Henderson Far East Income Limited

Report and Financial Statements for the year ended 31 August 2010

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').

History Henderson Far East Income Limited is a Jersey domiciled closed-end investment company which was incorporated in 2006 and is listed on the London and New Zealand Stock Exchanges. The Company has a conventional structure with a single class of ordinary shares in issue and pays quarterly dividends. The assets of Henderson Far East Income Trust plc were transferred to the Company in December 2006 to increase the amount of distributable income and to improve investment flexibility. The Board is wholly independent from the management company.

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Financial Highlights

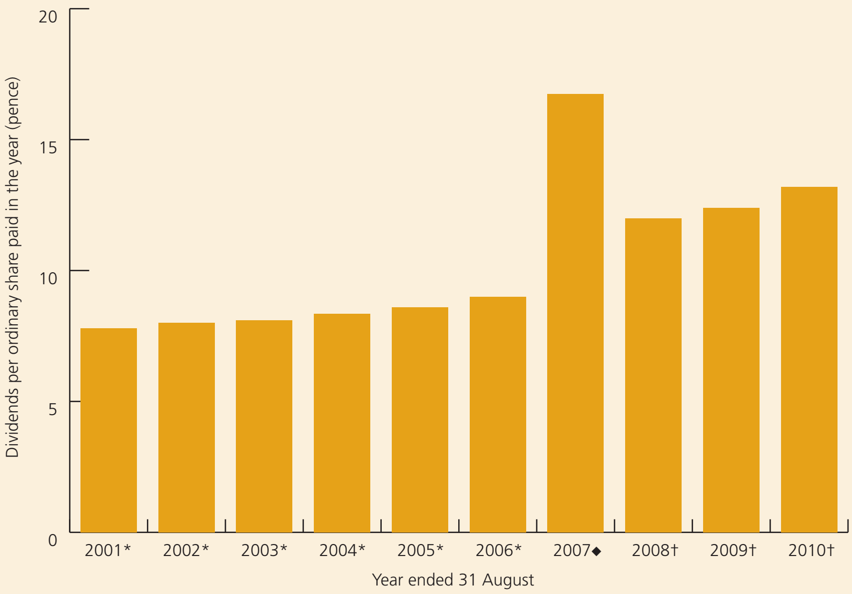
Per Ordinary Share	31 August 2010	31 August 2009	% change
Net asset value	**295.00p**	258.52p	14.1%
Market price	**298.25p**	269.50p	10.7%
Total earnings	**47.78p**	9.79p	388.0%
Revenue earnings	**15.35p**	13.76p	11.6%

Performance
(12 months to 31 August)

	2010
Net asset value (total return)[1]	**19.5%**
Share price (total return)[2]	**15.7%**
FTSE All-World Asia Pacific ex Japan (£) (total return)[2]	**22.8%**

Sources: [1]AIC [2]Datastream

Dividend History



*Dividends paid by Henderson Far East Income Trust plc, the predecessor company.
◆Dividends paid by both companies in the year to 31 August 2007, including three interim dividends of 2.75p declared in the period 18 December 2006 to 31 August 2007 and a special dividend paid by the predecessor company.
†Dividends paid by the Company.

Directors

Pictured from left to right: Back row: Simon Meredith Hardy, Michael Kerley (Manager), David Mashiter.
Front row: Richard Povey, John Russell (Chairman), Christopher Spencer.

John Russell (Chairman) John has over 30 years' experience in investment banking. He was a member of the Australian Stock Exchange and a partner at Bain & Company. He has had 20 years' experience in London and New York as head of Bain's branches in those cities. In 1992 Bain was acquired by Deutsche Bank AG and John continued as senior director of Deutsche Bank Australia in Europe until the end of 1999. John was previously a director of Henderson Far East Income Trust plc.

David Mashiter David is currently managing director of Meridian Asset Management (C.I.) Limited. He is also a director of Northcross Capital Management Limited, Northcross Holdings Limited, RBC Regent Strategy Fund Limited and Broadwalk Select Services Fund Limited. He was formerly head of investment management with the Royal Trust Company of Canada in Jersey.

Simon Meredith Hardy Simon was formerly a partner at Wood Mackenzie & Co., stockbrokers and a director of Hill Samuel. He was subsequently a director of Natwest Securities, with responsibility for the Asia Pacific region. Simon was previously a director of Henderson Far East Income Trust plc and was chairman of Framlington Income & Capital Trust plc.

Richard Povey Richard has occupied a number of senior positions in Asia with the Swire Pacific Group, most recently being managing director of the Swire Pacific trading operations in Taiwan. He currently sits on the board of the Jersey Competition Regulatory Authority and Opsec Security Group plc. He has been a non-executive director of a number of offshore investment companies.

Christopher Spencer Christopher is a chartered accountant and was managing director of Pannell Kerr Forster (Guernsey) Limited in Guernsey from 1990 until his retirement in 2000. He is currently a non-executive director of a number of offshore insurance and investment companies.

All of the Directors are non-executive and are members of the Audit Committee, the Management Engagement Committee and the Nominations Committee.

Management

Michael Kerley

Andrew Beal

The portfolio is managed by Michael Kerley, assisted by Andrew Beal.

Chairman's Statement

John Russell

Asian markets have once again performed strongly compared to those in the West and your Company's net asset value has improved significantly over the year. Your Board has also been able to increase the dividend without recourse to reserves and remains confident about the income and growth prospects for the Company in the year ahead.

Performance

In the year under review the net asset value total return was 19.5%, up from 5.3% the previous year, in part through the strength of the Asian currencies against sterling in the period, and the share price total return was 15.7%. The FTSE All-World Asia Pacific ex Japan Index returned 22.8% for the same period. Revenue earnings increased by 11.6% from 13.76p per share to 15.35p.

Dividends

A fourth interim dividend of 3.60p per share has been declared making a total of 13.60p for the year, an increase of 9.7% on last year. Revenue after tax was significantly higher than in the previous year and so there was no recourse to the revenue reserve. Your Board remains confident that it will be able at least to maintain the level of total dividend in the coming year.

Capital and gearing

As reported at the half year, the Company allotted 6,462,943 shares in an institutional placing last December at a premium to net asset value of 2%, and subsequently applied for a new blocklisting of 9,150,555 shares. Aside from the placing the Company issued 6,760,000 shares in the year under review and a further 1,475,000 since the year end, all at a premium of not less than 2%. The Board will continue to issue shares which will result in a NAV enhancement for shareholders.

The Board maintains a cautious view on borrowings and has not entered into any formal loan arrangements.

Board visit to the region

In July the Board took a five day due diligence and fact finding trip to China and Singapore. In China we visited Beijing, Tianjin and Shanghai. It is difficult to understand the transformation of China that has taken place in such a short time. We visited a broad section of industry and commerce including an informative meeting with the Bank Regulator. Overall we were impressed by the professionalism and quality of those we met together with their determination to succeed. The scale and speed of infrastructure spending is unprecedented in the history of the world and is laying the foundation of an economy which in time may well emerge as the world's largest economy. That is in the future but the building blocks are now being put in place.

Outlook

Asian markets have benefited from lower interest rates and surplus liquidity, factors which have proved to be more important than global economic growth in delivering returns to investors. We believe that dividend growth in the region will exceed that of the West which will have a positive impact on our dividend policy. However, markets will remain volatile as they need more certainty that the global economic recovery is sustainable for that volatility to disappear. Certainly, Asian markets will continue to be an attractive proposition in the medium term.

Shareholder communications and AGM

Your Board is aware that many shareholders are daunted by the length and complexity of annual reports nowadays and would like to focus their attention on the Company's key results and commentaries. Our new Annual Review document which has been sent with this Report seeks to encapsulate items of interest whilst guiding readers to the availability and location of more comprehensive data about the Company. The Board hopes that many shareholders will embrace this new document and decide to receive it rather than the full Report in future years.

The Company's AGM will be held at 12 noon on Friday 17 December 2010 at Liberté House, 19-23 La Motte Street, St. Helier, Jersey, JE2 4SY and full details of the proposed resolution are set out in the separate Notice of Meeting which has been sent out with this report. As usual an open presentation to shareholders will be held at 11.00am on Monday 20 December 2010 at Henderson's offices in London.

John Russell
Chairman
12 November 2010

Manager's Report

Michael Kerley

Asian markets

I am pleased to report on the third consecutive year of positive NAV total returns for your Company. As in previous years, the twelve month return disguised significant underlying volatility. In the first five months through to January 2010, the economic recovery in developed markets, and in the US in particular, drove equities higher; but in January 2010 this was undermined when weaker than expected US employment statistics challenged assumptions about the strength of the recovery. Subsequent data points proved more supportive and by April markets had reached new highs only to stumble again as the problems of solvency in peripheral Europe took centre stage. A number of months of uncertainty followed with markets only able to regain confidence after the announcement of a German backed bailout package.

Even though recent economic data in the West has been mixed, Asian markets are now, once again, making new highs owing to three main factors. Firstly, the economic numbers out of Asia have consistently surprised. For example, in September 2010 the Asian Development Bank revised its target for Asian GDP growth for 2010 for the third time in six months, to 8.2%. This comes at a time when most economic forecasters are lowering their growth targets for the developed economies.

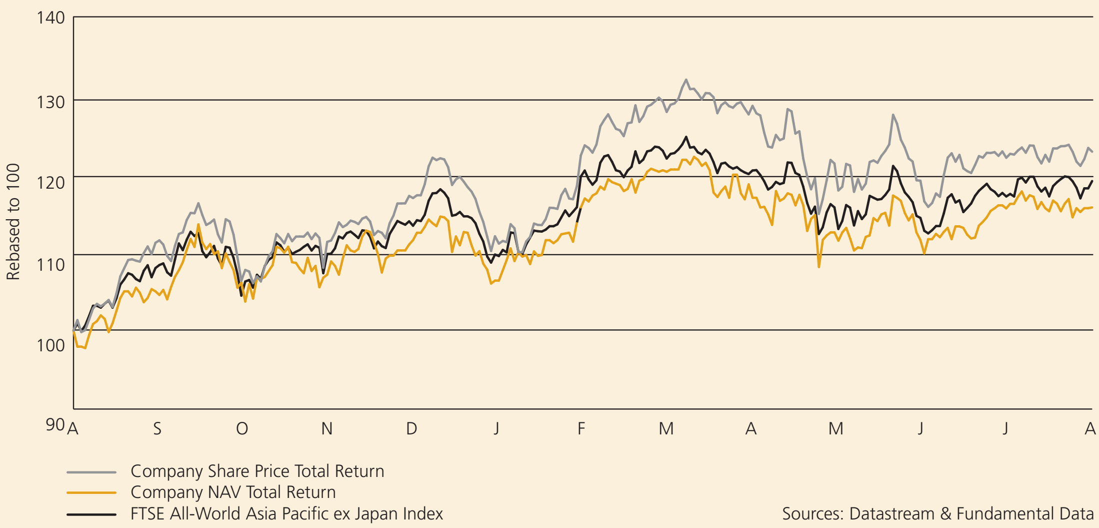
The second major factor is liquidity. With growth in the developed world anaemic at best, the upward pressure on interest rates is muted. In this environment the return on bonds and cash is not particularly attractive relative to the returns available on bonds and equities in emerging markets. This dynamic has been very supportive for Asian equities: low interest rates have attracted foreign capital but also encouraged local investors to seek out higher returns.

The final catalyst has been earnings. The corporate sector in Asia continues to exceed analysts' forecasts. At the beginning of the year consensus expectations for earnings growth in 2010 was 21%, but strong results and positive guidance have seen this figure revised to 32% with momentum still firmly positive.

