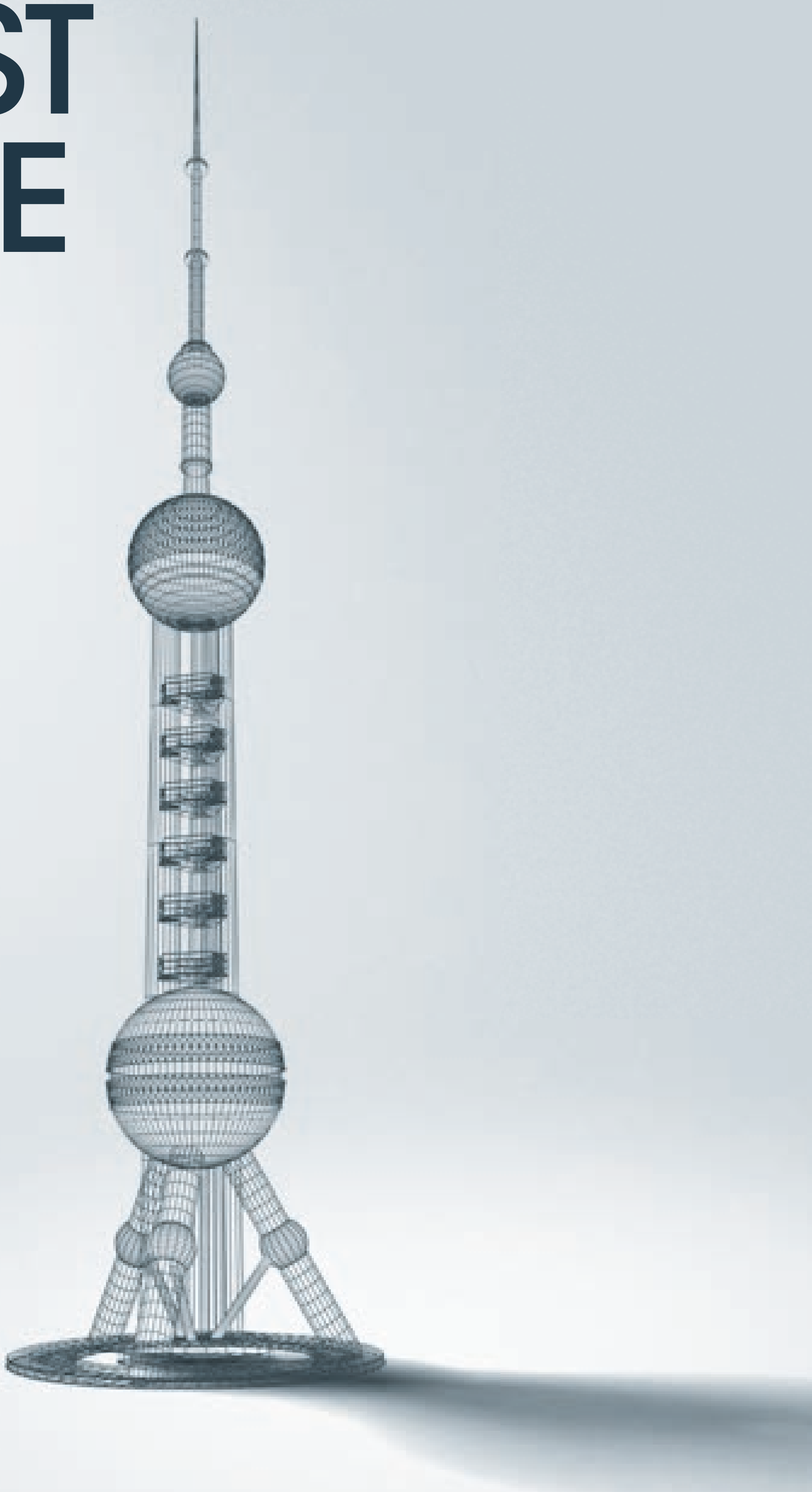
HENDERSON FAR EAST INCOME LIMITED

Annual Report 2014



MANAGED BY
Henderson
GLOBAL INVESTORS

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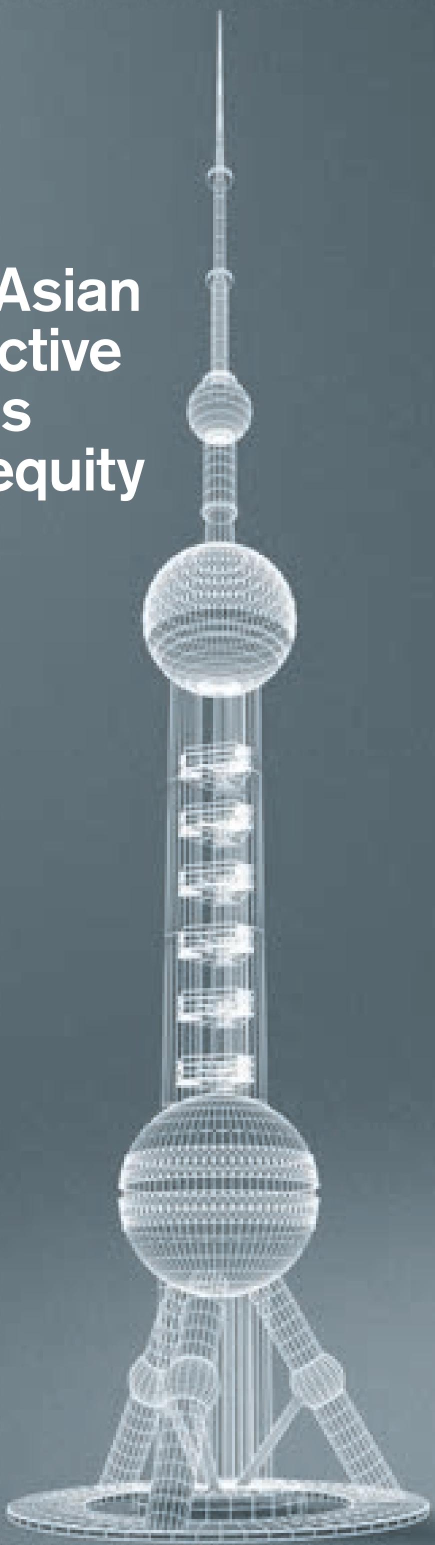
The image on the front cover is the Oriental Pearl TV Tower in Shanghai

Strategic Report

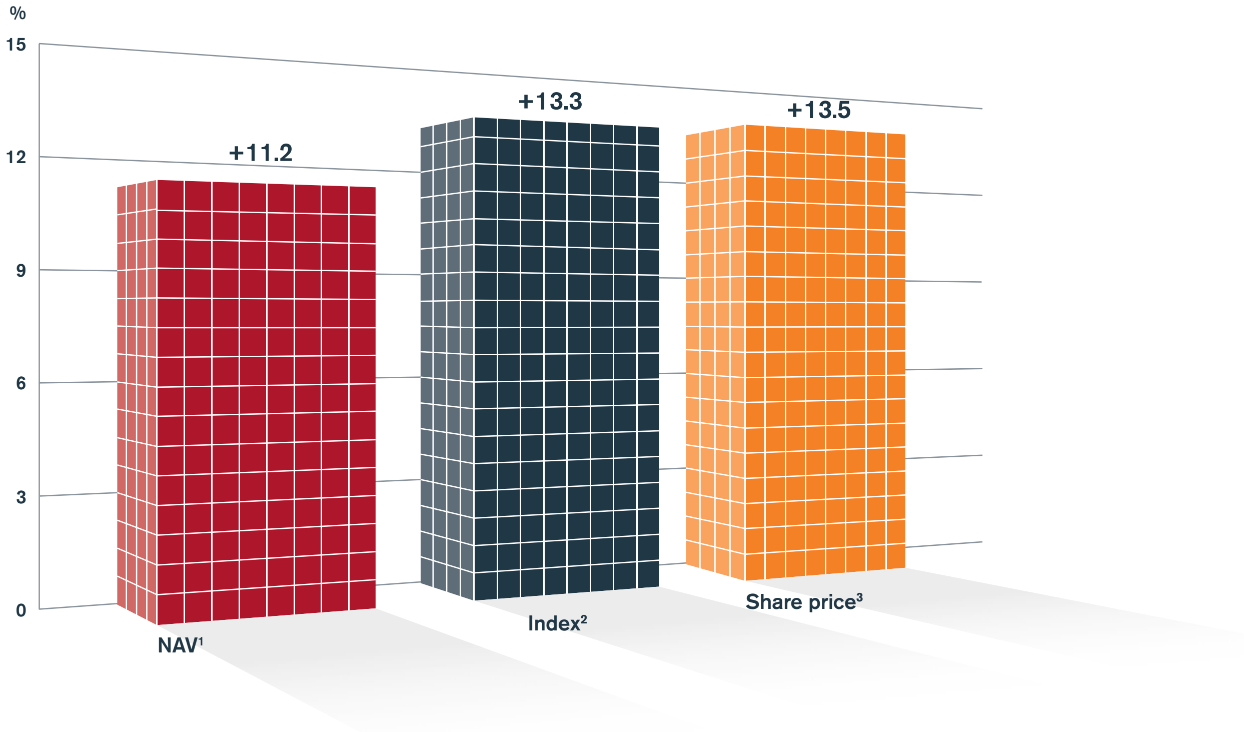


"I believe the case for Asian income remains attractive both in absolute terms and relative to other equity income strategies."

