

HENDERSON FAR EAST INCOME LIMITED
REPORT FOR THE HALF YEAR ENDED
28 FEBRUARY 2014

HENDERSON FAR EAST INCOME LIMITED
Report for the half year ended 28 February 2014

Financial Highlights	As at 28 February 2014
Total net assets	£311,347,000
Net asset value per ordinary share	295.8p
Market price per ordinary share	299.5p
Premium/(Discount)	1.3%
Dividends – first interim (paid 28 February 2014)	4.4p
– second interim (payable 30 May 2014)	4.4p

Performance	Six months to 28 February 2014
Net Asset Value Total Return	-2.6%
Share Price Total Return +	-0.3%
FTSE All -World Asia Pacific ex Japan Index (Total Return) +*	-0.8%
FTSE All - World Asia Pacific Index (Total Return) + *	-1.3%
Dividends paid in the period	8.8p

+ Source: Fundamental Data/Datastream

* Sterling adjusted. There is no formal benchmark for the Company. These indices are shown purely for comparative purposes.

INTERIM MANAGEMENT REPORT

Chairman's Statement

- Total revenue for the first half of financial year 2014 increased 14.1% year on year
- Net asset value total return fell 2.6% in sterling terms over the period compared to a 0.8% fall in the FTSE All World Asia Pacific ex Japan Index.
- Dividend growth outlook for Asian companies remains positive.

Performance during the first half of your Company's financial year has been somewhat subdued. Continued unrest in the Middle East and fears over the stability of some emerging markets caused investors to favour the more developed markets. The FTSE All World Asia Pacific ex Japan Index fell by 0.8% on a total return basis. Your Company's net asset value total return was restrained by the strength of sterling and fell by 2.6%. Notwithstanding this, total revenue grew 14.1% over the period.

Dividends

On 29 November 2013, your Company paid a fourth interim dividend of 4.40p per share in respect of the year ended 31 August 2013 making a total of 17.0p for the year, an increase of 6.25% over the previous year. In respect of the current financial year, a first interim dividend of 4.40p per share was paid on 28 February 2014 and a second interim dividend of the same amount has been declared and will be paid on 30 May 2014.

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INTERIM MANAGEMENT REPORT (continued)
Chairman's Statement

Material Events or Transactions

A total of 925,000 new shares were issued in the six months to 28 February 2014 at a premium to net asset value, thereby enhancing the net asset value per share. Your Board will continue to allot shares where it is in the interests of shareholders to do so. Since the period end a further 625,000 shares have been issued.

In February of this year the Company repaid its loan facility with Commonwealth Bank of Australia and in its place took out a new £45 million two year multi-currency revolving credit facility with National Australia Bank. At the period end, £22.1 million had been drawn down.

Your Board has noted that the Alternative Investment Fund Managers Directive was written into UK legislation on 22 July 2013 with a transition period for full compliance ending on 22 July 2014. Given that your Company's ordinary shares are predominantly promoted and traded in the UK, your Board has decided to adopt the Directive in full notwithstanding the fact that the Company is a non-EU Alternative Investment Fund as it is domiciled in Jersey. Accordingly, Henderson will be appointed as the Company's Alternative Investment Fund Manager and your Company's custodian, JP Morgan Chase, will be appointed as the Company's Depository

Outlook

Asian stock markets are likely to be volatile over the coming months. The strength of the recovery in the US together with speculation over the ending of US quantitative easing will remain key influences on the mood of the market. Nevertheless the outlook for revenue growth remains positive with dividend pay-out ratios at record lows and many Asian companies, outside the traditional yielding sectors, well placed to grow their dividends. In the medium to long term, the strong economic fundamentals and attractive valuation of Asian companies should deliver good returns for shareholders.

John Russell
Chairman
09 April 2014

Principal Risks and Uncertainties

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

- Investment and strategy
- Market
- Accounting, legal and regulatory
- Operational
- Financial

Information on these risks and how they are managed is given in the Annual Report and Financial Statements for the year ended 31 August 2013. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

Related Party Transactions

Details of related party arrangements are contained in the Annual Report and Financial Statements for the year ended 31 August 2013. Other than fees payable in the ordinary course of business, there have been no material transactions with the related parties during the six month period under review which have materially affected the financial position or performance of the Company.