Market performance

The drivers of returns have, however, varied through the Company's financial year. In the first half the recovery originated from western economies with export sectors such as technology and materials leading the way. In the second

Company and Index returns (sterling adjusted) – year to 31 August 2010

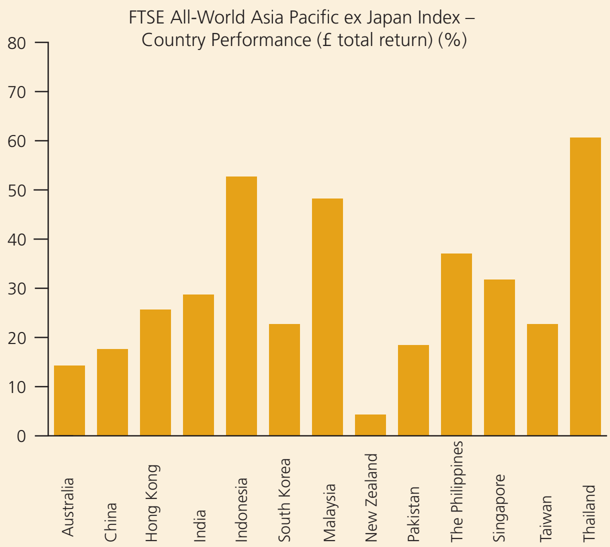


Sources: Datastream & Fundamental Data

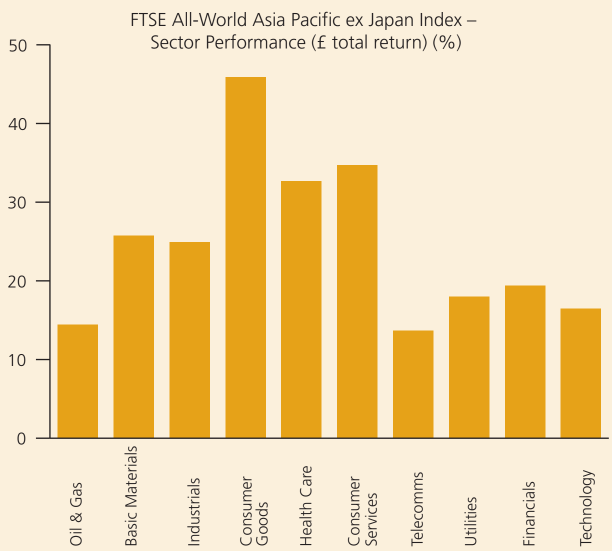
Manager's Report

continued

half of the period the sustainability of the recovery in the US was called into question and this combined with fears of insolvency in peripheral Eurozone shifted investment focus to those countries and sectors less exposed to the global cycle. This was extremely beneficial to the ASEAN markets of Indonesia, Thailand, Malaysia and the Philippines which topped the list of performers for the full year with returns ranging from 35% to 60% in sterling terms. Although the returns in local currency were also quite attractive, the performance was supplemented by the strength of Asian currencies over the period. It is also reflective of the superior economic fundamentals in Asia and the positive yield carry in a low interest rate environment. The country and sector returns are shown below.



Source: Factset



Source: Factset

The portfolio

The portfolio remains focused on domestic themes and away from sectors exposed to the global cycle. We believe financials and in particular banks in China, Singapore, Hong Kong and Thailand are cheap and beneficiaries of the growth in consumer spending. With interest rates low, savings high and property prices still not much higher than they were 10 years ago we believe that the property sector in the above markets is also attractive. Infrastructural spending will continue to be a key theme in the region and hence we retain our overweight position in industrials to gain exposure to this. Telecommunications is an important sector for the portfolio due to cheap valuations, strong cash flows and attractive yields and we retain a significant exposure in this area.

China

The performance of Chinese shares is a disappointment. Although the economy is strong and corporate earnings supportive, the fine tuning of economic policy has left a cloud over the market. The government's attempt to avoid an asset bubble in the property market through various clampdown measures on speculators has created uncertainty and left investors sidelined. Our overweight position in China and financials in particular is one of the main reasons why the portfolio underperformed over the period, but we continue to believe China still offers the best combination of value and income growth in the region.

Revenue

In the last quarter your Company announced an increase in the dividend, a measure of our confidence in Asian companies to generate steady cash flow and to pay out higher dividends going forward. So far, the strong momentum in earnings has yet to translate into prospective dividend growth and analysts are yet to reflect the same levels of uplift in their dividend forecasts as in the earnings projections. Although Asian companies have posted both record high levels of cash flow and low levels of debt, dividend payouts (defined as a percentage of net profit paid out as dividends) are forecast to be at their lowest levels for many years. We consider this view to be over cautious and expect companies to surprise analysts with favourable dividend payouts in the year ahead. This could in turn be a catalyst for future share price performance which should help your Company's revenue account as well as enhance our total return objective.

Manager's Report

continued

Although returns over the period were variable overall, volatility in markets was lower than in previous years reducing the opportunities for us to add to the revenue account through the use of derivatives. We have however been pragmatic with this strategy and have used any brief period of volatility as an opportunity to accrue additional revenue without impacting the characteristics of the underlying portfolio.

Outlook

Our confidence in the medium to long term future for Asian markets remains. The economic fundamentals are intact and supplemented by a corporate sector which has low gearing and high cash generation prospects. Valuations are not stretched and are in line with ten year averages. With growth in western economies constrained, the pressure on interest rates to rise globally is muted and this should be supportive for consumer led growth in the East.

The biggest risk is that Asia will grow too quickly and that inflation will become a problem but we have been encouraged by the quick response in economies such as China, Singapore and Hong Kong to ensure that inflationary bubbles are 'pricked' before they have a chance to develop. Although stock markets may not like these policies, if some western governments had embarked on the same strategies five years ago then many of the current problems may have been averted.

Michael Kerley
Portfolio Manager
12 November 2010

Manager's Report

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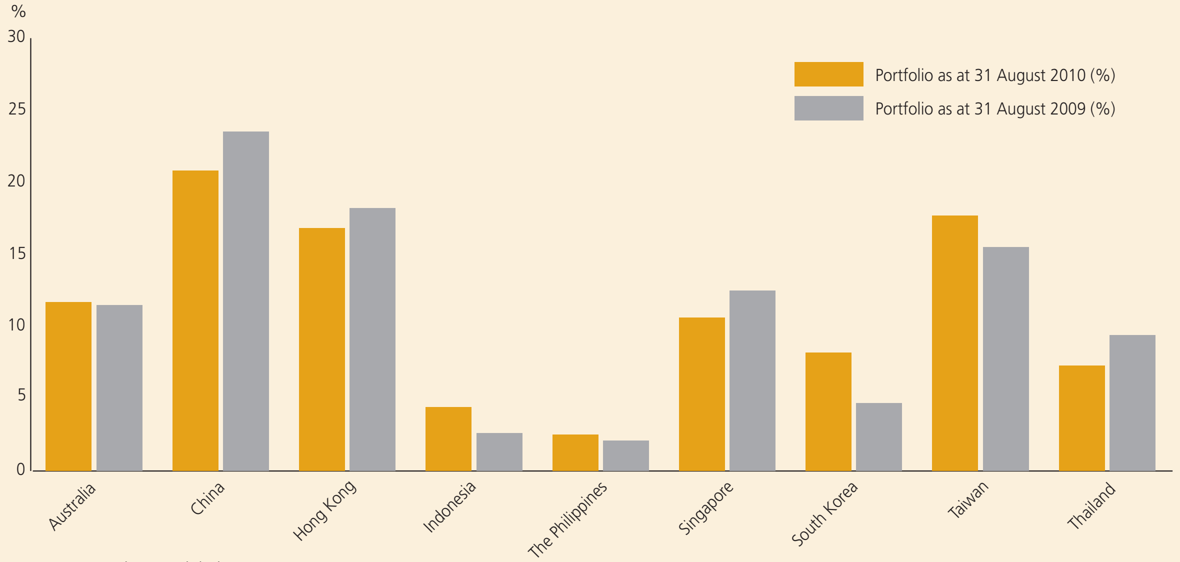
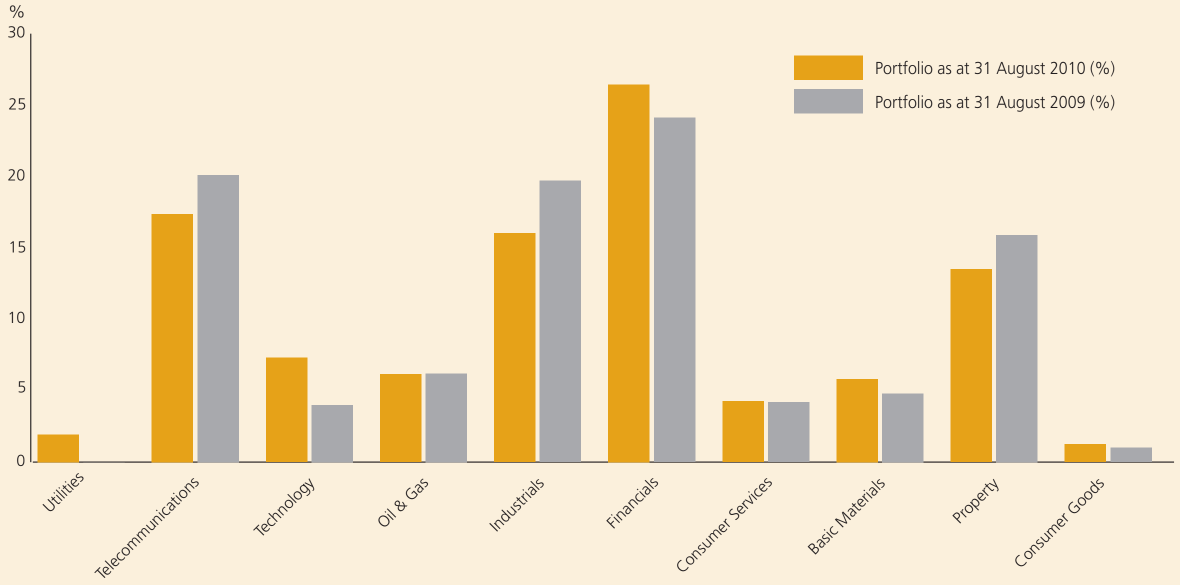
Geographical Analysis



Source: Henderson Global Investors

Sector Analysis



Source: Henderson Global Investors

Investment Portfolio

as at 31 August 2010

Rank 2010	Rank 2009	Company	Country	Sector	Value £'000	%
1	4	**Kasikornbank**	Thailand	Financials	9,092	3.2
One of Thailand's largest banks with a focus on lending to small and medium sized enterprises. The bank has a strong capital base and is well positioned to benefit from the country's economic growth.						
2	9	**BOC Hong Kong Holdings**	Hong Kong	Financials	8,274	2.9
The Hong Kong subsidiary of Bank of China and a dominant player in the Hong Kong mortgage market with a 20% market share. It is well placed to capitalise on its parents connections to increase business on the mainland and to facilitate ever increasing renminbi business in Hong Kong.						
3	1	**Bank of China**	China	Financials	7,524	2.7
One of China's big four policy banks offering a full range of financial services to retail and corporate customers. Following its recent capital raising the bank is well positioned to participate in the country's growing demand for credit.						
4	17	**Advanced Information Services**	Thailand	Telecommunications	7,475	2.7
Thailand's largest mobile network operator both in terms of revenue and number of subscribers. It has strong non-cyclical cash flow generation with low levels of debt and a high dividend yield.						
5	13	**Link REIT**	Hong Kong	Property	7,468	2.7
Hong Kong's first and largest real estate investment trust. Link REIT's portfolio consists of approximately 11million square feet of retail space and 80,000 car park spaces and boasts a large and diverse tenant base.						
6	40	**SK Telecom**	South Korea	Telecommunications	7,225	2.6
Korea's largest mobile telecommunications provider under the brand name of 'Speed 011'. In addition, SK Telecom and its subsidiaries offer other wireless services including data, paging and internet facilities.						
7	–	**Amcor**	Australia	Industrials	7,189	2.6
Australian packaging company specialising in plastic containers for beverage applications and flexible packaging for food, tobacco and healthcare products. One of the world's leading packagers with sales of A$14 billion derived from 43 countries.						
8	–	**Fraser & Neave**	Singapore	Industrials	7,133	2.5
The company is a leading Pan Asian consumer group with core expertise and strong standing in the food and beverage, property and publishing and printing industries. It owns an impressive array of renowned brands which enjoy market leadership in Singapore and the rest of Asia Pacific.						
9	8	**Santos**	Australia	Oil & Gas	7,123	2.5
Santos is a major Australian oil and gas exploration and production company with interests in Australia, Indonesia, Papua New Guinea, Vietnam, India and Bangladesh.						
10	27	**Philippine Long Distance Telephone**	Philippines	Telecommunications	7,055	2.5
Through its three main business groups: fixed line, wireless and information communication technology, the company offers the largest and most diversified telecommunications services across the Philippines.						
		Top Ten Investments			**75,558**	**26.9**

The Top Ten Investments by value account for 26.9% of the total investments (2009: £59,190,000 or 28.6%).