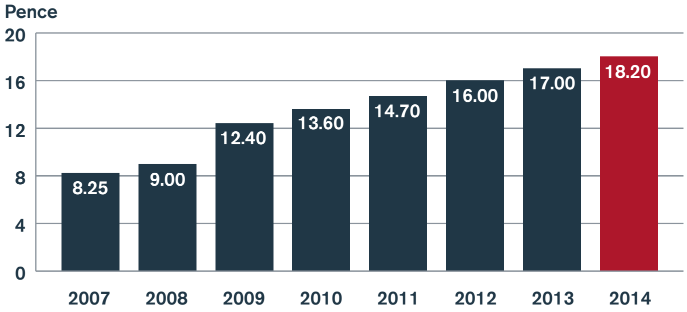
John Russell, Chairman

Strategic Report: Performance Highlights

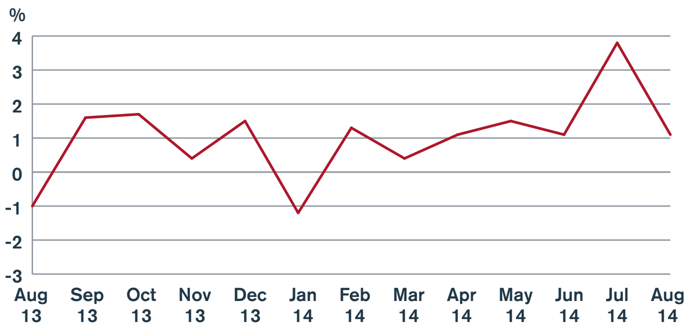
Performance for year to 31 August 2014



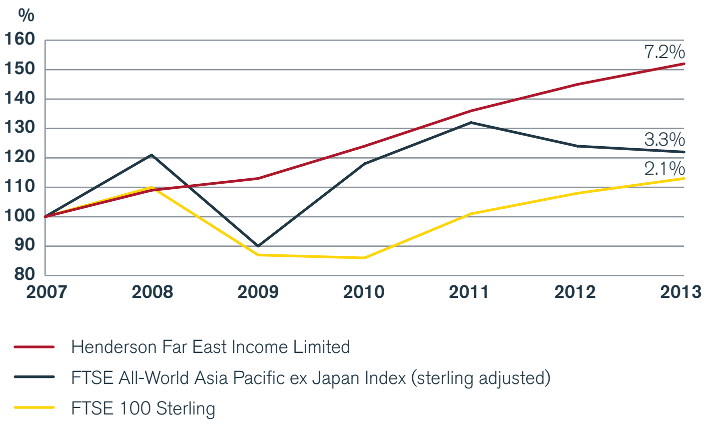
Dividend per share[4]



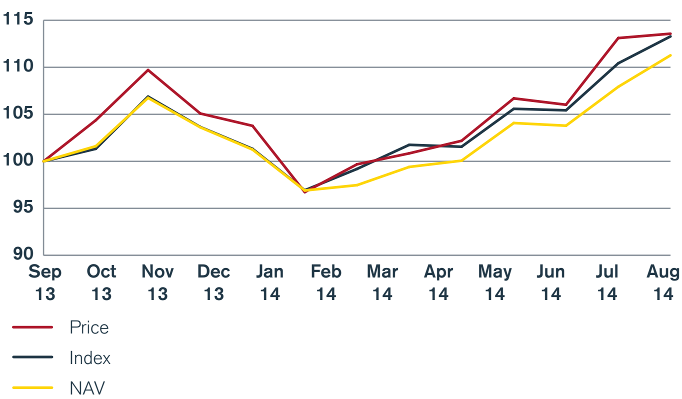
Premium/Discount[6]



Compound Annual Dividend Growth[5]



NAV and share price performance versus the index[7]



Strategic Report: Performance Highlights (continued)

NAV per share at year end

2014 **328.43p**

2013 **312.23p**

Share price at year end

2014 **331.50p**

2013 **309.00p**

Dividend for year

2014 **18.20p**[8]

2013 **17.00p**

Dividend yield[9]

2014 **5.5%**

2013 **5.5%**

Ongoing charge for year at year end[10]

2014 **1.17%**

2013 **1.29%**

Gearing at year end

2014 **3.4%**

2013 **6.9%**

Number of investments

2014 **56**

2013 **59**

Revenue return per share

2014 **19.32p**

2013 **18.05p**

1 Net asset value total return (including dividends reinvested)
2 FTSE All-World Asia Pacific ex Japan Index (sterling adjusted), for comparison purposes
3 Share price total return
4 Ordinary dividend per share figures from 2007-2014
5 Graph shows the compound annual dividend growth rates of the Company, the benchmark and the FTSE 100 normalised ordinary dividends calculated by calendar year
6 Graph shows the Company's share price premium/(discount) to NAV (including current year income) over the year to 31 August 2014
7 Graph shows the Company's net asset value total return and share price total return compared to the total return of the index over the year to 31 August 2014
8 This represents ordinary dividends recommended or paid. See page 40 for more details
9 Based on the share price at the year end
10 Ongoing charge for the year. See page 18 for more details
Sources: Morningstar for the AIC, Henderson, Datastream

Strategic Report: Business Model

Management

The Company has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited in accordance with an agreement which was effective from 22 July 2014 which is terminable on six months' notice. Prior to 22 July 2014 Henderson Global Investors Limited was appointed as Investment Manager. Both entities are authorised and regulated by the Financial Conduct Authority ("FCA"). References to Henderson within this report refer to the services provided by both entities.

Administration services and the services of the Company Secretary are provided to the Company by BNP Paribas Securities Services S.C.A., Jersey Branch ("BNPP"), which is regulated by the Jersey Financial Services Commission.

The fund management team is led by Mike Kerley who has been in place since 2007, supported by Sat Duhra.

During the year under review the base management fee payable to Henderson was 0.9% per annum of net assets, calculated as 0.225% of the total value of net assets under management on 31 March, 30 June, 30 September and 31 December in each year (equivalent to 0.9% of net assets p.a.). This was reduced from 1% which was chargeable for all previous years. There is no performance fee.

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 ('Asia Pacific region').

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.

The Company intends to continue to pay dividends on a quarterly basis each year.

Diversification

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. The Company holds stocks in 13 countries across the region, and no single country represents more than 20% of the portfolio.

Asset allocation

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

Gearing

Borrowings are permitted to employ leverage to achieve the investment objectives. Borrowings are limited to a maximum of 30% of gross assets without shareholder approval. However, the Board has imposed a stricter limit on the Fund Manager of 15% of gross assets. The current borrowing facility is for a maximum of £45 million.

Strategic Report: Chairman's Statement

The Chairman of the Company, John Russell, reports on the year to 31 August 2014

Despite the strength of sterling compared to the US dollar and Asian currencies I am pleased to announce that your company managed to post a double digit total return in Net Asset Value ("NAV") over the period. Importantly, the Fund Manager's strategy of focusing on dividend growth ensured that revenue return per share grew by 7%, despite a lower contribution from option premiums and a higher share base, allowing the board the flexibility to increase the dividend. Although NAV total return was behind the FTSE All-World Asia ex Japan Index, the share price total return was slightly ahead, reflecting a modest expansion of the premium at which the shares traded relative to net asset value.

Performance

In the year under review, the net asset value total return was 11.2% whilst the share price total return was 13.5%. The FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) returned 13.3%.

Dividends

A fourth interim dividend of 4.70p has been declared making a total of 18.20p for the year, an increase of 7.1% year on year.

Capital and Gearing

During the year your Company continued to enjoy consistent demand for its shares with the share price usually trading at a premium to net asset value. In view of this, your Board took the opportunity to issue further shares at a premium to asset value thereby enhancing the net asset value per share for shareholders. In total, 3,750,000 shares were issued in the year for net proceeds of £11.6 million and a further 675,000 shares have been issued since 31 August 2014.

The Company has continued to utilise its £45 million borrowing facility throughout the year but has changed provider to National Australia Bank. The term of the loan has also been increased to two years. At the year end the amount drawn down stood at £27.1 million and net gearing was 3.4%. The maximum amount drawn down under the facility during the year was £27.1 million which reflects individual stock opportunities.

Regulatory

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has appointed Henderson Investment Funds Limited to act as its Alternative Investment Fund Manager. J.P. Morgan, the Company's incumbent Custodian has been appointed as the Company's Depositary. Further details are contained on page 14.

Board Visit

In early June, the Board visited Singapore, the location of Henderson's Asian hub which has recently been strengthened by new hires, and southern China via Hong Kong. The Board considers the expansion of Henderson's Singapore office as very positive for Henderson Far East Income Limited. In China, the directors travelled to Shenzhen, Guangzhou and Macau. They visited not only companies in which we are or might be invested, but also met with a wide range of economic, and business participants as well as political and social observers.

Common threads to the discussions included a general optimism about the actions of the new government together with a conviction that the crackdown on corruption is very real. Rising salary costs together with improved working conditions and environmental measures mean that the well established manufacturing base of the Pearl River Delta is no longer a low cost production area. However, it does excel in quality and global fulfilment ability ensuring its longer term viability. The Board continues to have a positive view on China.

Outlook

I believe the case for Asian income remains attractive both in absolute terms and relative to other equity income strategies. Low levels of debt, rational capital expenditure and strong cash flow generation should ensure dividend sustainability while strong underlying economic growth and a gradual adoption of a dividend culture will drive higher payout ratios and dividend growth over time. Asia also offers diversification not only in terms of country and currency but also from the wide range of sectors available for the income investor which provides exposure to areas of growth not normally associated with income portfolios. I believe these points continue to make a compelling proposition for the income focused investor.