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Directors' Responsibility Statement

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

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- (b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board

John Russell, Chairman

09 April 2014

Portfolio Manager's Report

Market

Asian markets rose in local currency terms over the period but the strength of sterling and the weakness of Asian currencies resulted in a slight decline for the sterling based investor.

The first few months started well as the planned reduction in the US Federal Reserve's bond buying program was delayed as weakness in US housing and employment data over the previous three months prompted a more prudent approach. Markets rallied until the end of October, making up the majority of the value lost from the sell-off in May and June 2013. Towards the end of the calendar year and into 2014 volatility increased as continued unrest in the Middle East and fears over a crisis in parts of emerging markets kept returns subdued. Despite these headwinds markets moved ahead through February buoyed by better economic data in the US and Europe and increasing optimism in the growth and valuation of internet and technology related sectors, epitomised by Facebook's \$19bn takeover of WhatsApp.

From an Asian perspective the period was dominated by two main events. In November the 3rd Plenum of the 18th Chinese Communist Party Central Committee unveiled reforms designed to dictate the direction of Chinese growth. Despite initial disappointment at the lack of detail, subsequent statements have clarified the breadth of the measures and the key areas of focus. A move towards a more market-oriented economy allowing private companies to compete alongside state owned enterprises in some of the more protected sectors was widely applauded. Other areas of focus were land reform, migrant registration (Hukou reform), financial reform and a concerted effort to tackle environmental concerns. The markets reacted positively to these announcements with China rallying in the 4th quarter of 2013. Subsequent performance has been more lacklustre. Weaker economic data in January and February combined with a well publicised default from a mining based trust company caused investors to focus on the strength of the Chinese financial system and the potential for growth to slow as the reforms are implemented.

In October 2013 a bill proposing amnesty for former Thai leader Thaksin Shinawatra provoked sizeable street protests in Bangkok. A state of emergency remains in place and despite the lower house of parliament being dissolved in December and elections called in February there appears no end to the current stand off. The protests have remained broadly peaceful but with no government in place and parts of Bangkok still blocked, the impact on foreign investment and tourism is beginning to take a toll on economic growth. This uncertainty has impacted market performance and Thailand was one of the worst performing markets over the period.

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Portfolio Manager's Report (continued)

Elsewhere in the region currency weakness has dominated returns. The liquidity events that impacted Argentina, Turkey and South Africa in early 2014 provoked fears of a full blown crisis in emerging markets. Although the imbalances that had caused these stresses were not as evident in Asian economies as elsewhere, fears of contagion and outflows from emerging market equity funds kept currencies under pressure. In local currency terms India and Indonesia were the best performing markets with only India holding on to these gains in sterling terms as interest rate rises and improving trade data stabilised the rupee.

At the sector level technology was the clear winner as investors embraced the potential for companies to monetise new formats. Tencent, China's largest internet service portal, stood out rising over 70% in local currency terms during the period to become the 8th largest stock in the MSCI AC Asia Pacific ex Japan Index. Despite providing the infrastructure upon which Tencent is so reliant the telecom sector was by far the worst performer as investors fretted over competition and price discounting.

Performance

The portfolio struggled to match the index performance over the period, with the net asset value total return falling 2.6% in sterling terms compared to a 0.8% fall in the FTSE All World Asia Pacific ex Japan Index. The weakness of Thailand and the telecom sector combined with the strength of thematic technology stocks with high valuations and minimal dividend was detrimental to performance. At the stock level strong performance from Hyundai Motor, Grand Korea Leisure, Taiwan Cement, Macau casino operator SJM and Chinese gaming company Giant Interactive, which was subject to a takeover offer during the period, all helped to mitigate the negative returns from allocation

Revenue

In line with previous years the revenue in the first half represents around one third of the Company's full year revenue. The comparison with this stage in 2013 is encouraging especially considering that revenue growth was so strong at the interim stage one year ago. Total revenue for the first half of financial year 2014 has increased 14.1% year on year with investment income increasing by 10.1% and other income, namely option writing, increasing by 80%.