Investment Portfolio

continued

Company	Country	Sector	Value £'000	%
11. Telekomunikasi Indonesia	Indonesia	Telecommunications	7,026	2.5
12. CTCI Corporation	Taiwan	Industrials	6,997	2.5
13. Lonking Holdings	China	Industrials	6,967	2.5
14. Industrial & Commercial Bank of China	China	Financials	6,903	2.5
15. Shanghai Industrial	China	Industrials	6,808	2.4
16. KT Corporation	South Korea	Telecommunications	6,784	2.4
17. Incitec Pivot	Australia	Basic Materials	6,727	2.4
18. Telstra Corporation	Australia	Telecommunications	6,667	2.4
19. Chunghwa Telecom	Taiwan	Telecommunications	6,589	2.3
20. Yuanta Financial	Taiwan	Financials	6,525	2.3
Top Twenty Investments			**143,551**	**51.1**

Company	Country	Sector	Value £'000	%
21. Korean Reinsurance	South Korea	Financials	6,196	2.2
22. Television Broadcasts	Hong Kong	Consumer Services	6,170	2.2
23. Hang Seng Bank	Hong Kong	Financials	5,977	2.1
24. Ascendas Real Estate	Singapore	Property	5,840	2.1
25. Singapore Press	Singapore	Consumer Services	5,809	2.1
26. China Oilfield Services	China	Oil & Gas	5,760	2.1
27. DBS Group	Singapore	Financials	5,752	2.1
28. Shimao Property	China	Property	5,702	2.0
29. Sino Land	Hong Kong	Property	5,591	2.0
30. Mediatek	Taiwan	Technology	5,484	1.9
Top Thirty Investments			**201,832**	**71.9**

Investment Portfolio

continued

Company	Country	Sector	Value £'000	%
31. China Construction Bank	China	Financials	5,449	1.9
32. Perusahaan Gas Negara	Indonesia	Utilities	5,435	1.9
33. Taiwan Cement	Taiwan	Basic Materials	5,318	1.9
34. NWS Holdings	Hong Kong	Industrials	5,306	1.9
35. Venture Corp	Singapore	Technology	5,276	1.9
36. Taiwan Semiconductor Manufacturing	Taiwan	Technology	5,156	1.8
37. Midland Holdings	Hong Kong	Property	5,068	1.8
38. QBE Insurance Group	Australia	Financials	5,043	1.8
39. Mega Financial	Taiwan	Financials	4,803	1.7
40. Jiangsu Expressway	China	Industrials	4,643	1.7
Top Forty Investments			**253,329**	**90.2**

Company	Country	Sector	Value £'000	%
41. Compal Electronics	Taiwan	Technology	4,551	1.6
42. Petrochina	China	Oil & Gas	4,383	1.6
43. China Forestry Holdings	China	Basic Materials	4,317	1.5
44. Hung Poo Real Estate Development	Taiwan	Property	4,314	1.5
45. LPN Development	Thailand	Property	3,966	1.4
46. Skyworth Digital Holdings	Hong Kong	Consumer Goods	3,498	1.3
47. Macquarie Korea Infrastructure Fund	South Korea	Financials	2,750	1.0
48. Midland Holdings Nov10 Call 8.4718 (Expiry 11/11/2010)	Hong Kong	Derivatives	(6)	–
49. China Railway Construction Nov10 Put10.165 (Expiry 01/11/2010)	China	Derivatives	(342)	(0.1)
Total Investments			**280,760**	**100.0**

Report of the Directors

The Directors present the audited financial statements of the Group and their report for the year ended 31 August 2010. The Group comprises Henderson Far East Income Limited ('the Company') and its wholly owned subsidiary undertaking, Henderson Far East Income (Malta) Limited. The subsidiary undertaking was placed into voluntary liquidation on 31 August 2008 and this process should be completed during 2011. The Company commenced trading on the London and New Zealand Stock Exchanges on 18 December 2006.

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 August 2010. It should be read in conjunction with the Manager's Report on pages 4 to 7 which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

The Company is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 95064. In addition, the Company constitutes and is certified as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. The Company has obtained a Fund Certificate under Article 7 of the Jersey Funds Law from the Jersey Financial Services Commission to operate as a Certified Fund within the Island of Jersey.

The Company is a member of the Association of Investment Companies ('AIC').

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

b) Investment objective and policy

The Company seeks to provide investors with 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.

Derivatives may be used for efficient portfolio management purposes, which may include the enhancement of income and the protection of the portfolio from undue risks.

The Company does not have a fixed life.

Investments are made in a diversified portfolio of securities (including debt securities) issued by companies listed on stock exchanges in, or which are based in or whose business activities are concentrated on, the Asia Pacific region or by governments in the Asia Pacific region. Investment is primarily in listed equities, but also includes preference shares, debt, convertible securities, warrants and other equity related securities including unlisted securities which are expected to list, and investment in collective investment schemes.

The Company may invest in derivatives and other instruments to protect the value of the portfolio and to reduce costs. Borrowings are permitted to employ leverage to achieve the investment objectives.

The portfolio is constructed without reference to the composition of any stockmarket index or benchmark.

The Company intends to pay dividends on a quarterly basis each year. The Company holds stocks in nine countries across the region, and no single country represents more than 20.8% of the portfolio. Investments have not yet been made in the markets of India or Japan.

c) Financial Review

Results for the year

Total net assets at 31 August 2010 amounted to £284,916,000 and the net asset value per ordinary share was 295.00p.

At 31 August 2010 there were 49 (2009: 46) separate investments, as detailed in the Investment Portfolio and the Manager's Report on pages 4 to 7.

Group net revenue after taxation for the year was £14,067,000 (2009: £10,868,000). Group total return was £43,782,000 (2009: £7,732,000).

The total expense ratio ('TER') is 1.23% (2009: 1.19%).

Dividends

The Company pays dividends to the extent that they are covered by income received from underlying investments, and the Company intends to distribute substantially all of its income profits arising in each accounting period.

During the year under review the Company has paid two interim dividends each of 3.20p per share and one of 3.60p. A fourth interim dividend of 3.60p per share will be paid on 30 November 2010, to shareholders on the register of members on 5 November 2010. The shares were quoted ex-dividend on 3 November 2010.

Bank facilities and gearing

At the year end the Group had a short term overdraft of £3.63 million and held cash of £2.45 million, which meant the Company was marginally geared.

Report of the Directors

continued

Payment of Suppliers

It is the payment policy of the Company to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors as at 31 August 2010.

Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined earlier. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement (on page 3) and the Manager's Report (on pages 4 to 7).

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which 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 report, the Board has considered the guidance issued by the Financial Reporting Council in October 2009.

d) Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

- *Returns and net asset value*
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price for the Company. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index for comparison purposes only.
- *Discount/Premium to net asset value ('NAV')*
  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and includes current financial year revenue; on the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical cost comparison.
- *Yield*
  At each Board meeting, the Directors examine the revenue forecast and consider the yield on the portfolio and the amount available for distribution.
- *Performance against other Asian funds*
  The Board considers the performance of other Asian funds, particularly income funds, at each Board meeting.

e) Management, administration and custody arrangements

Investment management services are provided to the Company by wholly owned subsidiary companies of Henderson Group plc ('Henderson') under a management agreement.

Until 31 December 2009 the management fee was calculated and paid quarterly in arrears at the rate of 1.0% per annum of the average value of the Company's assets under management on the last day of each of the two calendar years preceding the calculation date in respect of which the charge is determined. Where the Company raised additional money by issuing shares, a supplemental fee was payable calculated at 1.0% of the amount raised net of expenses. From 1 January 2010 the fee was amended to a quarterly management charge equal to 0.25% of the total value of net assets under management on 31 March, 30 June, 30 September and 31 December in each year.

The management agreement may be terminated by either party, but in certain events the Company would be required to pay compensation to Henderson of 12 months' management charges. No compensation is payable if notice of termination of more than 12 months is given.

Administration services and the services of the Company Secretary are provided to the Company by BNP Paribas Securities Services Fund Administration Limited ('BNPP'). Global Custodian services are provided by JPMorgan Chase Bank N.A. and registrar services by Computershare Investor Services (Jersey) Limited.

f) Related party transaction

The contract with Henderson is the only related party arrangement currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with this related party which have affected the financial position or performance of the Company in the financial year.

Report of the Directors

continued

g) Principal risks and uncertainties

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

- *Investment and Strategy*
  An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in under performance against the companies in the peer group, and also in the Company's shares trading on a wider discount. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Portfolio Manager operates in accordance with an investment limits and restrictions policy determined by the Board, which includes limits on the extent to which borrowings may be employed. The Board reviews the limits and restrictions on a regular basis and the Manager confirms adherence to them every month. The Manager provides the Board with management information, including performance data and reports and shareholder analyses. The Directors monitor the implementation and results of the investment process with the Portfolio Manager at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.
- *Market*
  Market risk arises from uncertainty about the future prices of the Company's investments. This is commented on in Note 14 on pages 36 to 43.
- *Accounting, legal and regulatory*
  The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA and New Zealand Stock Exchange Rules.
- *Operational*
  Disruption to, or the failure of, the Manager's or the Administrator's accounting, dealing, or payment systems or the Custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Administrator, BNPP sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Securities Services. Details of how the Board monitors the services provided by the Manager and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of this report.
- *Financial*
  The financial risks faced by the Company include market risk (market price risk, interest rate risk and currency risk), liquidity risk and credit risk. Further details are disclosed in Note 14 on pages 36 to 43. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

Corporate Governance Statement

a) Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined Code. Most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are all non-executive. Thus, not all the provisions of the 2008 Combined Code are directly applicable to the Company.

The Financial Reporting Council (the 'FRC') confirmed in February 2007 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies (the 'AIC Guide') in 2009, boards of investment companies should fully meet their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules. The 2009 AIC Code of Corporate Governance (the 'AIC Code'), as explained by the AIC Guide, addresses all the principles set out in Section 1 of the 2008 Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board of Henderson Far East Income believes that reporting against the AIC Code by reference to the AIC Guide will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk

The AIC Code was enhanced for Jersey companies in March 2009 to include a statement of support from the Jersey Financial Services Commission and further revised in 2010.