Annual General Meeting

The Company's AGM will be held at 12.00 noon on 17 December 2014 at Liberté House, 19-23 La Motte Street, Jersey, JE2 4SY and full details of the proposed resolutions are set out in the separate Notice of Meeting which has been issued with this report. As usual an open presentation to shareholders will be held at Henderson's offices in London the following day, 18 December when Mike Kerley will make an investment presentation and he and I will be happy to answer questions. If you would like to attend please complete and return the invitation card enclosed with this report.

John Russell
Chairman
12 November 2014

Strategic Report: Fund Manager's Report

The Manager of the portfolio, Michael Kerley, reports on the year to 31 August 2014

Market

Asian markets rose strongly over the period in local currency terms but the strength of sterling and the weakness of Asian currencies resulted in a more modest return for sterling based investors.

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

The second half of the company's financial year saw markets prosper from a more benign global economic environment. Although the unrest in Ukraine and the subsequent disagreements between Russia, the European Union and the US rumble on, equity markets benefited from better than expected US economic growth and an improving outlook for China. Despite US quantitative easing continuing to "taper", interest rate pressure remained benign with US 10 year Treasury bonds rallying back towards 2.3% at the end of August from 3% at the beginning of the year. Similar moves have been witnessed in Europe where German 10 year bond yields have dropped below 1% reflecting a disappointing growth outlook. The recent announcement from the ECB cutting interest rates to 0.05% and embarking on a bond buy-back programme represents the last throw of the dice for this flagging region.

From an Asian perspective the period was dominated by politics and reform. In November the 3rd Plenum of the 18th Chinese Communist Party Central Committee unveiled reforms designed to dictate the quantity and quality of Chinese growth in the years to come. A move towards a more market orientated economy allowing private companies to compete alongside state owned enterprises in some of the more protected sectors was widely applauded. Other areas of focus were land and financial reform, migrant registration (Hukou reform), and a concerted effort to tackle environmental concerns. The markets reacted positively to these announcements with China rallying in the 4th quarter of 2013. After a period of weakness in the second quarter as GDP growth faltered and investors cogitated how the reforms would impact the economic outlook the market rallied as restructuring, most notably in the oil and gas and healthcare sectors, focused interest on the corporate sector and away from quarterly growth numbers.

In October 2013 a bill proposing amnesty for former Thai leader Thaksin Shinawatra provoked sizeable rallies in Bangkok. A prolonged political stand-off was ended in May 2014 when the Thai military led by General Prayuth Chan-ocha launched a coup d'état against the ruling caretaker government. The uncertainty initially impacted market performance but there was a strong recovery as the ruling junta addressed issues on investment and subsidies which had been held back by the longstanding political malaise.

In May 2014 the Indian elections produced the first majority government for 30 years. The Bharatija Janata Party (BJP) led by Narendra Modi was elected on a reformist agenda which was well received by the market. The rally that ensued was based on optimism that changes to how the government managed its fiscal resources would promote growth and remove some of the bottlenecks that have held back the economy over recent years.

Behind India, Taiwan and Thailand were the best performing markets while Korea, Malaysia and Singapore were the laggards. At the sector level, technology was the clear winner as investors embraced the potential for companies to monetise new formats. Tencent, China's largest internet service portal, was the biggest winner rising 75% in local currency terms over the period to become the 8th largest stock in the MSCI AC Asia Pacific ex Japan Index. The poor performance of Samsung Electronics, the index's largest constituent was also notable. Competitive pressure from Apple and Sony at the high end and Chinese brands such as Xiomi, Lenovo and ZTE at the low to mid end have resulted in weaker volumes and margins in its smartphone business resulting in significant earnings downgrades and a falling share price.

In recent weeks political tension has been rising in Hong Kong. At the time of writing the Occupy Central protesters are still present on the streets of Hong Kong although the numbers have waned as time has passed. The movement, mainly populated by students, is seeking greater influence on the choice of candidate for the 2017 Chief Executive election. Predictably the government has refused to soften its stance. So far the protests have been largely peaceful with only a muted impact on the economy and tourism. The longer term implications for the relationship between Beijing and Hong Kong and the continuation of the "one country, 2 systems" are more difficult to quantify.

Performance

The NAV total return was 11.2% over the period but failed to match the performance of the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) which was 13.3% in sterling terms.

At the country level the portfolio benefited from being underweight in Korea and being overweight in Taiwan while underweight positions in India were detrimental. The strong performance of the technology sector and in particular the internet names, to which we have little or no exposure, also hurt our relative performance although the better than market returns of the telecom sector was a positive.

Strategic Report: Fund Manager's Report (continued)

At the stock level the portfolio benefited from the strong performance of Catcher Technology, Grand Korea Leisure, Hyundai Motor, Spark New Zealand and Petrochina which all rose by more than 30% over the period. On the negative side our holdings of Guangzhou R&F Properties, Mizuho Financial, Myer Holdings and Advanced Info Services all fell by more than the market. On a relative basis our zero participation in Tencent, mentioned above, was the third largest detractor of stock attribution over the period. More details on stock attribution can be found in the attribution chart on page 10.

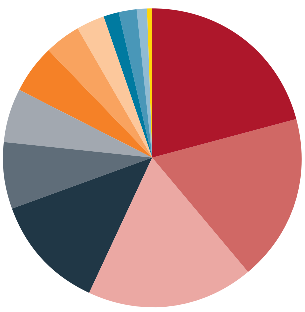
Revenue

Despite the headwinds of a strong sterling the full year was a positive one for the income of your company. Income from investments rose 8.8% despite a 7.3% increase in sterling against the US dollar over the period. Income from the sales of derivatives fell by 7.9% reflecting the low levels of volatility in equity markets resulting in a combined increase in total income of 7.7%.

In local currency terms the portfolio was able to deliver mid teen dividend growth over the period which we believe is reflective of the potential for dividend growth in the region. With companies generating high levels of free cash flow and dividend payout ratios at record low levels we believe there remains the potential for dividend growth to outstrip earnings growth in the region over the next five years.

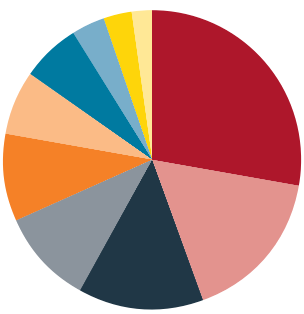
The diversity of income is also an appealing feature. The chart below shows that income can be generated from many diverse areas and is not reserved to the traditional yielding sectors. Technology and industrials for example are responsible for 20% of the revenue generated by the entire portfolio over the financial year, a trait not seen in most developed markets.

Geographical Distribution of Income



	2014 %
China	20.9
Australia	18.1
Taiwan	18.0
Hong Kong	12.6
Singapore	7.2
South Korea	5.8
Thailand	5.3
India	4.0
New Zealand	3.0
Malaysia	1.8
The Philippines	1.8
Indonesia	1.0
Japan	0.5

Sector Distribution of Income



	2014 %
Financials	27.8
Property	16.7
Telecommunications	13.6
Technology	10.3
Industrials	9.6
Basic Materials	6.8
Consumer Services	6.4
Oil & Gas	3.7
Consumer Goods	3.1
Utilities	2.0

Strategy

The portfolio allocation has remained broadly unchanged over the period with an emphasis on domestically orientated companies with cheap valuations and sustainable and growing dividends. Despite the underperformance of certain high yield sectors following the announcement of QE tapering these "defensives" remain expensive relative to their own history and the rest of the market. We have reinvested in some of the real estate investment trusts (Westfield Retail Trust, now renamed Scentre Group) on the pull-back but on the whole feel that high yield and low growth is still overpriced. For this reason we have very little exposure to consumer staples, utilities and healthcare. We maintain a useful weight in telecoms on valuation grounds although some changes have seen us sell China Mobile over fears of increased competition and capital expenditure and replace with HK Trust which we believe is about to reap the benefits of reduced competition and better data pricing.

With cash flow generation strong and dividend payouts at record lows we remain convinced that dividend growth will be a strong driver, not only of revenue, but also capital growth. Examples of stocks that have been added to the portfolio over the period are Beijing Capital Airport, Netease and Huaneng Power in China, Vanguard Semiconductor, Casetek and Tong Hsing in Taiwan and Coal India. All of these companies could be classified as dividend growth companies although some already have relatively attractive dividend yields.

Other notable changes were the inclusion of Agricultural Bank of China and Petrochina which were funded by the sales of Digital China, and Giant Interactive, TVB and Sonic Healthcare.

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

Outlook

We remain positive on the outlook for the region in the medium to long term but recognise that market direction will be dictated by macro factors in the short term. The end of quantitative easing in the USA and the probable start of a series of interest rate increases, the sustainability of the U.S. recovery and renewed weakness in the Eurozone will be key to determining returns. Valuations in Asia, however, are attractive relative to their own history and other world markets and companies are cash rich with tremendous potential to increase dividend pay outs over time. We will use any market volatility as an opportunity to acquire quality high yielding or high dividend growth companies at attractive prices.