We remain optimistic about the potential for Asian companies to continue to grow dividends over time as a result of the high levels of cash accumulation and the record low dividend pay-out ratios. The reported figures reflect these trends and are especially encouraging considering that they were delivered during a period of sterling strength and falling capital values.

The increase in option premium income is reflective of slightly higher volatility compared to last year and a small increase in the number of options written.

Strategy

The portfolio allocation has remained broadly unchanged over the period with an emphasis on domestic orientated companies with cheap valuations and sustainable and growing dividends. Despite the underperformance of certain high yield sectors following the announcement of QE tapering these "defensives" remain expensive relative to their own history and the rest of the market. We have reinvested in some of the real estate investment trusts (Westfield Retail Trust) on the pull-back but on the whole feel that high yield and low growth is still overpriced. For this reason we have very little exposure to consumer staples, utilities and healthcare. We maintain a healthy weight in telecoms on valuation grounds although the sale of China Mobile over fears of increased competition and capital expenditure has reduced the exposure compared to last year.

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Portfolio Manager's Report (continued)

With cash flow generation strong and dividend pay-outs at record lows we remain convinced that dividend growth will be a strong driver of not only revenue, but also capital growth. Following a few years of underperformance relative to developed markets valuations of domestic growth stocks are compelling. Examples of companies that have been added to the portfolio over the period are Beijing Capital Airport, Sinopec Engineering, Netease and Skyworth Digital in China, Coal India and Tong Hsing in Taiwan. All of these companies would be classified as mid-caps and consequently the portfolio has a greater exposure to mid-caps than it did one year ago.

Other notable changes were the inclusion of Agricultural Bank of China and Petrochina which were funded by the sales of China Mobile, Digital China and Giant Interactive while sales of Mega Financial, TVB and Sonic Healthcare helped fund the purchases in the paragraph above.

We have invested again in Japan. The position in Mizuho Financial was taken after strong results in late 2013 when it became clear to us that the potential for banks to generate excess capital leading to higher dividends was a compelling reason to add to the portfolio. The likelihood of strong market returns in Japan being linked with a weaker Yen has led us to hedge this position.

Outlook

We remain positive on the outlook for the region in the medium to long term but recognise that market direction will be dictated by macro factors in the short term. The slow withdrawal of quantitative easing combined with the strength and sustainability of the recoveries in the US and Europe and the degree of economic slowdown will be key to determining returns. Valuations in Asia however are attractive relative to their own history and other world markets and companies are cash rich with strong potential to increase dividend pay outs over time. We will use any market volatility as an opportunity to acquire quality high yielding or high dividend growth companies at attractive prices.