In May 2010 the FRC published the new UK Corporate Governance Code which is effective for accounting periods commencing on or after 29 June 2010. On 15 October 2010

Report of the Directors

continued

the AIC published its updated code. The Company will report against those codes in next year's annual report.

b) Statement of compliance

The AIC Code comprises 21 principles. The Directors believe that during the year under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the 2008 Combined Code except as noted below.

- *Senior independent director*
  A senior non-executive director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *The role of chief executive*
  Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a chief executive.
- *Executive Directors' remuneration*
  As the Board has no executive directors, it is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 21.
- *Internal audit function*
  As the Company delegates to third parties its day-to-day operations and has no employees, the Board has, therefore, determined that there is no requirement for an internal audit function. The Directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

c) Directors

The names and biographies of the Directors holding office at the date of this report are listed on page 2.

The Articles of Association require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment and shall not remain in office longer than three years since their last election or re-election without submitting themselves for re-election. The Articles also provide that one third of the Directors retire by rotation each year. Mr Spencer offers himself for re-election at the forthcoming AGM. The Board considers that there is a balance of skills and experience within the Board and each of the Directors contributes effectively.

No Director has a service contract with the Company.

Board independence

The Board currently consists of five non-executive directors. All are independent of the Company's Manager.

The Directors consider that there are no factors which compromise the Directors' independence and that they all contribute to the affairs of the Company in an independent manner.

The Directors are conscious of the need to maintain continuity of the Board, particularly given the cyclical nature and remoteness of the Company's markets. The Board believes that retaining directors with sufficient experience of both the Company and its markets is of great benefit to shareholders and that the Directors have different qualities and areas of expertise on which they may lead where issues arise. Their biographies, set out on page 2, demonstrate a breadth of investment, commercial and professional experience with an international perspective.

Directors' Remuneration

A report on Directors' Remuneration is on page 21.

Directors have agreed letters of appointment with the Company. Copies are available at all shareholder meetings. There were no contracts subsisting during, or at the end of the period, in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' interests in shares

The Directors and their beneficial interests in the shares of the Company at the start and end of the financial year are stated below:

Ordinary Shares of no par value	31 August 2010	1 September 2009
John Russell (Chairman)	15,000	5,000
David Mashiter	5,000	5,000
Simon Meredith Hardy	15,000	15,000
Richard Povey	5,000	5,000
Christopher Spencer	5,000	5,000

There have been no changes in the interests of the Directors since the year end.

Directors' professional development

When a new Director is appointed, he or she is offered a training seminar held by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes in Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

Report of the Directors
continued

Directors' Indemnity
Directors' and officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court.

d) The Board
Responsibilities
The Board meets at least four times each year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting, enabling Directors to probe further on matters of concern or seek clarification on certain issues. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, through its representative who is responsible to the Board for ensuring that Board procedures are followed.

The Board's tenure and succession policy will seek to ensure that the Board is well-balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

Board Committees
The Board has established Audit, Management Engagement and Nominations committees with defined terms of reference and duties. Details of the membership of each committee is shown on page 2.

a) Audit Committee
The Board has appointed an Audit Committee, which operates within clearly defined terms of reference and which comprises the entire Board. In summary, the Audit Committee's main functions are:

- to review and monitor the internal financial control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half year and annual financial statements and the going concern statement of the Company by reviewing and challenging, where necessary, the actions and judgments of the Manager and the Administrator;
- to meet, if required, with the Company's auditors to review their proposed audit programme of work and the findings of its auditors (the Audit Committee also uses this as an opportunity to assess the effectiveness of the audit process);
- to make recommendations to the Board in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and
- to monitor and review annually the Company's auditors' independence, objectivity, effectiveness, resources and qualifications.

Mr Spencer has been Chairman of the Audit Committee since 9 November 2006.

The Audit Committee has satisfied itself that Ernst & Young LLP, the Company's auditors, are independent.

b) Management Engagement Committee
The Management Engagement Committee comprises the entire Board and is responsible for ensuring that the Manager complies with the terms of the management agreement and that the provisions of that agreement follow industry practice and remain competitive and in the best interests of shareholders. This Committee is chaired by the Chairman of the Board.

c) Nominations Committee
The Board has appointed a Nominations Committee, which comprises the entire Board and which will be convened for the purpose of considering the appointment of additional or replacement directors and reviewing the performance of current Board members. Full details of the duties of new directors will be provided to them with a letter of appointment. This Committee is chaired by the Chairman of the Board.

Report of the Directors

continued

Board Attendance

The number of formal meetings during the year of the Board, and its Committees, and the attendance of the individual directors at those meetings, is shown in the following table:

Number of meetings in year	Board 4	Audit Committee 2	Management Engagement Committee 2	Nominations Committee 2
John Russell	4	2	2	2
David Mashiter	4	2	2	2
Simon Meredith Hardy	4	2	2	2
Richard Povey	4	2	2	2
Christopher Spencer	3	2	2	1

In addition, three short Board meetings were held during the year to approve dividends and release the Interim Management Statements, and the Annual General Meeting was held in December 2009.

e) Performance evaluation

The performance of the Company is considered in detail at each Board meeting. The Chairman reviews each individual Director's contribution on an annual basis. The work of the Board as a whole and its committees is reviewed annually by the Nominations Committee. The Directors also meet without the Chairman present in order to review his performance.

f) Internal Controls

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ('the Turnbull Guidance'). The process has been in place since 2006 and up to the date of approval of this annual report.

The Board is responsible overall for the Company's system of internal control and for reviewing its effectiveness taking into account that the activities of the Company are outsourced to external service providers. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the Company's business risks and these have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter a formal report which details the steps taken to monitor the areas of risk and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls which includes a report from the Manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

The Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Manager's compliance and risk department on a continuing basis.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31 August 2010, and to the date of approval of this Annual Report and Financial Statements.

g) Accountability and Relationship with the Manager and the Administrator

The Statement of Directors' Responsibilities is set out on page 20, the Report of the Independent Auditors on page 22 and the Statement of Going Concern on page 12.

The Board has delegated contractually to external third parties, including the Manager and the Administrator, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager and of the Administrator attend each Board meeting enabling the Directors to probe further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the

Report of the Directors
continued

furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Manager and the Administrator operate in a supportive, co-operative and open environment.

h) Continued Appointment of the Investment Manager
The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are set out on page 12.

The Board reviews investment performance at each Board meeting and a formal review of the Manager is conducted annually.

As a result of their annual review, it is the opinion of the Directors that the continued appointment of the current Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

The Manager has extensive investment management resources and wide experience in managing and administering investment companies.

i) Share capital and shareholders
The Company's share capital comprises ordinary shares of no par value. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's shares or voting rights and there are no shares which carry specific rights with regard to the control of the Company. The number of shares in issue at the start of the year was 83,357,621, and at the end 96,580,564, as the Company allotted 6,462,943 ordinary shares under an institutional placing in December 2009 and has followed a progressive policy of issuing new shares during the year with an additional 6,760,000 shares issued in the year. Since the year end and up to the date of this report, a further 1,475,000 shares have been issued. All new shares are issued at a premium to net asset value of not less than 2%.

Substantial share interests
Declarations of interests in the voting rights of the Company, at 31 October 2010, are set out below.

Shareholder	% of voting rights
Rathbone Brothers plc	9.57
Rensburg Sheppards Investment Management Ltd	3.28
Legal & General Group plc	3.25

At 31 October 2010, 7.33% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products and 0.40% by participants in Henderson products. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. The nominee companies have undertaken to exercise the voting rights of any shares that have not been exercised by the individual participants. They will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Relations with Shareholders
Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Reports, the Annual Review and the Interim Management Statements which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily publication at the London Stock Exchange and New Zealand Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet.

It is the intention of the Board that the year end items and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the registered office address on the inside back cover. At other times the Company responds to letters from shareholders on a range of issues.

General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

The Board recognises that few shareholders are able to travel to Jersey to attend the AGM so a shareholder event will be held in London on Monday 20 December 2010 to give shareholders the chance to meet the Chairman and to view a presentation from the Portfolio Manager. Full details are set out on page 46.

New Zealand listing
It should be noted that the UK Codes of Corporate Governance may materially differ from the New Zealand Stock Exchange's corporate governance rules and principles of the Corporate Best Practice Code.

Report of the Directors

continued

j) Corporate Responsibility

- *Responsible investment*

  Responsible Investment is the term which Henderson, the Company's Manager, uses to cover its work on corporate governance and corporate responsibility (or social, environmental and ethical issues) in the companies in which it invests on its clients' behalf, across all funds. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices.

  The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision.

- *Voting policy*

  Henderson's Responsible Investment Policy sets out the Manager's approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients, and its policy on proxy voting. The Policy also sets out how Henderson implements the Stewardship Code. The Company has delegated responsibility for voting to the Manager. The Board will receive a report, at least annually, on the voting undertaken by the Manager on behalf of the Company.

  The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution, the Portfolio Manager and/or members of the Board will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefor are fed back to the investee company prior to voting.

  The Henderson Responsible Investment Policy and further details of Henderson's responsible investment activities can be found on the Henderson website, www.henderson.com

- *Environmental matters*

  The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible.

Annual General Meeting ('AGM')

The AGM will be held at the Company's registered office in Jersey on Friday 17 December 2010 at 12 noon. The Notice of Meeting is set out in a separate document which has been sent to shareholders with this report. Separate resolutions will be proposed for each substantive issue, including the adoption of new Articles of Association, and amendments to the pre-emption rights.

Independent Auditors

Our auditors, Ernst & Young LLP, have indicated their willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint them as independent auditors for the ensuing year, and to authorise the Directors to determine their remuneration.

Discount Management

The Directors intend to operate an active discount management policy through the use of share buy backs, if the shares were ever to trade at a substantial discount to net asset value for a significant period. The Directors seek annual authority to buy back and cancel, or hold in Treasury, the Company's shares. On 11 December 2009 the Directors were granted authority to repurchase 12,747,888 shares for cancellation. This authority, which has not been used, will expire at the forthcoming AGM. In Resolution 5, a Special Resolution, the Board is seeking authority to purchase up to a maximum of 14.99% of the shares in issue.

These powers will give the Directors additional flexibility going forward and the Board considers that it will be in the interests of the Company that such powers be available.

Directors' Authority to Allot Relevant Securities

There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. Accordingly, the Articles of Association authorise the Directors to allot an unlimited number of shares without pre-emption rights applying for shareholders. Shares will only be issued at a premium to the prevailing net asset value per share and, therefore, will not be disadvantageous to existing shareholders. Any future issues of shares will be carried out in accordance with the Listing Rules.

Amendments to Articles

The Company currently has a listing on the premium segment of the official list of the UK Listing Authority. From 6 April 2010, the structure of the UK listing regime changed primarily as a result of the evolution of UK and global markets but also to reduce the potential for confusion over the current regime. The Financial Services Authority (FSA) is replacing primary and secondary listing

Report of the Directors

continued

with premium and standard listing. All closed ended investment funds will be required to have a premium listing.

The FSA is also taking the opportunity to bring the requirements for overseas companies in relation to corporate governance and pre-emption rights into line with those for UK companies. Although at present, as an overseas company with a premium listing, the Company is generally subject to the same regulatory requirements as a UK company, it previously benefited from less onerous requirements in relation to corporate governance. In addition, as a Jersey incorporated entity, it is not subject to pre-emption rights under Jersey law nor under its articles of association. From April 2010, all overseas companies with a premium listing will be required to:

- Include in their annual report and financial statements an amended corporate governance statement, confirming compliance with the UK Corporate Governance Code or explaining any aspect of non-compliance (rather than stating whether they comply with the corporate governance regime in their home state and describing how their actual practices differ from the UK Corporate Governance Code); and
- Offer pre-emption rights to their existing shareholders when they make an offer of new shares for cash (with a 13 month period to implement).