Michael Kerley
Manager
12 November 2014

Strategic Report: Investment Portfolio as at 31 August 2014

Ten largest investments at 31 August 2014

Ranking 2014	Ranking 2013	Company	Principal activities	Country of incorporation	Sector	Value 2014 £'000	% of portfolio
1	20	**SK Telecom**[1]	Telecommunication services and products in South Korea. The company has the largest market share in mobile phone services and derives revenue from voice, data and value added services.	South Korea	Tele-communications	10,924	2.98
2	–	**Petrochina**	China's largest oil and gas company by market capitalisation, revenue and reserves. Derives revenue from oil and gas production, refining, chemical production and distribution.	China	Oil & Gas	10,106	2.75
3	–	**Huaneng Power**	One of the five largest independent power producers in China engaging the development, construction and operation of large scale power plants.	China	Utilities	9,437	2.57
4	10	**Taiwan Semiconductor Manufacturing**[1]	The world's leading semiconductor foundry service provider. The company manufactures and markets integrated circuits which are used in computer, communication and consumer electronics industries.	Taiwan	Technology	9,364	2.55
5	–	**Telstra Corporation**	Australian full service domestic and international telecommunications provider with a dominant market share of fixed line and mobile services.	Australia	Tele-communications	9,047	2.46
6	1	**Bank Of China**	Provides a complete range of banking and other financial services to individual and corporate customers worldwide. Services include retail banking, credit and debit card services, foreign exchange, investment banking and fund management services.	China	Financials	9,004	2.45
7	18	**Suncorp**	One of the leading general insurance, banking, life insurance, superannuation and investment brands in Australia and New Zealand with over A$96m in assets.	Australia	Financials	8,744	2.38
8	9	**Amcor**	A global leader in the packaging industry, producing a wide range of packaging products with strong exposure to emerging market growth.	Australia	Industrials	8,652	2.36
9	3	**Hyundai Motor Preferred Shares**	South Korea's largest auto manufacturer, which is growing market share globally through brand recognition and exposure to emerging markets. A high margin manufacturer with an attractive valuation and a strong balance sheet.	South Korea	Consumer Goods	8,515	2.32
10	–	**Agricultural Bank Of China**	One of the largest banks in China specialising in financial services connecting rural and urban areas. The bank provides a broad range of services to corporate and retail customers through its network of over 23,000 branches.	China	Financials	8,490	2.31
						92,283	**25.13**

The Top Ten Investments by value account for 25.13% of the total investments (2013: £86,639,000 or 24.87%)

1 American Depositary Receipts

2 Participation Notes

Strategic Report: Investment Portfolio as at 31 August 2014 (continued)

Ranking 2014	Ranking 2013	Company	Country of incorporation	Sector	Valuation 2014 £'000	Percentage of portfolio
11	32	Philippine Long Distance Telephone[1]	The Philippines	Telecommunications	8,468	2.31
12	5	Shanghai Industrial	China	Industrials	8,236	2.24
13	37	Ascendas Real Estate	Singapore	Property	8,167	2.22
14	–	Commonwealth Bank Of Australia	Australia	Financials	8,076	2.20
15	–	Coal India[2]	India	Basic Materials	7,964	2.17
16	4	Malayan Banking	Malaysia	Financials	7,903	2.15
17	27	CapitaMall Trust REIT	Singapore	Property	7,862	2.14
18	12	SJM Holdings	Hong Kong	Consumer Services	7,799	2.12
19	41	DBS Group	Singapore	Financials	7,770	2.12
20	–	HKT Trust & HKT	Hong Kong	Telecommunications	7,696	2.09
		Top Twenty Investments			**172,224**	**46.89**
21	–	Asia Cement	Taiwan	Basic Materials	7,691	2.09
22	–	Wistron Corporation	Taiwan	Technology	7,672	2.09
23	28	Charoen Pokphand Foods	Thailand	Consumer Goods	7,554	2.06
24	30	Sembcorp Marine	Singapore	Oil & Gas	7,528	2.05
25	–	Mirvac Group	Australia	Property	7,273	1.98
26	22	Krung Thai Bank	Thailand	Financials	7,246	1.97
27	26	Mega Financial	Taiwan	Financials	7,167	1.95
28	15	Scentre Group	Australia	Property	7,161	1.95
29	–	Casetek Holdings	Taiwan	Technology	7,138	1.95
30	11	Cheung Kong Holdings	Hong Kong	Property	7,082	1.93
		Top Thirty Investments			**245,736**	**66.91**
31	17	Wharf Holdings	Hong Kong	Property	7,057	1.92
32	–	Rio Tinto	Australia	Basic Materials	7,051	1.92
33	–	Yuanta Financial Holdings	Taiwan	Financials	6,998	1.90
34	19	NWS Holdings	Hong Kong	Industrials	6,977	1.90
35	–	Intouch Holdings	Thailand	Telecommunications	6,923	1.89
36	–	Beijing Capital Int. Airport	China	Industrials	6,923	1.89
37	–	Mizuho Financial	Japan	Financials	6,872	1.87
38	21	Santos	Australia	Oil & Gas	6,860	1.87
39	49	Asustek Computer	Taiwan	Technology	6,848	1.86
40	–	Spark New Zealand	New Zealand	Telecommunications	6,793	1.85
		Top Forty Investments			**315,038**	**85.78**
41	–	Shimao Property Holdings	China	Property	6,749	1.84
42	33	Mapletree Greater China	Hong Kong	Property	6,622	1.80
43	40	Telekomunikasi Indonesia	Indonesia	Telecommunications	6,174	1.68
44	48	CTCI Corporation	Taiwan	Industrials	5,955	1.62
45	–	Vanguard International Semiconductor	Taiwan	Technology	5,880	1.60
46	–	Netease[1]	China	Technology	5,843	1.59
47	45	Macquarie Korea Infrastructure Fund	South Korea	Financials	5,580	1.52
48	–	Tong Hsing Electronic Industries	Taiwan	Technology	4,978	1.36
49	51	Cleanaway	Taiwan	Industrials	3,576	0.98
50	39	Guangzhou R&F Properties	China	Property	1,001	0.27
		Top Fifty Investments			**367,396**	**100.04**
51	53	China Forrestry Holdings	China	Industrials	–	–
52	–	Netease Sep 14 Put 72.998 (Expiry 19/09/2014)	China	Technology	(2)	–
53	–	China Oilfield Oct 14 Put 18.0705 (Expiry 06/10/2014)	China	Oil & Gas	(3)	–
54	–	Tata Motors Adr Oct 14 Put 39.06 (Expiry 07/10/2014)	India	Consumer Goods	(32)	(0.01)
55	–	Dongfeng Motor H Oct 14 Put 13 (Expiry 15/10/2014)	China	Consumer Goods	(46)	(0.01)
56	–	Sands China Sep 14 Put 48.5802 (Expiry 16/09/2014)	China	Consumer Services	(53)	(0.02)
		Total Investments			**367,260**	**100.00**