Michael Kerley
Portfolio Manager
09 April 2014

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Investment Portfolio

As at 28 February 2014

	Valuation at 28 February 2014 £'000	% of portfolio		Valuation at 28 February 2014 £'000	% of portfolio
Australia			Japan		
Westfield Retail Trust	8,219		Mizuho Financial	<u>7,293</u>	<u>2.2</u>
Ancor	7,313				
Telstra Corporation	7,131		New Zealand		
Suncorp	6,111		Telecom Corp of New Zealand	<u>7,838</u>	<u>2.4</u>
Commonwealth Bank of Australia	6,070				
Santos	5,993		The Philippines		
Seven West Media	5,175		Philippine Long Dist. Tel.+	<u>5,519</u>	<u>1.7</u>
Myer Holdings	4,906				
	<u>50,918</u>	<u>15.6</u>	Singapore		
China**			Sembcorp Marine	6,762	
Bank of China	9,506		CapitaMall Trust REIT	6,261	
Shanghai Industrial	8,372		Ascendas Real Estate	6,132	
Petrochina	7,460		DBS Group	5,562	
Sinopec Engineering	7,395		SATS	4,486	
Agricultural Bank of China	6,172			<u>29,203</u>	<u>9.0</u>
Beijing Capital Int. Airport	5,524		South Korea		
Jiangsu Expressway	5,511		SK Telecom+	8,104	
Guangzhou R&F Properties	5,372		Hyundai Motor	7,403	
Netease+	3,629		Grand Korea Leisure	5,896	
China Forestry Holdings	476		Kangwon Land	5,305	
Netease May 14 put (expiry 27/05/14)*	(78)		Macquarie Korea Infrastructure Fund	4,699	
+	(78)		Grand Korea Leisure Apr 14 call (expiry 08/04/14)*	(298)	
Lenovo May 14 put (expiry 08/05/14)*	(154)			<u>31,109</u>	<u>9.6</u>
	<u>59,185</u>	<u>18.2</u>			
Hong Kong			Taiwan		
SJM Holdings	8,916		Taiwan Cement	9,583	
NWS Holdings	6,892		Catcher Technology	9,246	
			Taiwan Semiconductor Manufacturing+	8,011	
Sun Hung Kai Properties	6,525		Quanta Computers#	6,794	
Wharf Holdings	6,264		Tong Hsing Electronic Industry	5,376	
Mapletree Greater China	5,743		Cleanaway	4,032	
Skyworth Digital Holdings	5,625		CTCI Corporation	3,989	
	<u>39,965</u>	<u>12.3</u>		<u>47,031</u>	<u>14.4</u>
India			Thailand		
Cairn India#	7,225		Charoen Pokphand Food	6,828	
Coal India#	5,284		Krung Thai Bank	6,760	
	<u>12,509</u>	<u>3.8</u>	Advanced Information Services	6,495	
Indonesia			LPN Development	3,871	
Telekomunikasi Indonesia	5,355			<u>23,954</u>	<u>7.3</u>
	<u>5,355</u>	<u>1.6</u>	United Kingdom		
			HSBC Holdings	<u>6,125</u>	<u>1.9</u>
			Total Investments	<u>326,004</u>	<u>100.0</u>

*The value of the investments shown on the balance sheet has been grossed up to exclude options valued at (£530,000).

**Except where indicated stocks are listed in Hong Kong

+ American Depository Receipts # Structured products

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Statement of Comprehensive Income
for the half year ended 28 February 2014

	Half year ended 28 February 2014			Half year ended 28 February 2013			Year ended 31 August 2013		
	(Unaudited)			(Unaudited)			(Audited)		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investment income	6,820	-	6,820	6,191	-	6,191	21,154	-	21,154
Other income, including option premium income	672	-	672	373	-	373	1,600	-	1,600
(Losses)/gains on investments held at fair value through profit or loss	-	(13,177)	(13,177)	-	66,458	66,458	-	16,572	16,572
Total income	7,492	(13,177)	(5,685)	6,564	66,458	73,022	22,754	16,572	39,326
Expenses									
Management fees	(770)	(770)	(1,540)	(902)	(902)	(1,804)	(1,829)	(1,829)	(3,658)
Other expenses	(205)	(205)	(410)	(184)	(184)	(368)	(429)	(429)	(858)
Profit/(loss) before finance costs and taxation	6,517	(14,152)	(7,635)	5,478	65,372	70,850	20,496	14,314	34,810
Finance costs	(57)	(57)	(114)	(54)	(54)	(108)	(128)	(128)	(256)
Profit/(loss) before taxation	6,460	(14,209)	(7,749)	5,424	65,318	70,742	20,368	14,186	34,554
Taxation	(353)	-	(353)	(467)	-	(467)	(1,789)	-	(1,789)
Profit/(loss) for the period and total comprehensive income	6,107	(14,209)	(8,102)	4,957	65,318	70,275	18,579	14,186	32,765
Earnings per ordinary share basic and diluted (note 2)	5.84p	(13.59p)	(7.75p)	4.86p	64.09p	68.95p	18.05p	13.78p	31.83p

The total column of this statement represents the Condensed Statement of Comprehensive Income of the Company, prepared in accordance with IFRS as adopted by the EU.

