11. OTHER CREDITORS

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Amounts falling due within one year:		
Accrued finance costs	8	7
Accrued expenses	283	218
Total	**291**	**225**

12. SHARE CAPITAL

Share capital represents the nominal value of shares that have been issued. The share premium includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

	As at 31 October 2019 No. of shares	As at 31 October 2019 £'000	As at 31 October 2018 No. of shares	As at 31 October 2018 £'000
Allotted, issued & fully paid:				
Ordinary Shares of 1p				
Opening balance	128,451,781	1,285	89,168,162	892
Ordinary Shares of 1p issued	6,278,829	63	39,283,619	393
Closing balance	**134,730,610**	**1,348**	**128,451,781**	**1,285**

During the year under review, 6,278,829 (2018: 39,283,619) Ordinary Shares of 1p each were issued. The issue prices ranged from 138.3p to 144.1p (2018: 150.9p to 169.0p) and the total amount raised was £8,728,000 (2018: £63,373,000).

13. FINANCIAL COMMITMENTS

As at 31 October 2019 there were no commitments in respect of unpaid calls and underwritings (2018: nil).

14. RETURN PER ORDINARY SHARE

Total return per Ordinary Share is based on the return on ordinary activities, including income, for the year after taxation of £19,738,000 (2018: £2,164,000).

Based on the weighted average number of Ordinary Shares in issue for the year to 31 October 2019 of 133,109,302 (2018: 112,507,653), the returns per share were as follows:

	As at 31 October 2019			As at 31 October 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary Share	5.26p	9.57p	**14.83p**	4.55p	(2.62)p	**1.93p**

15. NET ASSET VALUE PER SHARE

Total Shareholders' funds and the net asset value ("NAV") per share attributable to the Ordinary Shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	As at 31 October 2019	As at 31 October 2018
Net Asset Value (£'000)	214,126	190,915
Ordinary Shares in issue	134,730,610	128,451,781
NAV per Ordinary Share	**158.93p**	**148.63p**

16. RELATED PARTY TRANSACTIONS

Transactions with the Investment Manager and the Alternative Investment Fund Investment Manager ("AIFM")

The Company provides additional information concerning its relationship with the Investment Manager and AIFM, Coupland Cardiff Asset Management LLP. The fees for the year are disclosed in note 5 and amounts outstanding at the year ended 31 October 2019 were £136,000 (2018: £123,000).

16. RELATED PARTY TRANSACTIONS continued

Research purchasing agreement

MiFID II treats investment research provided by brokers and independent research providers as a form of "inducement" to investment managers and requires research to be paid separately from execution costs. In the past, the costs of broker research were primarily borne by the Company as part of execution costs through dealing commissions paid to brokers. With effect from 3 January 2018, this practice has changed, as brokers subject to MiFID II are now required to price, and charge for, research separately from execution costs. Equally, the rules require the Investment Manager, as an investment manager, to ensure that the research costs borne by the Company are paid for through a designated research payment account ("RPA") funded by direct research charges to the Investment Manager's clients, including the Company.

The research charge for the year 1 January 2018 to 31 December 2018 was £34,000 which was in line with the budget agreed between the Investment Manager and the Company. The research charge for the period from 1 January 2019 to 31 December 2019 as budgeted by the Investment Manager is £29,000.

Directors' fees and shareholdings

The Directors' fees and shareholdings are disclosed in the Directors' Remuneration Policy and Implementation Report on pages 23 to 25 in this Annual Report.

17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Risk Management policies and procedures

As an investment trust the Company invests in equities and equity related derivatives for the long-term so as to secure its investment objective stated on page 2. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

These risks, include market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk, and the Directors' approach to the management of them are set out as follows.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below:

(a) Market risk

Economic conditions

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

Sectoral diversification

The Company has no limits on the amount it may invest in any sector. This may lead to the Company having significant concentrated exposure to portfolio companies in certain business sectors from time to time.

Concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

Unquoted companies

The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.

Management of market risks

The Company is invested in a diversified portfolio of investments. The Company's investment policy states that no single holding (including any derivative instrument) will represent more than 10% of the Company's Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have between 30 to 40 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time. A maximum of 10% of the Company's Gross Assets at the time of investment may be invested in unquoted or untraded companies at time of investment.

The Investment Manager's approach will in most cases achieve diversification across a number of sectors as shown in the Holdings in Portfolio on pages 10 and 11.

(b) Currency risks

The majority of the Company's assets will be denominated in a currency other than sterling (predominantly in yen) and changes in the exchange rate between sterling and yen may lead to a depreciation of the value of the Company's assets as expressed in sterling and may reduce the returns to the Company from its investments and, therefore, negatively impact the level of dividends paid to shareholders.

Management of currency risks

The Investment Manager monitors the currency risk of the Company's portfolio on a regular basis. Foreign currency exposure is regularly reported to the Board by the Investment Manager. The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investment denominated in yen, although the Investment Manager and the Board keep this approach under regular review.

Foreign currency exposures

An analysis of the Company's equity investments and CFDs that are priced in a foreign currency is:

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Equity Investments: yen	211,240	189,419
Receivables (due from brokers, dividends, and other income receivable)	2,571	2,811
CFD: yen (absolute exposure)	42,247	37,928
Cash: yen	(1,174)	(3,934)
Total	**254,884**	**226,224**

Foreign currency sensitivity

If the Japanese yen had appreciated or depreciated by 10% as at 31 October 2019 then the value of the portfolio as at that date would have increased or decreased as shown below:

	Increase in Fair Value As at 31 October 2019 £'000	Decrease in Fair Value As at 31 October 2019 £'000	Increase in Fair Value As at 31 October 2018 £'000	Decrease in Fair Value As at 31 October 2018 £'000
Impact on capital return – increase/(decrease)	**25,488**	**(25,488)**	**22,622**	**(22,622)**
Return after taxation – increase/(decrease)	**25,488**	**(25,488)**	**22,622**	**(22,622)**

(c) Leverage risks

Derivative instruments

The Company may utilise long only CFDs or equity swaps for gearing and efficient portfolio management purposes. Leverage may be generated through the use of CFDs or equity swaps. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security or instrument is required to be paid in order to make such leveraged investments. As a result of any leverage employed by the Company, small changes in the value of the underlying assets may cause a relatively large change in the Net Asset Value of the Company. Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

Borrowing risks

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings can enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

Management of leverage risks

The aggregate of borrowings and long only CFD and equity swap exposure will not exceed 25% of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate, although the Company's normal policy will be to utilise and maintain gearing to a lower limit of 20% of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in yen.

The Company's level of gearing as at 31 October 2019 is disclosed in the Alternative Performance Measures section on pages 55 and 56 of this Annual Report.

(d) Interest rate risks

The Company is exposed to interest rate risk specifically through its cash holdings and CFD portfolio. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Movements in interest rates will also have an impact on the valuation of the CFD derivative contracts.

Management of interest rate risks

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Due to the low interest rate environment no sensitivity analysis is shown because the direct impact of a significant increase in interest rates would be immaterial due to the relatively small proportion of the Company's investment exposure achieved using CFDs.

Interest rate exposure

The exposure at 31 October 2019 of financial assets and liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be reset.

	As at 31 October 2019 due within one year £'000	As at 31 October 2018 due within one year £'000
Exposure to floating interest rates: CFD derivative contract – long positions	44,129	41,290
Cash at bank	2,472	1,633
Collateral in respect of CFDs	16	689

(e) Credit risks

Cash and other assets held by the Depositary

Cash and other assets that are required to be held in custody will be held by the depositary or its sub-custodians. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from any custodian's own assets in the event of the insolvency of a custodian. Cash held with any custodian will not be treated as client money subject to the rules of the Financial Conduct Authority ('FCA') and may be used by a custodian in the course of its own business. The Company will therefore be subject to the creditworthiness of its custodians. In the event of the insolvency of a custodian, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

Derivative instruments

Where the Company utilises CFDs or equity swaps, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Management of credit risks

The Company has appointed Northern Trust Global Services Limited as its depositary. The credit rating of Northern Trust was reviewed at time of appointment and will be reviewed on a regular basis by the Investment Manager and/or the Board.