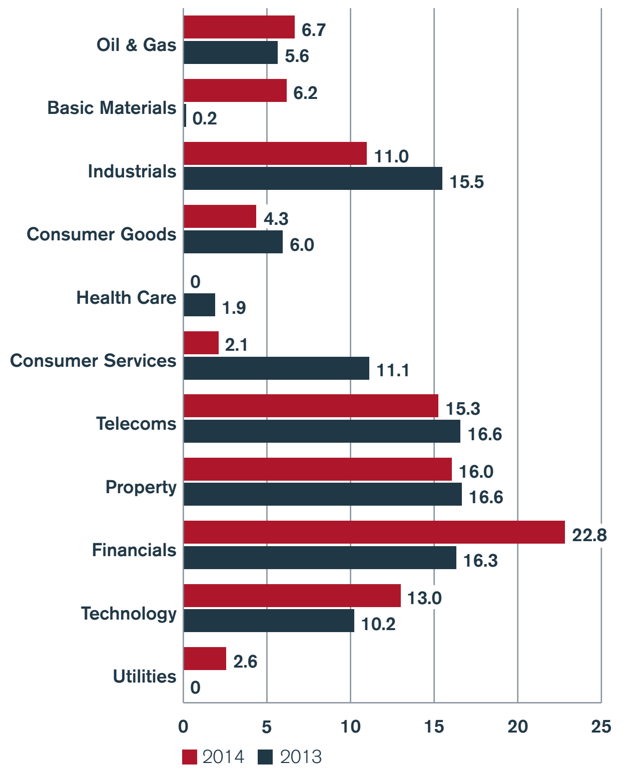
1 American Depositary Receipts

2 Participation Notes

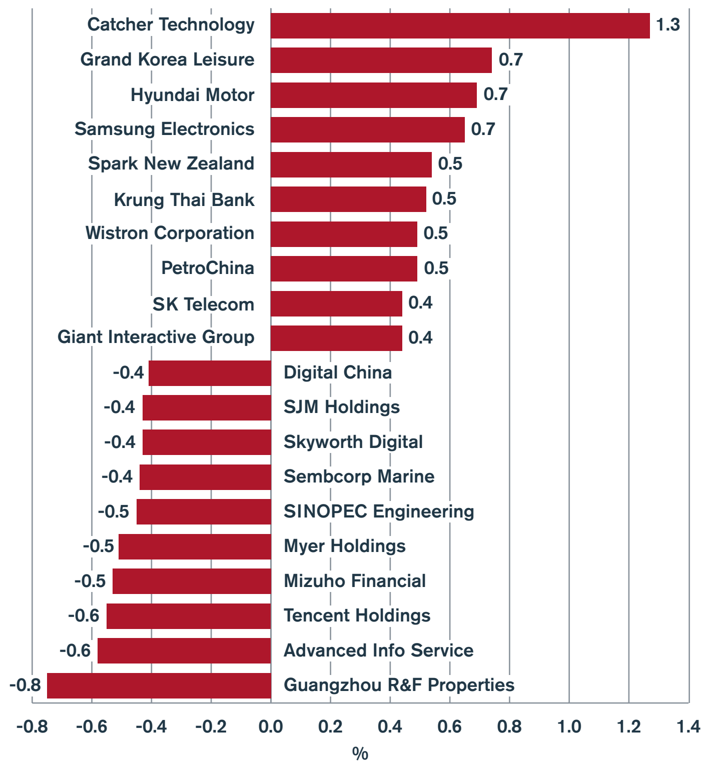
Strategic Report: Portfolio Information

Sector exposure

As a percentage of the investment portfolio excluding cash

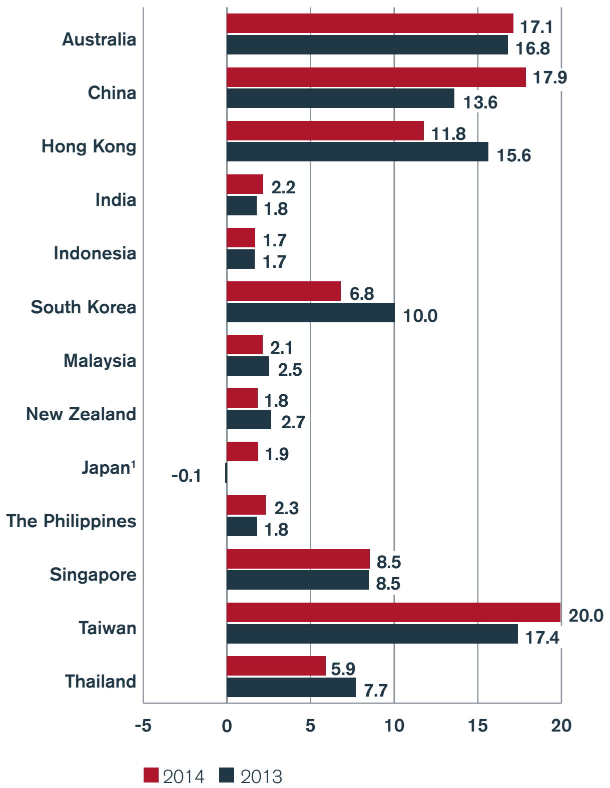


Top ten contributors to and bottom ten detractors from return



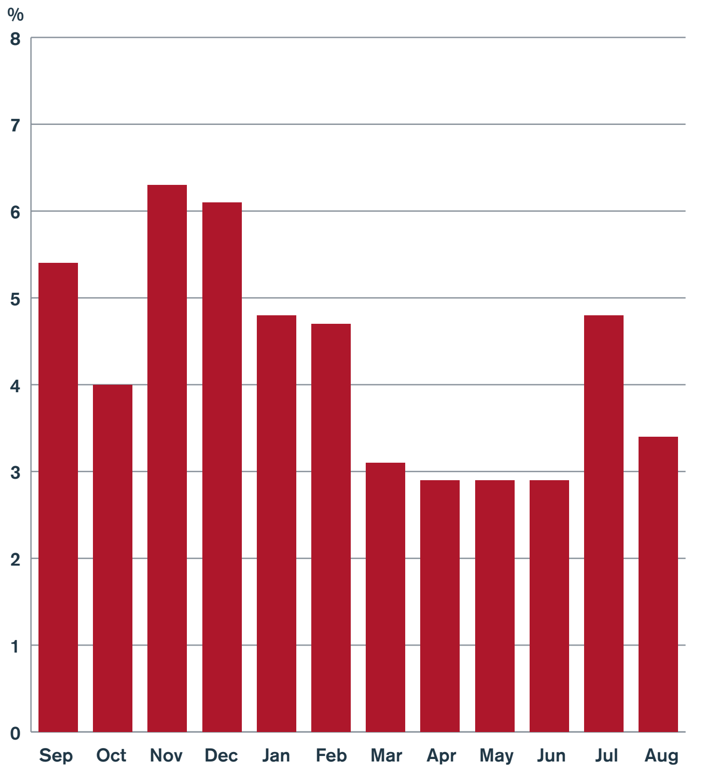
Geographic focus

As a percentage of the investment portfolio excluding cash



1 The position in Japan in 2013 was a derivative contract

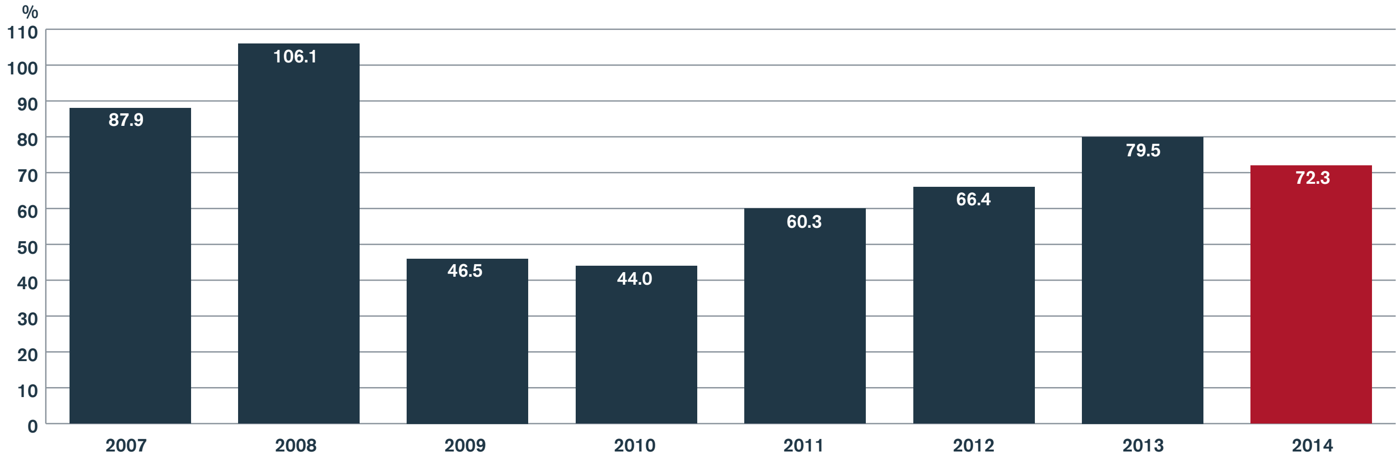
Gearing levels over the year



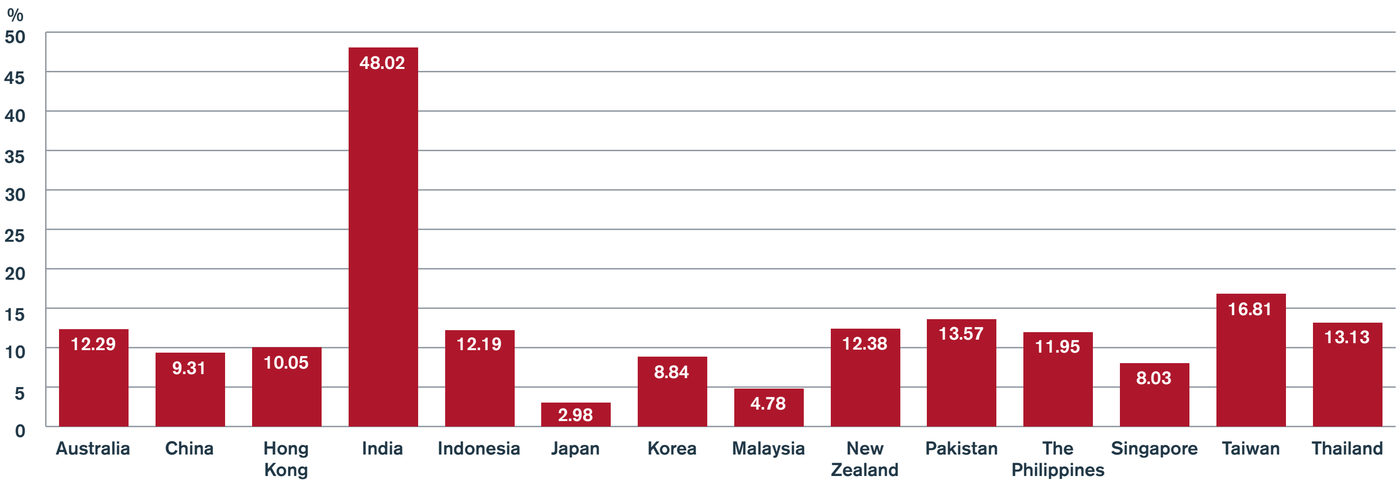
Source: Henderson

Strategic Report: Portfolio Information (continued)

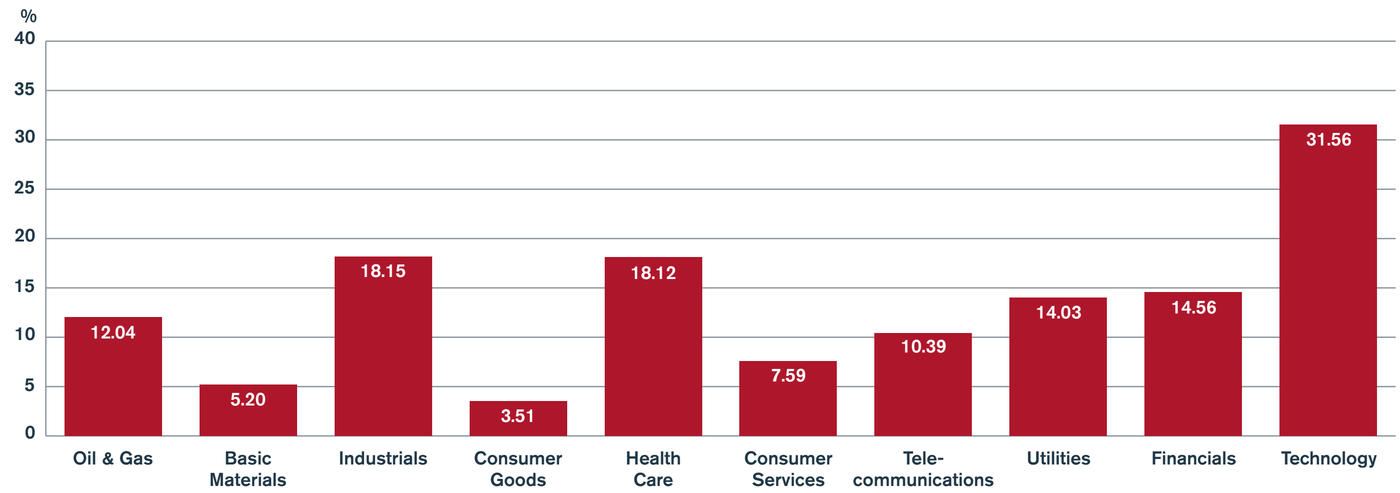
Portfolio Turnover[1]