In light of the new requirements to offer pre-emption rights to shareholders, your Board is taking the opportunity to amend the Company's Articles of Association ('Articles') at the Annual General Meeting to incorporate the necessary changes.

The new provision will require the Company, unless previously disapplied by a special resolution (which will require three quarters rather than two thirds of shareholders voting to vote in favour), to first offer any new shares or securities (or rights to subscribe for, or to convert or exchange into, shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company.

The pre-emption provisions proposed in the Articles are designed to follow, in so far as possible, those which exist in relation to companies incorporated in the United Kingdom and governed by the United Kingdom Companies Act 2006. The special resolution which has been proposed to disapply pre-emption rights requires three quarters of shareholders to vote in favour of it rather than two thirds in order to follow the United Kingdom position.

In addition to including pre-emption provisions the proposed changes to the Articles are:

- Reduce the notice period for annual general meetings and meetings at which special resolutions are proposed from 21 to 14 days; and
- Remove the upper age limit for directors in order to seek to comply with relevant United Kingdom laws in relation to age discrimination.

A blacklined copy of the Articles showing the proposed amendments is available from the Company Secretary at the registered office address.

The adoption of new Articles requires the consent of the Jersey Financial Services Commission, which has been received subject to shareholder approval at the AGM. The Company is currently authorised by the Articles to issue an unlimited number of new shares. In order to continue with such share issues, your Board is therefore also proposing that an annual disapplication of the new pre-emption rights is given to the Directors so that they may continue to issue shares as and when appropriate. Accordingly, a Special Resolution requiring three quarters of shareholders voting to vote in favour, proposes a disapplication of the new pre-emption rights in respect of 10% of the shares in issue, set to expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2011. It is proposed that this disapplication will be proposed for renewal annually together with the power to issue new shares.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Report are listed on page 2. Each of those Directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

For and on behalf of the Board

R T Povey
Director
12 November 2010

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Jersey law and generally accepted accounting principles.

Jersey law requires the Directors to prepare, in accordance with generally accepted accounting principles, financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis; and
- specify which generally accepted accounting principles have been adopted in their preparation.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on a website maintained by the Company's Manager, Henderson Group plc, in the United Kingdom. The maintenance and integrity of this website is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

Statement under Disclosure and Transparency Rules

The Directors, who are listed on page 2 of this Annual Report, 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 or loss of the Group; and

(b) the Report of the Directors in this Annual Report includes a fair review of the development and performance of the business and the position of the Company and of the Group, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

C P Spencer
Director
12 November 2010

Directors' Remuneration Report

This report meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. A resolution to receive and approve this report will be proposed at the AGM.

Consideration by the Directors of matters relating to Directors' remuneration

As the Board is comprised entirely of non-executive Directors the Board as a whole consider the Directors' remuneration. The Board has not been provided with advice or services by any outside person in respect of its consideration of the Directors' remuneration although the Directors will review the fees paid to the boards of directors of similar investment companies.

Remuneration policy

The Board consists entirely of non-executive Directors who meet regularly to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will initially serve for a period of three years. Directors' appointments will be reviewed formally every three years thereafter by the Board as a whole. Each of the Directors has a letter of appointment and a Director may resign by giving notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally other than Mr Mashiter, whose fees are payable to his principal employer. There are no long term incentive schemes provided by the Company and the fees are not specifically related to the Directors' performance, or the share price. Each Director will stand for re-election every three years.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles and more time spent. The Company's Articles of Association limit the aggregate fees payable to the Directors to £150,000 per annum. In the year under review and for the prior year, the Directors' fees were paid at the following annual rates: the Chairman £27,500; the Chairman of the Audit Committee £21,000; the other Directors £18,500. In addition each director was paid a 'one off' payment of £5,000 in the year under review, relating to the additional work associated with the successful raising of new capital in the Company.

Directors' and officers' liability insurance cover is in place in respect of the Directors.

Directors' fees

The fees payable by the Company in respect of each of the Directors who served during the year, and in the previous year, were as follows:

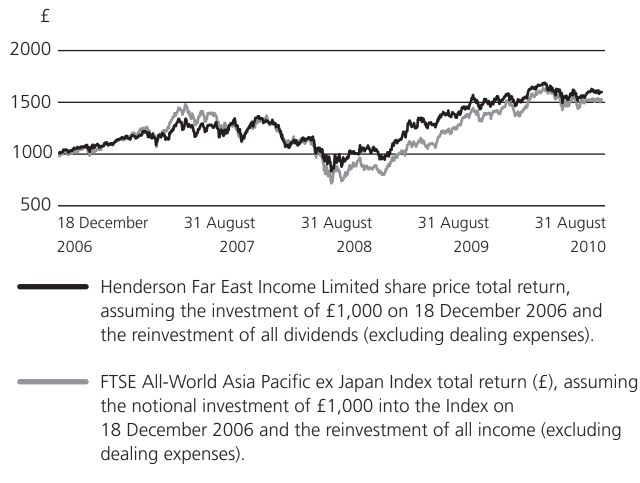
Year ended 31 August	**2010** **£**	2009 £
John Russell (Chairman and highest paid director)	**32,500***	27,500
David Mashiter	**23,500***	18,500
Simon Meredith Hardy	**23,500***	18,500
Richard Povey	**23,500***	18,500
Christopher Spencer	**26,000***	21,000
Total	**129,000**	104,000

*Includes £5,000 payment (see previous paragraph)

No other remuneration or compensation was paid or payable by the Company during the period to any of the Directors.

The graph below illustrates the total shareholder return as compared to the FTSE All-World Asia Pacific ex Japan Index (currency adjusted) for the period from launch to 31 August 2010. In view of the Company's objective, this is the most appropriate index against which to measure performance.

Share price performance graph



Source: Datastream

For and on behalf of the Board

Director

12 November 2010

Report of the Independent Auditors to the members of Henderson Far East Income Limited

We have audited the Group and parent company financial statements ('the financial statements') of Henderson Far East Income Limited for the year ended 31 August 2010 which comprise the Consolidated and Parent Company Statement of Comprehensive Income, Consolidated and Parent Company Statement of Changes in Equity, Consolidated and Parent Company Balance Sheet, Consolidated and Parent Company Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 113a of the Companies (Jersey) Law 1991. 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 auditors' 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.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law, as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report and Financial Statements and consider whether it is consistent with the audited financial statements. The other information comprises Financial Highlights, Performance, Dividend History, Directors and Management, the Chairman's Statement, Investment Portfolio, Manager's Report, Report of the Directors (incorporating the Corporate Governance Statement), Statement of Directors' Responsibilities in respect of the Financial Statements, the Directors' Remuneration Report and Investor Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and the parent company's affairs as at 31 August 2010 and of the Group's results for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Andrew Jonathan Dann, FCA
For and on behalf of
Ernst & Young LLP
Jersey, Channel Islands 12 November 2010

The financial statements are published on websites maintained by the Company's manager, Henderson Group plc ('Henderson').

The maintenance and integrity of these websites are the responsibility of Henderson; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated and Parent Company Statement of Comprehensive Income

for the year ended 31 August 2010

Notes		Year ended 31 August 2010 Revenue return £'000	Year ended 31 August 2010 Capital return £'000	Year ended 31 August 2010 Total £'000	Year ended 31 August 2009 Revenue return £'000	Year ended 31 August 2009 Capital return £'000	Year ended 31 August 2009 Total £'000
3	Investment income	**16,074**	**–**	**16,074**	11,069	–	11,069
4	Other income	**1,308**	**–**	**1,308**	1,900	–	1,900
11	Gains/(losses) on investments held at fair value through profit or loss	**–**	**31,367**	**31,367**	–	(1,870)	(1,870)
	Total income	**17,382**	**31,367**	**48,749**	12,969	(1,870)	11,099
	Expenses						
5	Management fees	**(1,322)**	**(1,322)**	**(2,644)**	(979)	(992)	(1,971)
6	Other expenses	**(328)**	**(319)**	**(647)**	(242)	(249)	(491)
	Profit/(loss) before finance costs and taxation	**15,732**	**29,726**	**45,458**	11,748	(3,111)	8,637
7	Finance costs	**(11)**	**(11)**	**(22)**	(25)	(25)	(50)
	Profit/(loss) before taxation	**15,721**	**29,715**	**45,436**	11,723	(3,136)	8,587
8	Taxation	**(1,654)**	**–**	**(1,654)**	(855)	–	(855)
	Profit/(loss) for the year and total comprehensive income	**14,067**	**29,715**	**43,782**	10,868	(3,136)	7,732
9	**Earnings/(loss) per ordinary share**	**15.35p**	**32.43p**	**47.78p**	13.76p	(3.97)p	9.79p

The total column of this statement represents the Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS. 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.

The net profit of the Company for the year was £43,782,000 (2009: £7,732,000).

The Group does not have any other comprehensive income and hence the net profit for the year as disclosed above is the same as the Group's total comprehensive income.

The notes on pages 27 to 45 form an integral part of these financial statements

Consolidated and Parent Company Statement of Changes in Equity

for the year ended 31 August 2010

Notes	**Consolidated (Year ended 31 August 2010)**	**Stated share capital £'000**	**Distributable reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Total equity at 31 August 2009	**14,323**	**180,471**	**10,675**	**10,027**	**215,496**
	Total comprehensive income:					
	Profit for the year	**–**	**–**	**29,715**	**14,067**	**43,782**
	Transactions with owners, recorded directly to equity:					
10	**Dividends paid**	**–**	**–**	**–**	**(12,185)**	**(12,185)**
15	**Shares issued**	**38,084**	**–**	**–**	**–**	**38,084**
	Issue costs	**(261)**	**–**	**–**	**–**	**(261)**
	Total equity at 31 August 2010	**52,146**	**180,471**	**40,390**	**11,909**	**284,916**

Notes	Consolidated (Year ended 31 August 2009)	Stated share capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2008	–	180,471	13,811	8,852	203,134
	Total comprehensive income:					
	(Loss)/profit for the year	–	–	(3,136)	10,868	7,732
	Transactions with owners, recorded directly to equity:					
10	Dividends paid	–	–	–	(9,693)	(9,693)
15	Shares issued	14,323	–	–	–	14,323
	Total equity at 31 August 2009	14,323	180,471	10,675	10,027	215,496

Notes	**Company (Year ended 31 August 2010)**	**Stated share capital £'000**	**Distributable reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Total equity at 31 August 2009	**14,323**	**180,471**	**10,847**	**9,855**	**215,496**
	Total comprehensive income:					
	Profit for the year	**–**	**–**	**29,543**	**14,239**	**43,782**
	Transactions with owners, recorded directly to equity:					
10	**Dividends paid**	**–**	**–**	**–**	**(12,185)**	**(12,185)**
15	**Shares issued**	**38,084**	**–**	**–**	**–**	**38,084**
	Issue costs	**(261)**	**–**	**–**	**–**	**(261)**
	Total equity at 31 August 2010	**52,146**	**180,471**	**40,390**	**11,909**	**284,916**

Notes	Company (Year ended 31 August 2009)	Stated share capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2008	–	180,471	14,082	8,581	203,134
	Total comprehensive income:					
	(Loss)/profit for the year	–	–	(3,235)	10,967	7,732
	Transactions with owners, recorded directly to equity:					
10	Dividends paid	–	–	–	(9,693)	(9,693)
15	Shares issued	14,323	–	–	–	14,323
	Total equity at 31 August 2009	14,323	180,471	10,847	9,855	215,496