The Investment Manager monitors the Company's exposure to its counterparties on a regular basis and the position is reviewed by the Directors at Board meetings.

Other risks to the Company are detailed in the Company's prospectus dated 9 January 2018.

The cash is subject to counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

The Company's holdings in CFD contracts present counterparty credit risks, with counter party stockbrokers Morgan Stanley & Co International plc. The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell instruments and through its investments in long CFDs. CFD contracts generally require variation margins and the counterparty credit risk is monitored by the Investment Manager.

Investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker.

In summary, the exposure to credit risk as at 31 October 2019 was as follows:

	As at 31 October 2019 3 months or less £'000	As at 31 October 2018 3 months or less £'000
Cash at bank	2,472	1,633
Amounts receivable in respect of CFDs	3,258	1,001
Collateral receivable in respect of CFDs	16	689
Debtors	2,571	2,811
	8,317	**6,134**

None of the above assets or liabilities were impaired or past due but not impaired.

17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments and its exposure to the positions within the CFD portfolio. The movements in the prices of these investments result in movements in the performance of the Company.

The Company's exposure to other changes in market prices at 31 October 2019 on its equity investments was £211,240,000 (2018: £189,419,000).

In addition, the Company's gross market exposure to these price changes through its CFD portfolio was £44,129,000 through long positions (2018: £41,290,000).

The Company uses CFDs as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying CFD positions. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

The Company limits the gross market exposure, and therefore the leverage, of this strategy to approximately 200% of the Company's net assets. The CFDs utilised have a linear performance to referenced stocks quoted on exchanges and therefore have the same volatility profile to the underlying stocks.

Market exposures to derivative contracts are disclosed below.

The Company's exposure to CFDs is the aggregate of long CFD Positions. The gross and net market exposure is the same as the Company does not hold Short CFD Positions.

Exposures are monitored daily by the Investment Manager. The Company's Board also reviews exposures regularly.

The underlying exposures within the CFD portfolio as at 31 October 2019 were:

	As at 31 October 2019		As at 31 October 2018	
	£'000	% of net assets	£'000	% of net assets
CFDs – gross exposure	**44,129**	**20.61%**	**41,290**	**21.63%**
CFDs – net exposure	**44,129**	**20.61%**	**41,290**	**21.63%**

The Board of Directors manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Investment Manager's compliance with the Company's objective.

Concentration of exposure to other price risks

A sector breakdown of the portfolio is contained in the Portfolio on pages 10 and 11.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year to an increase or decrease of 10% in the fair values of the Company's equities and CFDs. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the exposure of the Company's equities investments and long CFDs.

	As at 31 October 2019		As at 31 October 2018	
	Increase in Fair Value £'000	Decrease in Fair Value £'000	Increase in Fair Value £'000	Decrease in Fair Value £'000
Impact on capital return – increase/(decrease)	**25,537**	**(25,537)**	**23,071**	**(23,071)**
Return after taxation – increase/(decrease)	**25,537**	**(25,537)**	**23,071**	**(23,071)**

(g) Liquidity risk

The securities of small-to-medium-sized (by market capitalisation) companies may have a more limited secondary market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they can be more vulnerable to adverse market factors such as unfavourable economic reports.

Management of liquidity risks

The Company's Investment Manager monitors the liquidity of the Company's portfolio on a regular basis.