Country performance (% total return)[2]



Sector performance (% total return)[3]



Source: Henderson

1 Calculated as the lower of purchases and sales over assets at the year end

2 FTSE All-World Country Indices

3 FTSE All-World Asia ex Japan Index

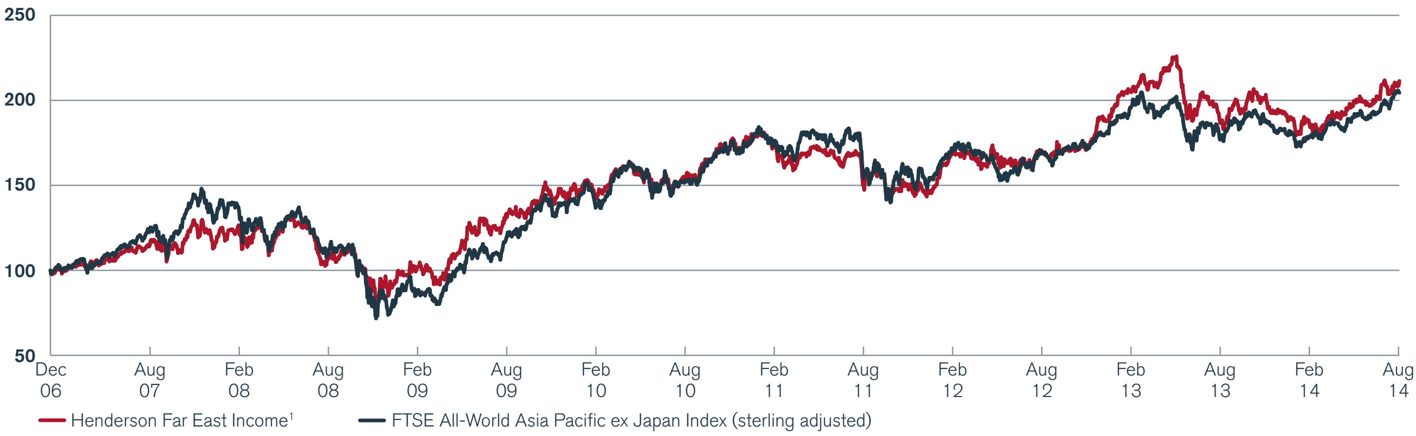
Strategic Report: Historical Performance and Financial Information

Total return performance (including dividends reinvested)

	1 year %	3 years %	5 years %	Since inception %
Net Asset Value per ordinary share[1]	11.2	34.2	64.0	198.2
AIC Asia Pacific (excluding Japan) Sector (Peer Group) Average [2]	12.1	31.3	82.1	216.2
FTSE All-World Asia Pacific ex Japan Index (sterling adjusted)[3]	13.3	25.6	64.6	170.2

1 Source: Morningstar for the AIC including income fair value NAV for one and three years and capital NAV plus income reinvested for five years and since inception
2 Size weighted average (shareholders' funds)
3 From 31 December 2006 to 31 August 2014
The Company was incorporated on 6 November 2006

Share price movement against indices since launch



Financial information

At Date	Net assets £'000	NAV p	Mid-market price per ordinary share p	(Discount)/ premium %	Profit for year £'000	Revenue return p	Capital return p	Total return p	Total dividend p	Expenses %
2007[1]	208,737	268.91	257.75	(4.2)	32,536	12.98	28.94	41.92	8.25	–
2008	203,134	261.69	238.25	(8.9)	3,519	15.67	(11.14)	4.53	9.00	–
2009	215,496	258.52	269.50	4.2	7,732	13.76	(3.97)	9.79	12.40	–
2010	284,916	295.00	295.25	1.1	43,782	15.35	32.43	47.78	13.60	1.23
2011	287,389	287.09	294.50	2.6	5,676	16.49	(10.75)	5.74	14.70	1.21
2012	300,500	295.82	290.13	(1.9)	24,767	17.31	7.19	24.50	16.00	1.21
2013	325,798	312.23	309.00	(1.0)	32,765	18.05	13.78	31.83	17.00	1.29
2014	**355,021**	**328.43**	**331.50**	**0.9**	**36,550**	**19.32**	**15.23**	**34.55**	**18.20**	**1.17**

1 Incorporated 6 November 2006

Sources: Henderson, Morningstar for the AIC, Datastream

Strategic Report: Key Information

Directors

The Directors appointed to the Board at the date of this report are:

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. He is also a director of Herencia Resources plc, an AIM listed company.

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 also sat on the board of the Jersey Competition Regulatory Authority from 2005 to 2013. He has been a non-executive director of a number of offshore investment companies.

David Staples

David is a fellow Chartered Accountant and an associate of the Chartered Institute of Taxation, and for thirteen years until 2003 was a partner with PricewaterhouseCoopers in the UK. He is currently a non-executive director of the following listed companies; MedicX Fund Limited and Duet Real Estate Finance Limited, both of which he Chairs, Gottex Fund Management Holdings Limited, Aberdeen Private Equity Fund Limited and Global Fixed Income Realisation Strategies Limited. His other non-executive directorships include HSBC Private Bank (C.I.) Limited and five private equity funds advised by Apax Partners.

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

Fund Manager

The fund management team is led by Mike Kerley who has been in place since 2007, supported by Sat Duhra.

Mike Kerley

Sat Duhra

All Directors were appointed in 2006 at the commencement of the Company with the exception of David Staples who was appointed in January 2011.

Strategic Report: Key Information (continued)

Other service providers

Alternative Investment Fund Manager
Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Depositary
J.P. Morgan Trust Company (Jersey) Limited
JP Morgan House
Grenville Street
St. Helier
Jersey JE4 8QH

Custodian
JP Morgan Chase Bank N.A. (Jersey branch)
JP Morgan House
Grenville Street
St. Helier
Jersey JE4 8QH

Independent auditors
KPMG Channel Islands Limited
37 Esplanade
St. Helier
Jersey JE4 8WQ

Company Secretary and Administrator
BNP Paribas Securities Services S.C.A Jersey Branch
Liberté House
19-23 La Motte Street
St. Helier
Jersey JE2 4SY

UK Stockbrokers
Cenkos Securities Limited
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

New Zealand Stockbrokers
First NZ Capital Securities Limited
10th Floor, Caltex Tower
282-292 Lambton Quay
PO Box 3394
Wellington
New Zealand

Registrar
Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St. Helier
Jersey JE1 1ES

Telephone: 0870 707 4040
info@computershare.co.je

New Zealand Registrars
Computershare Investor Services Limited
PO Box 92119
Auckland 1142
New Zealand

Telephone: (0064) 09 488 8777

There is a range of shareholder information online.

You can check your holding and find practical help on transferring shares or updating your details at **www.shareview.co.uk**.

Financial calendar

Financial period end	31 August 2014
Annual General Meeting[1]	17 December 2014
Shareholder Event[2]	18 December 2014
4th Interim dividend 2013	28 November 2014
Ex dividend date	6 November 2014
Record date	7 November 2014
1st Interim dividend 2015	27 February 2015
2nd Interim dividend 2015	29 May 2015
3rd Interim dividend 2015	28 August 2015

Website

www.hendersonfareastincome.com

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holdings shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 0845 609 0409, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk**. Henderson ISA holders can contact the Henderson ISA department at PO Box 10665, Chelmsford CM99 2BF, telephone 0800 856 5656.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

1 At the Company's registered office at 12.00 noon
2 At Henderson's offices, 201 Bishopsgate, London EC2M 3AE at 11.00 am

Strategic Report: Corporate Information

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 Jersey Funds law"). 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 subject to the UK Listing Authority's Listing Rules and also the listing rules of the New Zealand Stock Exchange. It is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

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 Individual Savings Account ("ISA").

Principal risk 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 13 on pages 42 to 49.

Accounting, legal and regulatory

The Company is regulated by the Jersey Financial Services Commission and complies with the regulatory requirements in Jersey. The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the 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. The Company does not employ financial instruments to mitigate risk. Further details are disclosed in Note 13 on pages 42 to 49. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

Borrowing

The Company has a two year £45 million revolving multi-currency loan facility. The maximum amount drawn down under the period was £27,118,000, with borrowing costs including interest for the year totalling £341,000. Net gearing (defined as the difference between investments including written call options and equity shareholders' funds divided by equity shareholders' funds) at 31 August 2014 was 3.4% of net asset value (2013: 6.9%).

Future developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

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:

Strategic Report: Corporate Information (continued)

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 (sterling adjusted) 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 of revenue available for distribution.