The notes on pages 27 to 45 form an integral part of these financial statements

Consolidated and Parent Company Balance Sheet

at 31 August 2010

Notes		**Consolidated 2010 £'000**	Consolidated 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
	Non current assets				
11	Investments held at fair value through profit or loss	**280,760**	206,757	**280,760**	207,473
	Current assets				
12	Other receivables	**5,994**	6,865	**5,994**	6,865
	Cash and cash equivalents	**2,448**	3,845	**2,448**	3,845
		8,442	10,710	**8,442**	10,710
	Total assets	**289,202**	217,467	**289,202**	218,183
	Current liabilities				
13(a)	Other payables	**(658)**	(510)	**(658)**	(1,226)
13(b)	Bank overdrafts	**(3,628)**	(1,461)	**(3,628)**	(1,461)
		(4,286)	(1,971)	**(4,286)**	(2,687)
	Net assets	**284,916**	215,496	**284,916**	215,496
	Equity attributable to equity shareholders				
15	Stated share capital	**52,146**	14,323	**52,146**	14,323
16	Distributable reserve	**180,471**	180,471	**180,471**	180,471
	Retained earnings:				
17	Other capital reserves	**40,390**	10,675	**40,390**	10,847
	Revenue reserve	**11,909**	10,027	**11,909**	9,855
	Total equity	**284,916**	215,496	**284,916**	215,496
18	**Net asset value per ordinary share**	**295.00p**	258.52p	**295.00p**	258.52p

The financial statements were approved by the Board of Directors and authorised for issue on 12 November 2010 and were signed on its behalf by:

Richard Thomas Povey
Director

Christopher Paul Spencer
Director

The notes on pages 27 to 45 form an integral part of these financial statements

Consolidated and Parent Company Cash Flow Statement

for the year ended 31 August 2010

	Consolidated 2010 £'000	Consolidated 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Operating activities				
Profit before taxation	**45,436**	8,587	**45,436**	8,481
Add back interest payable	**22**	50	**22**	50
(Less)/add (gains)/losses on investments held at fair value through profit or loss	**(31,367)**	1,870	**(31,195)**	1,969
Less movements in investments held at fair value through profit or loss	**(43,225)**	(9,458)	**(42,681)**	(9,458)
(Increase)/decrease in other receivables	**(390)**	232	**(390)**	117
Decrease in amounts due from brokers	**952**	384	**952**	384
Increase/(decrease) in other payables	**198**	(41)	**198**	(13)
Decrease in amounts due to brokers	**(35)**	(6,595)	**(35)**	(6,595)
Scrip dividends included in investment income	**(24)**	(195)	**(24)**	(195)
Net cash outflow from operating activities before interest and taxation	**(28,433)**	(5,166)	**(27,717)**	(5,260)
Interest paid	**(32)**	(50)	**(32)**	(50)
Taxation on investment income	**(1,649)**	(743)	**(1,649)**	(743)
Taxation recovered/(paid)	**179**	(522)	**189**	153
Net cash outflow from operating activities	**(29,935)**	(6,481)	**(29,209)**	(5,900)
Financing activities				
Equity dividends paid	**(12,185)**	(9,693)	**(12,185)**	(9,693)
Share issue proceeds	**37,943**	14,055	**37,943**	14,055
Movement in inter-company loan	**–**	–	**(726)**	(578)
Net cash inflow from financing	**25,758**	4,362	**25,032**	3,784
Decrease in cash and cash equivalents	**(4,177)**	(2,119)	**(4,177)**	(2,116)
Cash and cash equivalents at the start of the year	**2,384**	5,340	**2,384**	5,337
Exchange movements	**613**	(837)	**613**	(837)
Cash and cash equivalents at the end of the year (including bank overdrafts of £3,628,000 (2009: £1,461,000))	**(1,180)**	2,384	**(1,180)**	2,384

The notes on pages 27 to 45 form an integral part of these financial statements

Notes to the Financial Statements

1 General information

The entity is a closed-end company, registered as a no par value company under the Companies (Jersey) Law 1991, with its shares listed on the London and New Zealand Stock Exchanges.

The Company was incorporated on 6 November 2006.

2 Accounting policies

(a) Basis of preparation

This consolidated financial information for the year ended 31 August 2010 has been prepared in accordance with International Financial Reporting Standards ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments.

The principal accounting policies adopted are set out below. Where consistent with IFRS, the financial statements have also been prepared in accordance with the guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('AIC') as revised in January 2009.

(i) Standards, amendments and interpretations that became effective in the current financial year:

- IAS 1 (revised) *Presentation of financial statements* The revised standard requires the separate presentation of changes in equity attributable to the owners (equity shareholders) and other non-owner changes. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has applied IAS 1 (revised) from 1 September 2009 and has elected to present solely a statement of comprehensive income. Where an entity restates or reclassifies comparative information, it is also required to present a restated balance sheet as at the beginning of the comparative period. The adoption of this revised standard has not resulted in a significant change to the presentation of the Group's performance statement, as the Group has no elements of other comprehensive income not previously included in its Statement of Comprehensive Income.

- IAS 39 (amendment) *Financial instruments: Recognition and measurement* The amendment was part of the IASB's annual improvements project published in May 2008. The amendment permits an entity to reclassify particular financial assets in some circumstances and the definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. Adoption had no impact on the Group's financial statements.

- IFRS 7 (amendment) *Financial Instruments: Disclosures* New disclosure requirements were introduced whereby financial instruments must be categorised under a three-level fair value hierarchy. A reconciliation is also required for any investments categorised as Level 3. The additional disclosures resulting from this amendment have been included in Note 14 on page 43. The amendments to IFRS 7 also introduce some additional disclosures on liquidity risk which are included in note 14.2.

- IAS 32 (amendment) *Financial instruments: Presentation* and IAS 1 (amendment) *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation* The amendment provides exemptions from financial liability classification for (a) puttable financial instruments that meet certain conditions; and (b) certain instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation as equity. Adoption did not have any impact on the Group's financial statements.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

- IFRS 8 *Operating Segments* Replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has resulted in additional disclosures which may be found under note 3.
- IAS 23 (amendment) *Borrowing Costs* Requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is not currently relevant to the Group, which has no qualifying assets.
- *Improvements to IFRS* were issued in May 2008 and April 2009 and comprise numerous amendments to IFRS that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies have been made (or, where relevant, are expected) as a result of these amendments.
- IAS 27 (revised) *Consolidated and separate financial statements* introduces significant changes to the accounting for transactions with non-controlling interests (minority interests), the accounting for a loss of control and the presentation of non-controlling interests in consolidated financial statements. Adoption did not have any impact on the Group's financial statements.
- IAS 39 (amendment) *Financial instruments: Recognition and measurement* Adoption did not have any impact on the Group's financial statements.
- IAS 28 (amendment) *Investments in Associates* Consequential amendments arising from revisions to IFRS 3. Adoption did not have any impact on the Group's financial statements.
- IFRS 3 (revised) *Business combinations* Adoption did not have any impact on the Group's financial statements.

(ii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted early by the Group:

- IAS 24 (revised) *Related Party Disclosures* (effective for financial periods beginning on or after 1 January 2011), revises the definition of related parties. Adoption is unlikely to have a significant effect on the Group's financial statements.

(iii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and are not relevant to the Group's operations:

- IFRS 1 (amendment) *First-time Adoption of International Financial Reporting Standards*
- IFRS 5 (amendment) *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 9 (new) *Financial Instruments: Classification and Measurement*
- IAS 17 (amendment) *Leases*
- IAS 32 (amendment) *Financial Instruments: Presentation* Amendments relating to the classification of rights issues
- IFRS 1 (amendments) *Additional exemptions for first-time adopters*
- IFRS 2 (amendments) *Group cash-settled share-based payment transactions*

Notes to the Financial Statements

continued

2 Accounting policies (continued)

(b) Basis of consolidation

The consolidated financial information comprises the financial information of Henderson Far East Income Limited ('the Company') and its subsidiary undertaking, Henderson Far East Income (Malta) Limited ('the Subsidiary').

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised as assets are eliminated in full.

The Subsidiary is fully consolidated from the date of inception, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

(c) 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. Assets are de-recognised at the trade date of the 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. Unquoted investments are valued based on the latest available information notified to the Group by the Portfolio Manager.

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 Consolidated 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.

In order to improve the disclosure of how companies measure the fair value of their financial investments, the disclosure requirements in IFRS 7 have been extended to include a fair value hierarchy consisting of three levels. The levels and the allocation of the Group's financial investments can be found in note 14.5 on page 43.

Significant accounting judgments and estimates

The preparation of the Group'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 could require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Group's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the accounts are not subject to significant judgments, estimates or assumptions.

(d) Income

Dividends receivable on equity shares are recognised as revenue for the period on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Income from fixed interest debt securities is recognised using the effective interest rate method. Bank interest is accounted for on an accruals basis. Option income is recognised on a fair value basis.

(e) Expenses

All administration expenses and interest payable are accounted for on an accruals basis. Expenses which are incidental to the purchase or sale of an investment are charged to the capital column of the Consolidated Statement of Comprehensive Income and allocated to capital reserves. On the basis of the Board's expected long term split of returns equally between capital gains and income, the Company charges 50% of operating expenses to capital.

(f) Taxation

The Company is subject to income tax at a rate of 0%. The States of Jersey introduced a Goods & Services Tax ('GST') with effect from 6 May 2009. The Company does not suffer any irrecoverable GST as it has applied to the Comptroller of Income Tax for inclusion on the list of 'International Services Entities' pursuant to the Goods & Services Tax (Jersey) Law 2007 and payment of the relevant application fees.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

(f) Taxation (continued)

Deferred taxation is accounted for within the provision for liabilities and charges and is provided on all taxable temporary differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply, based on tax law that had been enacted or substantially enacted by the balance sheet date. A deferred tax asset is recognised only to the extent that it is considered probable that sufficient taxable profits will be available to allow the deferred tax benefit of that asset to be utilised. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Maltese income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income.

(g) Foreign currency

For the purposes of the consolidated financial information, the results and financial position of each entity is expressed in sterling, which is the functional currency of the Company and the presentational currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Group operates. The Company is a closed-end investment company, incorporated in Jersey, with its shares listed on the London Stock Exchange. Sterling is the currency by which dividends are returned to shareholders, share buy-backs and share issues are conducted and is the cost base of the Company.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

(h) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

(i) Bank borrowings

Interest-bearing bank overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Consolidated Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(j) Segmental reporting

The Group is engaged in a single segment of business, being investment business.

(k) Share issue costs

Issue costs incurred in respect of new ordinary shares are offset against the proceeds received and dealt with in stated capital.

Notes to the Financial Statements

continued

3	Investment income	2010 £'000	2009 £'000
	Overseas dividends	**16,050**	10,821
	Interest income	**–**	53
	Stock dividends	**24**	195
		16,074	11,069

Analysis of investment income by geographical segment:

	2010 £'000	2009 £'000
Australia	**1,508**	1,575
China	**2,145**	1,634
Hong Kong	**2,512**	1,732
Indonesia	**453**	189
Malaysia	**–**	173
The Philippines	**583**	414
Singapore	**1,663**	1,784
South Korea	**1,522**	653
Taiwan	**4,259**	2,263
Thailand	**1,429**	652
	16,074	11,069

All of the above income is from equity investments.