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

All income is attributable to the equity holders of Henderson Far East Income Limited. There are no minority interests.

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Statement of Changes in Equity
for the half year ended 28 February 2014

	Half year ended 28 February 2014 (Unaudited)				
	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2013	77,511	180,471	51,305	16,511	325,798
Total comprehensive income:					
(Loss)/profit for the period	-	-	(14,209)	6,107	(8,102)
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(9,202)	(9,202)
Shares issued	2,864	-	-	-	2,864
Share issue costs	(11)	-	-	-	(11)
Total equity at 28 February 2014	80,364	180,471	37,096	13,416	311,347

	Half year ended 28 February 2013 (Unaudited)				
	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2012	67,727	180,471	37,119	15,183	300,500
Total comprehensive income:					
Profit for the period	-	-	65,318	4,957	70,275
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(8,382)	(8,382)
Shares issued	4,312	-	-	-	4,312
Share issue costs	(22)	-	-	-	(22)
Total equity at 28 February 2013	72,017	180,471	102,437	11,758	366,683

	Year ended 31 August 2013 (Audited)				
	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 31 August 2012	67,727	180,471	37,119	15,183	300,500
Total comprehensive income:					
Profit for the year	-	-	14,186	18,579	32,765
Transaction with owners, recorded directly to equity:					
Dividends paid	-	-	-	(17,251)	(17,251)
Shares issued	9,833	-	-	-	9,833
Share issue costs	(49)	-	-	-	(49)
Total equity at 31 August 2013	77,511	180,471	51,305	16,511	325,798

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Balance Sheet

as at 28 February 2014

	28 February 2014 (Unaudited) £'000	28 February 2013 (Unaudited) £'000	31 August 2013 (Audited) £'000
Non current assets			
Investments held at fair value through profit or loss	<u>326,534</u>	<u>393,630</u>	<u>348,928</u>
Current assets			
Other receivables	4,952	12,765	8,231
Cash and cash equivalents	<u>3,116</u>	<u>1,619</u>	<u>4,257</u>
	<u>8,068</u>	<u>14,384</u>	<u>12,488</u>
Total assets	<u>334,602</u>	<u>408,014</u>	<u>361,416</u>
Current liabilities			
Written options	(530)	(2)	(581)
Other payables	(646)	(19,563)	(3,854)
Bank loans and overdrafts	<u>(22,079)</u>	<u>(21,766)</u>	<u>(31,183)</u>
	<u>(23,255)</u>	<u>(41,331)</u>	<u>(35,618)</u>
Net assets	<u>311,347</u>	<u>366,683</u>	<u>325,798</u>
Capital and reserves			
Stated capital	80,364	72,017	77,511
Distributable reserve	180,471	180,471	180,471
Retained earnings:			
Other capital reserves	37,096	102,437	51,305
Revenue reserve	<u>13,416</u>	<u>11,758</u>	<u>16,511</u>
Total equity	<u>311,347</u>	<u>366,683</u>	<u>325,798</u>
Net asset value per ordinary share (note 3)	<u>295.76p</u>	<u>356.54p</u>	<u>312.23p</u>

The Company does not have any dilutive securities, therefore the basic and diluted returns per share are the same.