Liquidity risk exposure

The undiscounted gross cash outflows of the financial liabilities as at 31 October 2019, based on the earliest date on which payment can be required, were as follows:

	As at 31 October 2019 less than 3 months £'000	As at 31 October 2018 less than 3 months £'000
Amounts payable in respect of CFDs	5,140	4,413
Other payables	291	225
Total	**5,431**	**4,638**

The Company is exposed to liquidity risks from the leverage employed through exposure to long only CFD positions. However, timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company could experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and CFDs that are readily realisable.

(h) Fair value measurements of financial assets and financial liabilities

The financial assets and liabilities are either carried in the balance sheet at their Fair Value, or the balance sheet amount is a reasonable approximation of Fair Value (due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash and cash equivalents).

The valuation techniques for investments and derivatives used by the Company are explained in the accounting policies notes 2 (b and c) on page 40.

17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

The table below sets out Fair Value measurements using Fair Value Hierarchy.

As at 31 October 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	211,240	–	–	211,240
CFDs – Fair value gains	–	3,258	–	3,258
Liabilities:				
CFDs – Fair value losses	–	(5,140)	–	(5,140)
Total	**211,240**	**(1,882)**	**–**	**209,358**

As at 31 October 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	189,419	–	–	189,419
CFDs – Fair value gains	–	1,001	–	1,001
Liabilities:				
CFDs – Fair value losses	–	(4,413)	–	(4,413)
Total	**189,419**	**(3,412)**	**–**	**186,007**

There were no transfers between levels during the year (2018: same).

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

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs including quoted prices.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data. (there are no Level 3 investments as at 31 October 2019 (2018: nil).

(i) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to provide dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan and by utilising the leverage effect of CFDs.

The key performance indicators are contained in the strategic report on page 7.

The Company is subject to several externally imposed capital requirements:

- As a public company, the Company has to have a minimum share capital of £50,000.
- In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company's capital at 31 October 2019 comprises called up share capital and reserves totalling £214,126,000 (2018: £190,915,000).

The Board regularly monitors, and has complied with, the externally imposed capital requirements.

OTHER INFORMATION

ALTERNATIVE PERFORMANCE MEASURES ("APMS")

Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per Ordinary Share.

		Page	As at 31 October 2019
NAV per Ordinary Share (pence)	a	2	158.9
Share price (pence)	b	2	150.0
Discount	**(b÷a)-1**	**2**	**5.6%**

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

Year end 31 October 2019		Page	Share price	NAV
Opening at 1 November 2018 (pence)	a	2	153.0	148.6
Closing at 31 October 2019 (pence)	b	2	150.0	158.9
Price movement (b÷a)-1	c	n/a	-2.0%	6.9%
Dividend reinvestment	d	n/a	2.7%	3.0%
Total return	**(c+d)**	**2**	**0.7%**	**9.9%**

Ongoing charges

A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

Year end 31 October 2019		Page	
Average NAV	a	n/a	195,678,342
Annualised expenses*	b	n/a	2,083,000
Ongoing charges	**(b÷a)**	**2**	**1.06%**

* Annualised expenses excluding non-recurring VAT recovered amount of £183,000.

Gearing

A way to magnify income and capital returns, but which can also magnify losses. The Company may be geared through the CFDs and if utilised, the overdraft facility with The Northern Trust Company.

As at 31 October 2019		Page	£'000
CFD notional value	a	n/a	42,247
Non-base cash borrowings	b	n/a	2,864
NAV	c	37	214,126
Gearing (net)	**((a+b)÷c)**		**21.1%**

ALTERNATIVE PERFORMANCE MEASURES ("APMS") continued

Leverage

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("AIF") is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of a company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Under both methods the AIFM has set current maximum limits of leverage for the Company of 200%.

As at 31 October 2019		Page	Gross £'000	Commitment £'000
Security market value	a	n/a	211,240	211,240
CFD notional market value	b	n/a	42,247	42,247
Cash and cash equivalents*	c	n/a	4,554	2,488
NAV	d	37	214,126	214,126
Leverage	**(a+b+c)/d**	**13**	**121%**	**120%**

* Calculated under the Commitment method.

n/a = not applicable.