4	Other income	2010 £'000	2009 £'000
	Bank and other interest	**24**	47
	Option premium income	**1,284**	1,853
		1,308	1,900

5	Management fees	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
	Investment management fees	**1,322**	**1,322**	**2,644**	1,005	1,005	2,010
	Write back of VAT (relating to the predecessor company)	**–**	**–**	**–**	(26)	(13)	(39)
		1,322	**1,322**	**2,644**	979	992	1,971

A summary of the terms of the management agreement is given in the Report of the Directors on page 12.

VAT on management fees

Following the 2007 decision by the European Court of Justice that Value Added Tax ('VAT') should not be charged on fees paid for management services provided to investment trust companies, the Company received, in the year ended 31 August 2009, the sum of £39,000 relating to fees paid by the predecessor company, plus £7,000 interest thereon. The receipts were following an agreement with the Liquidator of the predecessor company, Henderson Far East Income plc.

No further reclaims of VAT or interest thereon were received in the year under review and no further recoveries are anticipated.

Notes to the Financial Statements

continued

6 Other expenses	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
Directors' fees (see the Directors' Remuneration Report on page 21)	**65**	**64**	**129**	52	52	104
Auditors' remuneration (including £2,000 (2009: £2,000) relating to the subsidiary):						
– statutory audit	**16**	**14**	**30**	16	14	30
– interim accounts review	**2**	**2**	**4**	2	2	4
– non-audit services	**2**	**2**	**4**	2	2	4
Bank and custody charges	**85**	**85**	**170**	63	62	125
Other expenses payable to the management company*	**25**	**24**	**49**	6	5	11
Registrar's fees	**16**	**16**	**32**	22	23	45
Printing and stationery	**16**	**16**	**32**	13	13	26
Other expenses	**101**	**96**	**197**	66	76	142
	328	**319**	**647**	242	249	491

*Other expenses payable to the management company relate to marketing services.

7 Finance costs	2010 £'000	2009 £'000
On bank loans and overdrafts payable: within one year	**22**	50
Amount allocated to capital	**(11)**	(25)
Total allocated to revenue	**11**	25

8 Taxation	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
The taxation charge for the period is comprised of the following:						
Foreign withholding tax suffered	**1,654**	**–**	**1,654**	860	–	860
Current tax expense	**–**	**–**	**–**	(5)	–	(5)
	1,654	**–**	**1,654**	855	–	855

Notes to the Financial Statements
continued

8 Taxation (continued)

The taxation on profit differs from the theoretical expense that would apply on the Company's profit before taxation using the applicable tax rate in Jersey of 0% (2009: 0%) as follows:

	2010 Revenue return £'000	**2010 Capital return £'000**	**2010 Total £'000**	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000
Profit/(loss) before taxation	**15,721**	**29,715**	**45,436**	11,723	(3,136)	8,587
Theoretical taxation expense at nil (2009: nil)	**–**	**–**	**–**	–	–	–
Tax effect of:						
– Foreign withholding tax	**1,654**	**–**	**1,654**	860	–	860
– Maltese income tax	**–**	**–**	**–**	(5)	–	(5)
	1,654	**–**	**1,654**	855	–	855

9 Earnings per ordinary share

The earnings per ordinary share figure is based on the net gains for the year of £43,782,000 (2009: £7,732,000) and on 91,639,804 (2009: 78,973,771) being the weighted average number of ordinary shares in issue during the year.

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

	2010 £'000	2009 £'000
Net revenue profit	**14,067**	10,868
Net capital profit/(loss)	**29,715**	(3,136)
Net total profit	**43,782**	7,732
Weighted average number of ordinary shares in issue during the year	**91,639,804**	78,973,771
Revenue earnings per ordinary share	**15.35p**	13.76p
Capital profit/(loss) per ordinary share	**32.43p**	(3.97)p
Total earnings per ordinary share	**47.78p**	9.79p

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

Notes to the Financial Statements

continued

10	**Dividends**	**Record Date**	**Pay Date**	**2010 £'000**	2009 £'000
	Fourth interim dividend 3.00p for the year ended 2008	7 November 2008	28 November 2008	**–**	2,329
	First interim dividend 3.00p for the year ended 2009	6 February 2009	27 February 2009	**–**	2,329
	Second interim dividend 3.00p for the year ended 2009	8 May 2009	29 May 2009	**–**	2,385
	Third interim dividend 3.20p for the year ended 2009	7 August 2009	28 August 2009	**–**	2,650
	Fourth interim dividend 3.20p for the year ended 2009	6 November 2009	30 November 2009	**2,721**	–
	First interim dividend 3.20p for the year ended 2010	5 February 2010	26 February 2010	**2,963**	–
	Second interim dividend 3.20p for the year ended 2010	7 May 2010	28 May 2010	**3,035**	–
	Third interim dividend 3.60p for the year ended 2010	6 August 2010	31 August 2010	**3,466**	–
				12,185	9,693

The fourth interim dividend for the year ended 31 August 2010 has not been included as a liability in these financial statements as it was announced and paid after the year end. The table below sets out the total dividends paid and to be paid in respect of the financial year. The revenue available for distribution by way of dividend for the year is £14,067,000 (2009: £10,868,000).

	2010 £'000
First interim dividend for 2010 – 3.20p	**2,963**
Second interim dividend for 2010 – 3.20p	**3,035**
Third interim dividend for 2010 – 3.60p	**3,466**
Fourth interim dividend for 2010 – 3.60p (payable 30 November 2010 based on 98,055,564 shares in issue at 3 November 2010)	**3,530**
	12,994

11	**Investments held at fair value through profit or loss**	**2010 £'000**
	(a) Consolidated	
	Cost at 31 August 2009	**188,072**
	Investment holding gains at 31 August 2009	**18,685**
	Valuation at 31 August 2009	**206,757**
	Movements in the period:	
	Purchases at cost	**168,563**
	Sales – proceeds	**(125,314)**
	– realised profits on sales	**9,692**
	Movement in investment holding gains	**21,062**
	Closing valuation at 31 August 2010	**280,760**

There are no unquoted investments included in the total investments (2009: nil).

Notes to the Financial Statements

continued

11 **Investments held at fair value through profit or loss** (continued)	Investments £'000	Subsidiary undertaking £'000	Total £'000
(b) Company			
Cost at 31 August 2009	**188,072**	**1**	**188,073**
Investment holding gains at 31 August 2009	**18,685**	**715**	**19,400**
Valuation at 31 August 2009	**206,757**	**716**	**207,473**
Movements in the period:			
Purchases at cost	**168,563**	**–**	**168,563**
Sales – proceeds	**(125,314)**	**(544)**	**(125,858)**
– realised profit on sales	**9,692**	**543**	**10,235**
Movement in investment holding gains	**21,062**	**(715)**	**20,347**
Closing valuation at 31 August 2010	**280,760**	**–**	**280,760**

Included in total investments are unquoted investments shown at the Directors' fair valuation of £nil (2009: £716,000).

	2010 £'000	2009 £'000
(c) Gains/(losses) on investments held at fair value		
Realised gains/(losses) on sales of investments	**9,692**	(18,888)
Increase in investment holding gains	**21,062**	17,855
Net movement on foreign exchange	**613**	(837)
	31,367	(1,870)

(d) Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments held at fair value through profit or loss in the Consolidated Statement of Comprehensive Income.

The total costs were as follows:

	2010 £'000	2009 £'000
Purchases	**395**	271
Sales	**381**	296
	776	567

(e) Subsidiary undertaking

The Company has an investment in the issued share capital in its wholly owned limited liability subsidiary undertaking, Henderson Far East Income (Malta) Limited. This is a limited liability company, registered under the Companies Act, 1995, Cap.386 of the Laws of Malta and was incorporated on 14 December 2006. The investment in the subsidiary undertaking of £nil is stated at net asset value (see note 11(b)). The subsidiary undertaking was placed in voluntary liquidation on 31 August 2008, and the liquidation is expected to be completed during 2011.

Notes to the Financial Statements

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12 Other receivables	Consolidated 2010 £'000	Consolidated 2009 £'000	Company 2010 £'000	Company 2009 £'000
Prepayments and accrued income	**2,559**	2,169	**2,559**	2,169
Amounts due from brokers	**3,210**	4,162	**3,210**	4,162
Amounts due from shares issued	**148**	268	**148**	268
Other receivables	**77**	77	**77**	77
Maltese income tax recoverable	**–**	189	**–**	189
	5,994	6,865	**5,994**	6,865

13 Other payables	Consolidated 2010 £'000	Consolidated 2009 £'000	Company 2010 £'000	Company 2009 £'000
(a) Other payables				
Amounts due to brokers	**–**	35	**–**	35
Taxation payable	**5**	10	**5**	–
Other payables	**653**	465	**653**	465
Amount due to subsidiary undertaking	**–**	–	**–**	726
	658	510	**658**	1,226

	Consolidated 2010 £'000	Consolidated 2009 £'000	Company 2010 £'000	Company 2009 £'000
(b) Bank overdrafts	**3,628**	1,461	**3,628**	1,461

14 Risk management policies and procedures

The Company invests in equities and other investments for the long term so as to secure its investment objective as stated in the business review. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: 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 these risks, are set out below. The Board of Directors and the Manager coordinate the Company's risk management. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board determines the objectives, policies and processes for managing the risks, and the methods used to manage the risks and these are set out below under the relevant risk category. The policies for the management of risk have not changed from the previous accounting period.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 14.1.1), currency risk (see note 14.1.2) and interest rate risk (see note 14.1.3). The Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

14.1.1 Market price risk

Market price risks (ie changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of the quoted and unquoted investments.

Management of the risk

The Board of Directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Portfolio Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

The Company's exposure to changes in market prices at 31 August 2010 on its investments can be found on the Balance Sheet under the heading 'Non current assets'.

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 8 to 10. There is a concentration of exposure to China, Taiwan, Hong Kong, Australia and Singapore, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the equity to an increase or decrease of 10% (2009: 10%) in the fair values of the Company's investments. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	2010		2009	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Income statement – profit after tax				
Revenue return	**(140)**	**140**	(103)	103
Capital return	**27,935**	**(27,935)**	20,572	(20,572)
Impact on total return after tax for the year and shareholders' funds	**27,795**	**(27,795)**	20,469	(20,469)

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk

A proportion of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency, and presentational currency). As a result, movements in exchange rates may affect the Sterling value of those items.

Management of the risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Investment income denominated in foreign currencies is converted into Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 August are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2010	**AUS$ £'000**	**TW$ £'000**	**KRW £'000**	**HK$ £'000**	**S$ £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	**481**	**812**	**–**	**131**	**1,144**	**3,173**
Cash at bank and on deposit less short term overdrafts	**–**	**261**	**139**	**1,405**	**86**	**(1,954)**
Total foreign currency exposure on net monetary items	**481**	**1,073**	**139**	**1,536**	**1,230**	**1,219**
Investments at fair value through profit or loss that are equities	**32,749**	**26,149**	**8,946**	**105,460**	**29,810**	**77,646**
Total net foreign currency exposures	**33,230**	**27,222**	**9,085**	**106,996**	**31,040**	**78,865**

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

2009	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	476	410	–	52	4,336	1,032
Cash at bank and on deposit less short term overdrafts	175	1,961	95	–	91	(27)
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	(35)
Total foreign currency exposure on net monetary items	651	2,371	95	52	4,427	970
Investments at fair value through profit or loss that are equities	23,784	13,753	6,215	86,198	25,934	50,873
Total net foreign currency exposures	24,435	16,124	6,310	86,250	30,361	51,843

The above amounts are not representative of the exposure to risk during the year as levels of monetary foreign currency exposure change significantly throughout the year.