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Statement of Cash Flows

for the half year ended 28 February 2014

	Half year ended 28 February 2014 (Unaudited) £'000	Half year ended 28 February 2013 (Unaudited) £'000	Year ended 31 August 2013 (Audited) £'000
Net (loss) / profit before tax	(7,749)	70,742	34,554
Add / (Less) losses / (gains) on investments held at fair value through profit or loss	13,177	(66,458)	(16,572)
Purchases of investments	(103,494)	(125,256)	(278,348)
Sales of investments	110,456	110,795	259,085
Decrease in prepayments and accrued income	1,089	1,698	1,174
Decrease / (increase) in amounts due from brokers	2,575	(9,515)	(4,442)
(Decrease) / increase in other payables	(130)	86	72
(Decrease) / increase in amounts due to brokers	(3,078)	18,771	3,078
Stock dividends included in investment income	-	(44)	(44)
Taxation on investment income	(353)	(478)	(1,800)
	<hr/>	<hr/>	<hr/>
Net cash inflow / (outflow) from operating activities	12,493	341	(3,243)
	<hr/>	<hr/>	<hr/>
Financing activities			
Net loans (repayment)/drawdown	(9,103)	352	9,744
Equity dividends paid	(9,202)	(8,380)	(17,251)
Share issue proceeds	2,566	4,312	9,833
Share issue costs	(11)	(22)	(49)
	<hr/>	<hr/>	<hr/>
Net cash (outflow) / inflow from financing	(15,750)	(3,738)	2,277
	<hr/>	<hr/>	<hr/>
Decrease in cash and cash equivalents	(3,257)	(3,397)	(966)
Cash and cash equivalents at the start of the period	4,256	6,076	6,076
Exchange movements	2,117	(1,060)	(854)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the period end	3,116	1,619	4,256*
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*includes bank overdrafts of £1,000 at 31 August 2013

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Notes:

1. Accounting Policies:

(a) Basis of preparation

The condensed interim financial information has been prepared on a going concern basis and in accordance with IAS 34.

The Annual Report and Financial Statements for the year ended 31 August 2013 were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the unaudited results for the half year ended 28 February 2014 have been prepared using the same accounting policies.

The condensed financial information for the half years ended 28 February 2014 and 28 February 2013 have not been audited.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 August 2013. The following changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 August 2014.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

IFRS 13 Fair Value Measurement: IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Company has included additional disclosures in this regard (see Note 7).

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

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

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

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

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Accounting Policies (continued)

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

Significant accounting judgments and estimates

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

The Company's holdings in Participation Notes are valued at £19.3 million (28 February 2013: £26.1 million, 28 August 2013: £23.5 million). These are valued by reference to the underlying quoted stock. The obligations relating to the options valued at £530,000 (28 February 2013: £2,000, 31 August 2013: £581,000) are valued by reference to the Black-Scholes model. The valuation of China Forestry Holdings Limited (the only Level 3 holding) is derived from the audited cash and verified assets stated in that company's last annual report and then discounted as determined by the Directors taking into account the performance of the 'H' share market in Hong Kong, and of similar companies subject to suspension and subsequent re-listing. The fair value of the Company's forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

2. Earnings per ordinary share

The earnings per ordinary share figure is based on the net loss after taxation of £8,102,000 (half year ended 28 February 2013: gain £70,275,000; year ended 31 August 2013: gain £32,765,000) and on 104,559,929 ordinary shares (half year ended 28 February 2013: 101,922,995; year ended 31 August 2013: 102,912,043) being the weighted average number of ordinary shares in issue during each of the periods.

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

	Half year ended 28 February 2014 (Unaudited) £'000	Half year ended 28 February 2013 (Unaudited) £'000	Year ended 31 August 2013 (Audited) £'000
Net revenue gain	6,107	4,957	18,579
Net capital (loss) / gain	(14,209)	65,318	14,186
Net total (loss) / gain	(8,102)	70,275	32,765
Weighted average number of ordinary shares in issue during the period	104,559,929	101,922,995	102,912,043
	Pence	Pence	Pence
Revenue earnings per ordinary share	5.84	4.86	18.05
Capital earnings per ordinary share	(13.59)	64.09	13.78
Total earnings per ordinary share	(7.75)	68.95	31.83

3. Net asset value per ordinary share

The basic net asset value per ordinary share is based on a net asset value of £311,347,000 (28 February 2013: £366,683,000; 31 August 2013: £325,798,000) and on 105,270,564 (28 February 2013: 102,845,564; 31 August 2013: 104,345,564) ordinary shares, being the number of ordinary shares in issue at each period end.

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4. Transaction costs

Purchase transaction costs for the half year ended 28 February 2014 were £201,000 (half year ended 28 February 2013: £287,000; year ended 31 August 2013: £616,000). These mainly comprise commission. Sales transaction costs for the half year ended 28 February 2014 were £272,000 (half year ended 28 February 2013: £254,000; year ended 31 August 2013: £614,000).