Performance against other Asian funds
The Board considers the performance of other Asian funds, particularly income funds, at each Board meeting.

The charts and tables on pages 2, 3 and 10 to 12 show how the Company has performed against these KPI's.

Corporate responsibility

Responsible investment
Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ("SEE") issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. 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 ("ESG") 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; however, an investment may not necessarily be ruled out on social and environmental grounds only.

Voting policy and the UK stewardship code
Henderson's responsible investment policy sets out its 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 reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson 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 Fund Manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefore are fed back to the investee company prior to voting.

Practical difficulties may prevent Henderson voting in some markets. In particular, various factors, including restrictions on dealing and costs, may inhibit voting in some international markets and must be taken into account.

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

Employees, social, community, human rights and environmental matters
The Company has no employees and its 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. The Company has therefore not reported on these, or social, community or human rights issues.

Henderson's corporate responsibility statement is included on the website **www.henderson.com**. In 2012 it was granted CarbonNeutral Company status which it has committed to maintain at least until the end of 2015.

The Company's annual and half year reports are printed on carbon balanced paper, whereby the carbon impact of the production and distribution process has been balanced, or offset, by the World Land Trust, an international conservation charity. Papers for the Company's Board meetings are now mainly circulated electronically rather than in paper form.

Gender representation
Currently, all of the Company's Directors are male. Their appointment to the Board was based on their skills and experience. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

John Russell
Director
12 November 2014

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

Issued by the European Parliament and written into UK and Jersey legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM"). As the Company's AIFM is based in the European Union ("EU") and as the Company intends to market itself in the EU, a depositary must be appointed to carry out the duties of cash flow monitoring, safe keeping of assets and oversight. The Board of the Company retains responsibility for strategy, operations and compliance.

Association of Investment Companies ("AIC")

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Index

The Company does not have a formal benchmark. It uses the FTSE All-World Asia ex Japan Index (sterling adjusted) for comparison purposes only.

Custodian

The custodian is responsible for ensuring the safe custody of the Company's assets and ensuring that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

With effect from 22 July 2014 some AIF's including the Company, were required to appoint a depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security. The fluctuations in value are usually greater than the fluctuations in the underlying security's value therefore some derivatives are a form of gearing. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference.

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Gearing

Gearing reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This is calculated by taking the difference between investments including written call options and equity shareholders' funds divided by equity shareholders' funds.

Leverage

Leverage is often used as another term for gearing. Under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. It defines two types of leverage, the gross method and commitment method. These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect "netting" or "hedging arrangements". Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed within the notes to the accounts. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Investment Companies

Investment Companies are limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers and sellers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Glossary (continued)

Market capitalisation (market cap)

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Net asset value ("NAV") per ordinary share

The value of the Company's assets (i.e. investments and cash held) less any liabilities (i.e. bank borrowings and debt securities) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV is published daily.

Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs.

Premium/discount

The amount by which the market price per share of an investment company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

Total return performance

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

Yield

The annual dividend expressed as a percentage of the share price.

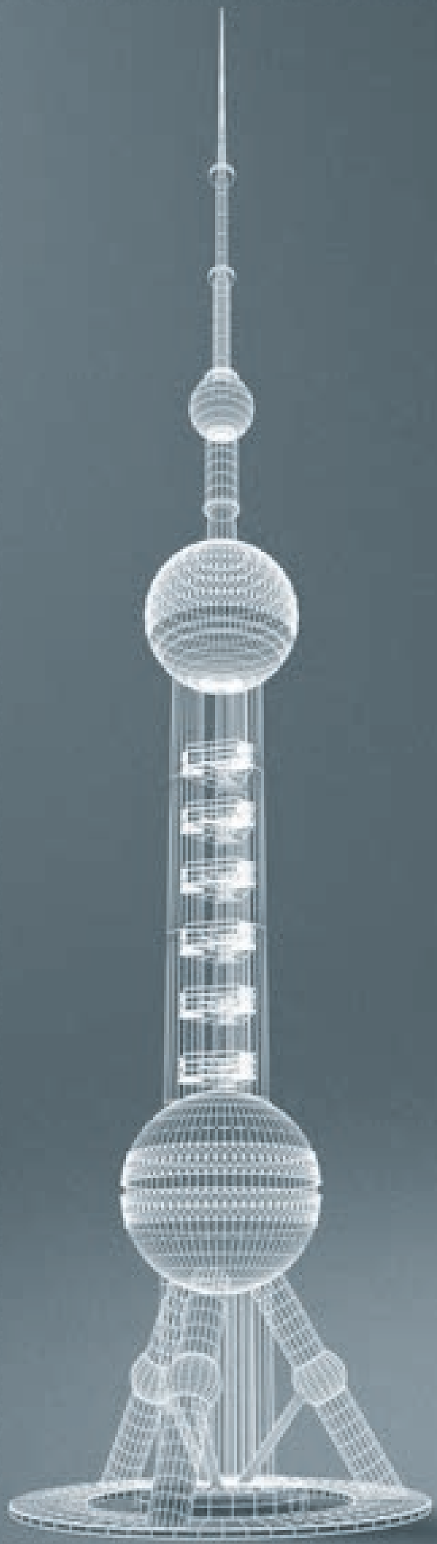
Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services (Jersey) Ltd, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the number provided on page 14.

Corporate Report



Report of The Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 September 2013 to 31 August 2014. Henderson Far East Income Limited ("the Company"), is registered in Jersey with registered number 95064.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 23 and 24 provides information on the remuneration and share interests of the Directors.

Directors' conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

Related party transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than fees payable by the Company in the ordinary course of business and the provision of marketing services (see note 5 on page 39), there have been no material transactions with this related party affecting the financial position or the performance of the Company during the year under review.

Share capital

As at 31 August 2014 the Company's paid up share capital consisted of 108,095,564 ordinary shares of no par value. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no restrictions on voting, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. The holders of ordinary shares are entitled to all capital growth in the Company and all the income from the Company that is resolved by the Directors to be distributed. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

The holders of the Company's ordinary shares are entitled to one vote for every share held. Therefore, as at 31 August 2014 the voting rights were 108,095,564 votes. Since 31 August a further 675,000 shares have been issued. As at 12 November 2014 the Company's paid up share capital consisted of 108,770,564 shares of no par value. The voting rights attached to the shares was 108,770,564. All new shares are issued at a premium to net asset value.

The Directors have an active discount management policy through the use of share buy backs, should the shares trade at a substantial discount to net asset value for a significant period. The Directors seek annual authority to allot new shares, to disapply pre-emption rights and to buy back shares for cancellation, or to hold in Treasury.

Subject to annual shareholder approval, the Company may purchase its own ordinary shares at a discount to net asset value ("NAV") per share. At the Annual General Meeting ("AGM") on 18 December 2013 shareholders gave the Board authority to buy back 14.99% ordinary shares in issue at that date during the following 15 months for cancellation. To date this authority has not been used.

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.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2014 in accordance with the disclosure and transparency rules were as follows:

	% of voting rights
Rathbone Brothers plc	8.17
Investec Wealth & Investment Limited	3.78
Rensburg Sheppard Investment Management Limited	2.37
Legal and General Group plc	2.30

No changes have been notified in the period 1 September 2014 to 12 November 2014.

At 31 August 2014, 7.0% of the issued ordinary shares are held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is part of Lloyds Banking Group and 0.3% by participants in Henderson products.

In accordance with the arrangements made between HSDL and Henderson, the participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. The nominees have undertaken to exercise the voting rights of any shares held through the schemes that have not been exercised by the individual participants. It 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.

Report of The Directors (continued)

Global greenhouse gas emissions

As an externally managed company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 August 2014 (2013: same).

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 "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", published by the Financial Reporting Council in October 2009.

Corporate governance

The corporate governance disclosures in this report are contained in the Corporate Governance Statement on pages 25 to 28.

Annual General Meeting

The AGM will be held on 17 December 2014 at 12.00p.m. at the Company's registered office. The Notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

Shareholder event

All General Meetings of the Company are 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 Fund 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 Thursday 18 December 2014 at 11.00a.m. The event will provide the opportunity for the Fund 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.

Directors' statement as to disclosure of information to auditors

Each of the Directors who were members of the Board at the date of approval of this report confirms that to the best of his knowledge and belief, there is no information relevant to the preparation of the Annual 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.

The Directors also consider that the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Richard Povey
Director
12 November 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report (which must be fair, balanced and understandable), the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

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

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

The Directors consider that the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 13, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report (comprising the Performance Highlights, Business Model, Chairman's Statement, the Fund Manager's Report, Investment Portfolio, Portfolio Information, Historical Performance and Financial Information, Key Information, Corporate Information and Glossary), Report of the Directors, Corporate Governance Statement, Remuneration Report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board of Directors.

Richard Povey
Director
12 November 2014

The financial statements are published on **www.hendersonfareastincome.com** which is a website maintained by Henderson.

The maintenance and integrity of the website is 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.

Directors' Remuneration Report

Introduction

This report is submitted on the same basis as would be required by Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies (Jersey) Law 1991 ('Jersey Law') and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. An ordinary resolution to approve the report will be proposed at the Annual General Meeting on 17 December 2014. The Company's remuneration policy will also be put to shareholders for approval by ordinary resolution at the AGM.

The Company's auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director as it is believed that all relevant information is disclosed within this report in an alternative format. The whole Board fulfils the function of the Remuneration Committee. No advice or services were provided by any external person in respect of the consideration of Directors' remuneration.

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £150,000 per annum. Subject to this overall limit, the Board'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. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place. No Director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable.