THE SECURITIES FINANCING TRANSACTIONS REGULATION (UNAUDITED)

The Securities Financing Transactions Regulation (SFTR) came into effect on 12 January 2016. Article 13 requires information to be provided as to the use of securities financing transactions (SFTs) and total return swaps (TRS).

A Securities Financing Transaction (SFT) is defined as per Article 3 (11) of the SFTR as:

- a repurchase transaction;
- securities or commodities lending and securities or commodities borrowing;
- a buy-sell back transaction or sell-buy back transaction; or
- a margin lending transaction.

As at 31 October 2019 the Company held the following types of SFTs:

None (2018: None)

As at 31 October 2019 the Company held the following types of Total Return Swaps:

Contracts for Difference (2018: Same)

The amount of securities and commodities on loan as a proportion of total lendable assets (excluding cash and cash equivalents) was 0% as at 31 October 2019 (2018: 0%).

GLOBAL DATA:

Type of Asset	Absolute Amount £'000	Proportion of AUM %
Security lending	0	0
Repo	0	0
Total return swap	**42,247**	**16.5%**

CONCENTRATION DATA:

The largest collateral issuer across all SFTs and Total Return Swaps is as follows:

	Collateral Issuers	Volume of the collateral securities and commodities £'000
1	JPY Cash Collateral	1,690

The top counterparties across all SFTs and Total Return Swaps is as follows:

	Counterparty	Gross volume of outstanding trades £'000
1	Morgan Stanley & Co Intl Plc	44,129

THE SECURITIES FINANCING TRANSACTIONS REGULATION (UNAUDITED) continued

AGGREGATE TRANSACTION DATA:

	Type of collateral	Quality	Currency	Maturity tenor (collateral)	Maturity tenor (SFTs/Total Return Swaps)	Country of counterparty establishment *(not collateral)*	Settlement and clearing
Total Return Swap							
Morgan Stanley & Co Intl Plc	Cash	High	JPY	<1 Day	>1yr	UK	Bilateral
Macquarie Bank Limited	Cash	High	JPY	<1 Day	>1yr	Australia	Bilateral

REUSE OF COLLATERAL:

The share of collateral that is reused is 0%, this is in comparison to the maximum of 0% as expressed in the prospectus.

The cash collateral reinvestment returns to the Company were 0.

SAFEKEEPING – Collateral Received:

Custodian	Collateral assets safe-kept
Northern Trust Global Services Limited	–

SAFEKEEPING – Collateral Granted:

The proportion of collateral held in segregated accounts, in pooled accounts or any other accounts is 100%.

RETURN/COSTS:

Type of Asset	Cost £'000	Absolute Returns £'000	% overall returns of Transaction Type
Alternative Investment Fund:			
Total Return Swaps	213	1,651	100
Manager of the Alternative Investment Fund:	0	0	0
Third parties:	0	0	0

GLOSSARY

Administrator	The Company's administrator from time to time, the current such administrator being PraxisIFM Fund Services (UK) Limited.
AIC	Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year, which Shareholders can attend, and where they can vote on resolutions to be put forward at the meeting and ask Directors questions about the company in which they are invested.
CFD or Contract for difference	A financial instrument, which provides exposure to an underlying equity with the provider financing the cost to the buyer with the buyer receiving the difference of any gain or paying for any loss.
Custodian	An entity that is appointed to safeguard a company's assets.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gross assets	The Company's total assets including any leverage amount.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	A closed end investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Liquidity	The extent to which investments can be bought or sold at short notice.
Net assets	An investment company's assets less its liabilities.
Net Asset Value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ordinary Shares	The Company's Ordinary Shares in issue.
Portfolio	A collection of different investments constructed and held in order to deliver returns to shareholders and to spread risk.

GLOSSARY continued

Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

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