5. Share capital

During the six months under review the Company issued a total of 925,000 shares (half year ended 28 February 2013: 1,265,000; year ended 31 August 2013: 2,765,000) for proceeds of £2,853,000 (half year ended 28 February 2013: £4,290,000; year ended 31 August 2013: £9,784,000) net of costs.

6. Interim dividend

On 30 November 2013, the Company paid a fourth interim dividend of 4.4p per share in respect of the year ended 31 August 2013. A first interim dividend of 4.4p per share was paid on 28 February 2014. The second interim dividend of 4.4p per share will be paid on 30 May 2014 to shareholders on the register on 9 May 2014. The Company's shares will be quoted ex-dividend on 7 May 2014. Based on the number of shares in issue on 9 April 2014, the cost of this dividend will be £4,659,000.

7. Financial Instruments

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

Financial instruments carried at fair value

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Financial assets and financial liabilities at fair value through profit or loss at 28 February 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
- Equity securities designated at fair value through profit or loss	306,755	19,303	476	326,534
- Written options	-	(530)	-	(530)
- Forward exchange contracts	-	101	-	101
Total financial assets and liabilities carried at fair value	306,755	18,874	476	326,105

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Financial Instruments (continued)

Level 3 investments at fair value through profit or loss	£'000
Opening balance	516
Transferred into Level 3	-
	<u>516</u>
Total unrealised losses included in losses on investments held at fair value through profit and loss in the Statement of Comprehensive Income -	<u>(40)</u>
Closing balance	<u>476</u>

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

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 other than quoted prices included in Level 1.

The Company's holdings in options and Participation Notes are included within Level 2. Also included here is a Japanese Yen forward exchange contract for 1,273,484,000 Yen which resulted in an unrealised gain of £101,000.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

The net fair value movement on written options during the half year ended 28 February 2014 was a gain of £672,000 (half year ended 28 February 2013: £373,000, year ended 31 August 2013: £1,270,000).

8. Going concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. In reviewing the position as at the date of this statement, the Board has considered the going concern and liquidity risk: 'Guidance for Directors of UK Companies 2009' issued by the Financial Reporting Council in October 2009.

9. Half Year Report

The Half Year Report will be available on the Company's website (www.hendersonfareastincome.com) or in hard copy format from the Company's registered office, Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY from 17 April 2014. Shareholders will be sent a copy of the Update, an abridged version of the half year results, in late April.

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10. General Information

a) Company Objective

To seek to provide a high level of dividends as well as capital appreciation over the long term, from a diversified portfolio of investments traded on the Pacific, Australasian, Japanese and Indian stock markets ('the Asia Pacific region').

b) Company Status

The Company is a Jersey domiciled closed-end investment company, number 95064, which was incorporated in 2006 and which is listed on the London and New Zealand Stock Exchanges. The ISIN number is JE00B1GXH751. The London Stock Exchange code is HFEL. The Company is a Jersey fund which is regulated by the Jersey Financial Services Commission.

c) Directors, Secretary and Registered Office

The Directors of the Company are John Russell (Chairman), David Mashiter, Simon Meredith Hardy, Richard Povey and David Staples. The Secretary is BNP Paribas Securities Services S.C.A. Jersey Branch, represented by Jeremy Hamon and which is regulated by the Jersey Financial Services Commission. The registered office is Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY.

d) Website

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

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Report for the half year ended 28 February 2014

INDEPENDENT REVIEW REPORT TO HENDERSON FAR EAST INCOME LIMITED

Introduction

We have been engaged by Henderson Far East Income Limited ('the Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2014 which comprises the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs, as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the EU and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Heather J. MacCallum

For and on behalf of

KPMG Channel Islands Limited

Chartered Accountant and Recognised Auditor

37 Esplanade

St Helier

Jersey

JE4 8WQ

9 April 2014

The maintenance and integrity of www.hendersonfareastincome.com is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our review report since 9 April 2014. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 9 April 2014 which in any way extends this date.

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