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return after tax for the year and the net assets in regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for Sterling against the Australian Dollar, Taiwanese Dollar, Korean Won, Hong Kong Dollar and Singapore Dollar.

It assumes the following changes in exchange rates:

Sterling/Australian Dollar +/- 10% (2009: 10%). Sterling/Taiwanese Dollar +/- 10% (2009: 10%).
Sterling/Korean Won +/- 10% (2009: 10%). Sterling/Hong Kong Dollar +/- 10% (2009: 10%).
Sterling/Singapore Dollar +/- 10% (2009: 10%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at each balance sheet date.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

If Sterling had depreciated against the currencies shown, the impact on total return and net assets would have been as follows:

	2010 AUS$ £'000	2010 TW$ £'000	2010 KRW £'000	2010 HK$ £'000	2010 S$ £'000	2009 AUS$ £'000	2009 TW$ £'000	2009 KRW £'000	2009 HK$ £'000	2009 S$ £'000
Income statement – return after tax										
Revenue return	**146**	**204**	**94**	**442**	**164**	156	128	40	261	181
Capital return	**3,620**	**2,890**	**989**	**11,657**	**3,295**	2,628	1,520	687	9,528	2,866
Total return after tax for the year	**3,766**	**3,094**	**1,083**	**12,099**	**3,459**	2,784	1,648	727	9,789	3,047

If Sterling had appreciated against the currencies shown, this would have had the following effect:

	2010 AUS$ £'000	2010 TW$ £'000	2010 KRW £'000	2010 HK$ £'000	2010 S$ £'000	2009 AUS$ £'000	2009 TW$ £'000	2009 KRW £'000	2009 HK$ £'000	2009 S$ £'000
Income statement – return after tax										
Revenue return	**(119)**	**(167)**	**(77)**	**(362)**	**(135)**	(128)	(105)	(12)	(196)	(148)
Capital return	**(2,962)**	**(2,364)**	**(809)**	**(9,537)**	**(2,696)**	(2,151)	(1,244)	(483)	(7,796)	(2,345)
Total return after tax for the year	**(3,081)**	**(2,531)**	**(886)**	**(9,899)**	**(2,831)**	(2,279)	(1,349)	(495)	(7,992)	(2,493)

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

14.1.3 Interest rate risk

Interest rate movements may affect the level of interest receivable from cash at bank and on deposit, and the interest payable on the Company's short term borrowings.

Management of the risk

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

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.

The Company finances part of its activities through borrowings at levels approved and monitored by the Board.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 31 August 2010 of financial assets can be found on the Balance Sheet under the heading 'Cash and cash equivalents' and the financial liabilities exposure to interest rate risk to floating interest rates is shown under note 13(b).

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2009: same).

The above year end amounts are not representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made, borrowings are drawn down and repaid, and the mix of borrowings subject to floating or to fixed interest rate changes.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year to an increase or decrease of 100 basis points in interest on the Company's monetary financial assets and liabilities at each balance sheet date.

	2010		2009	
	Increase in rate £'000	**Decrease in rate £'000**	Increase in rate £'000	Decrease in rate £'000
Income statement – profit after tax				
Revenue return	**6**	**(6)**	30	(30)
Capital return	**(18)**	**18**	(7)	7
Impact on total return after tax for the year and net assets	**(12)**	**12**	23	(23)

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since exposure changes as investments are made, borrowings are drawn down and repaid throughout the year.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has an overdraft facility with a sub custodian the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facility is subject to regular review.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short term borrowings be used to manage short term cash requirements.

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 August, based on the earliest date on which payment could be required was as follows:

	2010 £'000	2009 £'000
Non-current assets – three months or less		
Written call and put options at fair value	**348**	–
Current liabilities – three months or less		
Bank overdraft	**3,628**	1,461
Amounts due to brokers and accruals	**658**	510
	4,634	1,971

There are no current liabilities repayable in more than one year.

14.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with banks considered to be creditworthy and is subject to continual review.

None of the Company's financial assets or liabilities are secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year.

Amounts due from brokers and accrued income of £5,690,000 have been received at the date of printing this report. £77,000 remains outstanding from the Liquidator of Henderson Far East Income Trust plc pending the finalisation of the liquidation and £51,000 remains outstanding from a dividend accrual pending receipt from the custodian.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities, are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts).

14.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 August 2010	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	**262,676**	**18,432**	**–**	**281,108**
OTC deriatives (call and put options)	**–**	**(348)**	**–**	**(348)**
	262,676	**18,084**	**–**	**280,760**

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 – value 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 over-the-counter options and participation notes are included within Level 2

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 on page 29.

There were no transfers to or from Level 3 during the year.

14.6 Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that it will be able to continue as a going concern; and
– to maximise the income and capital return to its equity shareholders

through an appropriate balance of equity capital and debt.

The portfolio includes no unquoted investments (2009: nil). The Company does, however, hold over-the-counter options and participation notes with a value of £18,084,000 (2009: £18,238,000).

The Company's capital at 31 August comprises its equity share capital, reserves and debt that are shown in the balance sheet as a total of £288,544,000 (2009: £216,957,000).

The Board with the assistance of the Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium);
– the need for new issues of equity shares; and
– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

Notes to the Financial Statements

continued

15	Stated share capital	Authorised	Issued and fully paid	£'000
	At 31 August 2009			
	Ordinary shares of no par value	Unlimited	83,357,621	14,323
	Issued in year		13,222,943	37,823
	At 31 August 2010		**96,580,564**	**52,146**

During the year the Company issued 13,222,943 (2009: 5,735,000) shares for proceeds of £37,823,000 (2009: £14,323,000) net of costs. Since the year end and up to 11 November 2010 a further 1,475,000 shares have been issued for proceeds of £4,813,000.

16	Distributable reserve	Consolidated and Company 2010 £'000	Consolidated and Company 2009 £'000
	At 31 August	**180,471**	180,471

17	Other capital reserves	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
	(a) Consolidated			
	At 1 September 2009	(8,010)	18,685	10,675
	Foreign exchange gains	613	–	613
	Movement in investment holding gains	–	21,062	21,062
	Gains on investments	9,692	–	9,692
	Costs charged to capital	(1,652)	–	(1,652)
	At 31 August 2010	**643**	**39,747**	**40,390**

	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
(b) Company			
At 1 September 2009	(8,553)	19,400	10,847
Foreign exchange gains	613	–	613
Movement in investment holding gains	–	20,347	20,347
Gains on investments	10,235	–	10,235
Costs charged to capital	(1,652)	–	(1,652)
At 31 August 2010	**643**	**39,747**	**40,390**

Notes to the Financial Statements

continued

18 Net asset value per share

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

	Net asset value per share 2010 pence	**Net asset value attributable 2010 £'000**	Net asset value per share 2009 pence	Net asset value attributable 2009 £'000
Ordinary shares	**295.00**	**284,916**	258.52	215,496

The basic net asset value per ordinary share is based on 96,580,564 (2009: 83,357,621) ordinary shares, being the number of ordinary shares in issue.

19 Contingent liabilities

There were no contingent liabilities as at 31 August 2010 (2009: £nil).

20 Transactions with the Manager

Under the terms of an agreement dated 13 November 2006 as amended, the Company has appointed wholly owned subsidiary companies of Henderson Group plc ('Henderson') to provide investment management services.

Details of the fee arrangements for these services are given in the Report of the Directors on page 12. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 August 2010 was £2,644,000 (31 August 2009: £2,010,000) of which £475,000 was outstanding at 31 August 2010 (2009: £332,000).

In addition to the above services, Henderson has provided the Company with marketing services. The total fees paid or payable for these services for the year ended 31 August 2010 amounted to £49,000 (31 August 2009: £11,000), of which £11,000 was outstanding at 31 August 2010 (2009: £3,000).

Investor Information

Financial calendar

Financial period end	31 August 2010
Annual General Meeting	17 December 2010
Shareholder Event (see below)	20 December 2010
4th Interim dividend 2010	30 November 2010
Ex dividend date	3 November 2010
Record date	5 November 2010
1st Interim dividend 2011	28 February 2011
2nd Interim dividend 2011	31 May 2011
3rd Interim dividend 2011	31 August 2011

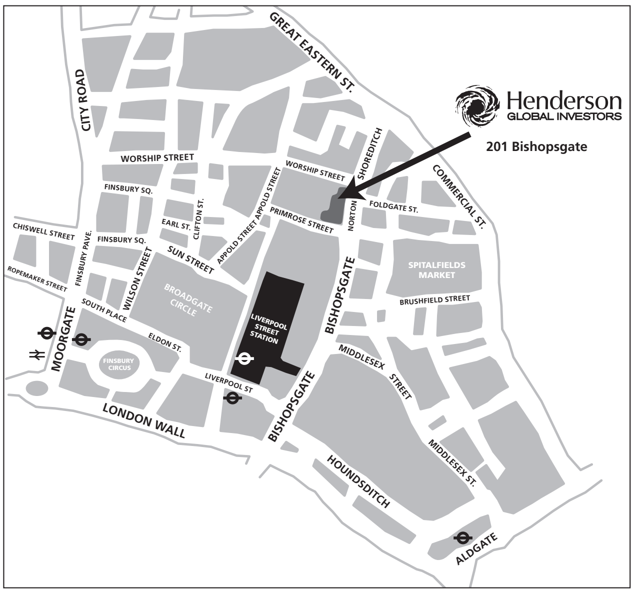
Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services). Mandate forms for this purpose are available on request from the Company's Registrars.

Shareholder Event

All General Meetings of the Company will be held in Jersey. The Board recognises that many shareholders are unable to travel to Jersey, but would like to meet a member of the Board and hear from the Portfolio Manager on a regular basis.

Henderson has therefore arranged a Shareholder Event to be held at Henderson's offices at 201 Bishopsgate, London EC2M 3AE on Monday 20 December 2010 at 11.00 am. The event will provide the opportunity for the Portfolio Manager, Michael Kerley, to give a presentation on the investment strategy and performance. The event will include light refreshments.

If you wish to attend, please return the yellow card which is enclosed with this Report. A map of the venue is provided below.



■ Henderson Global Investors, 201 Bishopsgate, London EC2M 3AE

ISIN/SEDOL number

The market price of the Company's ordinary shares can be found in the Financial Times and the New Zealand Herald.

The London Stock Exchange Daily Official List (SEDOL) code is: B1GXH751. The International Security Identification Number (ISIN) is: JE00B1GXH751. The mnemonic is HFEL.

New Zealand listing

The Company's ordinary shares are also listed on the New Zealand Stock Exchange so that New Zealand shareholders can trade their shares more easily and, in addition, receive dividends in New Zealand Dollars. A New Zealand shareholder may transfer shares to the Auckland register by contacting the registrars in New Zealand, Computershare Investor Services Limited.

Website

Details of the Company's share price and net asset value, together with other information about the Company, can be found on the Henderson website. The address is:
www.hendersonfareastincome.com

Shareholder information

Copies of this Report or other documents issued by the Company are available from the Company Secretary.

If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors in Halifax Share Dealing Limited products and Henderson ISAs receive all shareholder communications. A form of instruction is provided to facilitate voting at general meetings of the Company.

Investor Information
continued

Directors
John Russell (Chairman)
David Mashiter
Simon Meredith Hardy
Richard Povey
Christopher Spencer

Investment Manager
Henderson Global Investors Limited
represented by Michael Kerley
201 Bishopsgate, London EC2M 3AE

Henderson Global Investors Limited
is authorised and regulated by the Financial Services Authority

Secretary
BNP Paribas Securities Services Fund Administration Limited
represented by Jeremy Hamon

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Printed by Leycol, London

HGI36557/0910