This policy has been in place since 1 September 2013 and will remain in place until the Annual General Meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

Annual statement

As Chairman, John Russell reports on the decisions on Directors remuneration taken during the year.

The Board's policy is that the remuneration of Directors should seek to reflect the experience of the Board as a whole and be fair and comparable to that of other investment companies that are similar in size and have similar objectives and structures. Furthermore, the Board considers that the level of remuneration should be sufficient to attract and retain the high calibre of directors needed to oversee the Company properly and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

It is therefore proposed that shareholder authority will be sought at the Annual General Meeting to increase the aggregate total limit on fees from £150,000 to £200,000 per annum.

The Board does not expect the aggregate limit on total fees to increase significantly in the near future but wishes to have sufficient headroom to accommodate changes over the medium term.

As reported in the 2013 Annual Report, the fees paid to Directors were increased with effect from 1 September 2013 as detailed on page 23. The increase was made in accordance with the Company's remuneration policy.

There have been no other major decisions on Directors' remuneration in the year under review.

Annual report on remuneration

Directors' interests in shares

	Ordinary shares of no par value	
	31 August 2014	1 September 2013
John Russell	50,306	50,142
David Mashiter	5,000	5,000
Simon Meredith Hardy	15,000	15,000
Richard Povey	5,000	5,000
David Staples	16,000	10,300

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 September to 11 November 2014.

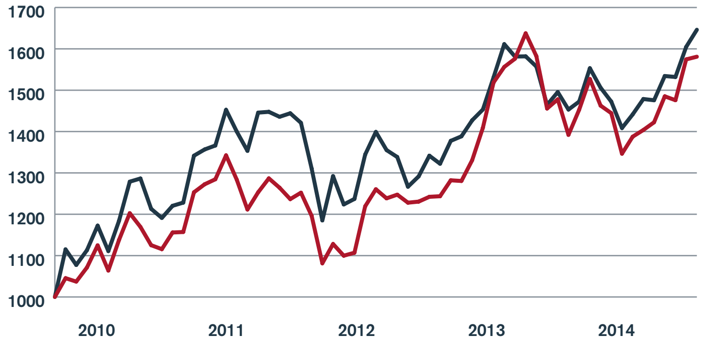
Directors' Remuneration Report (continued)

Performance

The graph compares the mid-market price of the Company's ordinary shares over the five year period ended 31 August 2014 with the return from the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) over the same period.

Henderson Far East Income Limited share price total return, assuming the investment of £1,000 on 31 August 2009 and the reinvestment of all dividends (excluding dealing expenses). (Source: Morningstar for the AIC)

FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) total return, assuming the notional investment of £1,000 on 31 August 2009 and the reinvestment of all income (excluding dealing expenses). (Source: Datastream)



Source: Thomson Reuters Datastream.

Directors' fees

The fees paid to the Directors who served during the years ended 31 August 2014 and 31 August 2013 were as follows:

	Year ended 31 August 2014 Total salary and fees £	Year ended 31 August 2013 Total salary and fees £	Year ended 31 August 2014 Total £	Year ended 31 August 2013 Total £
John Russell[1]	37,500	35,000	37,500	35,000
David Mashiter	24,000	22,000	24,000	22,000
Simon Meredith Hardy	24,000	22,000	24,000	22,000
Richard Povey	24,000	22,000	24,000	22,000
David Staples[2]	28,000	25,000	28,000	25,000
Total	**137,500**	**126,000**	**137,500**	**126,000**

Notes:
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made
1 Chairman and highest paid Director
2 Chairman of the Audit Committee

No taxable benefits have been paid or are payable. No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

With effect from 1 September 2013, the fees paid to the Directors were: Chairman £37,500, Audit Committee Chairman £28,000 and other Directors £24,000.

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividend and share issues. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2014	2013	Change
Total remuneration paid to Directors	£137,500	£126,000	£11,500
Ordinary dividend paid during the year	£18,959,000	£17,251,000	£1,708,000
Number of ordinary shares issued	3,750,000	2,765,000	985,000

Statement of voting at Annual General Meeting ("AGM")

At the 2013 AGM 20,690,051 votes (97.6%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 422,838 (2.0%) were against, 93,553 (0.4%) were discretionary and 35,481 were withheld; the percentage of votes excludes votes withheld. This will be the first year shareholders will be asked to vote on the Company's remuneration policy.

For and on behalf of the Board

Richard Povey
Director
12 November 2014

Corporate Governance Statement

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment company, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 ("the AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

Statement of compliance

The Directors believe that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal audit operations. The Company has therefore not reported further in respect of these provisions.

Directors

Directors' appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the shareholders at the next AGM in accordance with the Articles of Association.

The AIC Code states that any director who has served for more than nine years is subject to annual re-election.

The AIC Code requires all Directors to retire at intervals of not more than three years; the Company's Articles of Association also provides that one-third (but not more than one-third) of Directors must seek re-election at each AGM. The Director offering himself for re-election is David Staples.

The contribution and performance of each of the Directors seeking re-election was reviewed by the Nominations Committee at its meeting in January, which recommended to the Board the continuing appointment of each of those Directors.

Under the Articles of Association shareholders may remove a Director before the end of his term by passing an ordinary resolution at a meeting. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in January 2014, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. The Board believes that length of service does not compromise the effectiveness or independence of a Director as experience and knowledge of the Company is a positive factor and can be of significant benefit to the Company and to its shareholders. It believes that longer serving Directors are less likely to take a short-term view, which belief is supported by the AIC Code. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

A Senior Independent Director has not been appointed in view of the small size of the Board and that all Directors are non-executive.

There were no contracts subsisting during or at the end of the year 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. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by Henderson at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors are also able to attend external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered as part of the annual performance appraisal.

Corporate Governance Statement (continued)

Directors' insurance and indemnification
Directors' and officers' liability insurance cover was in place in respect of the Directors throughout the financial year and remains in place at the date of this report. 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.

The Board

Board composition
The Board currently consists of five non-executive Directors and the biographies of those holding office at the date of this report are included on page 13. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year.

Responsibilities of the Board and its Committees
The Board, which is chaired by John Russell who is an independent non-executive Director, meets formally at least four times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with the Fund Manager and representatives of the Corporate Secretary between formal meetings. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management and structure, financial reporting and other communications, Board membership and other appointments, internal control and corporate governance.

The Board is responsible for the approval of annual and half year results, interim management statements and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 August 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's net asset value ("NAV"), share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Committees of the Board
The Board has three Committees: the Audit Committee, the Management Engagement Committee and the Nominations Committee. The terms of reference for these Committees are available on the website **www.hendersonfareastincome.com** or via the Corporate Secretary.

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the remuneration policy set out on page 23, which is subject to periodic shareholder approval.

Nominations Committee
All Directors are members of the Nominations Committee, which is chaired by the Chairman of the Board (who would not chair the Committee when the Chairman's successor was being considered). The Committee is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees and the recommendation to the Board on the appointment of new Directors through an established formal procedure.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the Board. The Nomination Committee considers diversity as part of the annual performance evaluation and it is felt that there is a range of backgrounds, and each Director brings different qualities to the Board and its discussions.

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to gender diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will recommend when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when the requirement to recruit an additional Board member becomes necessary.

The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members. In accordance with the UK Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his or her contribution.

The Committee met in January 2014 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed opposite.

Management Engagement Committee
All Directors are members of the Management Engagement Committee, which is chaired by the Chairman of the Board.

Corporate Governance Statement (continued)

The Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders and also for reviewing the performance and cost effectiveness of the Company's other service providers.

The Committee met in July 2014 to carry out its annual review of Henderson, the results of which are detailed on page 28.

Board attendance

The table below sets out the number of full Board meetings held during the year under review and the number of meetings attended by each Director.

	Board	AC	MEC	NC
Number of meetings	**4**	**3**	**1**	**1**
John Russell	4	3	1	1
David Mashiter	4	3	1	1
Richard Povey	4	3	1	1
Simon Meredith Hardy[1]	3	3	1	1
David Staples	4	3	1	1

1 Simon Meredith Hardy missed one Board meeting due to personal reasons
AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee

The Directors and committees of the Board also met during the year to undertake business such as the approval of the Company's results and dividends. The Annual General Meeting was held in December 2013

Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by the Chairman having a private discussion with each Director. The Directors also meet without the Chairman present in order to review his performance. It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and the Chairman continues to display effective leadership. The Director seeking re-election at the Company's AGM this year is David Staples. The Board considers that he merits re-election by shareholders.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. 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 has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2014. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

Henderson 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 Henderson's compliance, internal audit and risk departments on a continuing basis. The Board receives a formal report on a quarterly basis which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. The Board receives a report on Henderson's internal controls each year which includes a report from Henderson's auditors on the control policies and procedures in operation.

The ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of this report. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. As all of the Company's management functions are delegated to third parties, and the Board monitors the controls in place through Henderson's internal audit department, the Board feels that there is currently no need for the Company to have its own internal audit function.

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 22, the Independent Auditor's Report on page 31 and the statement of going concern on page 21.

The Board has delegated contractually to external third parties, including Henderson and BNPP, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depositary as explained on page 17), 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 Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson and BNPP also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through BNPP which is responsible to the Board for ensuring that Board and Committee

Corporate Governance Statement (continued)

procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board, Henderson and BNPP operate in a supportive, co-operative and open environment.

Henderson and BNPP have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

The Board has reviewed the implications of the Bribery Act 2010 which came into force on 1 July 2011 and Corruption (Jersey) Law 2006, and confirmed its zero tolerance to bribery and corruption in its business activities. It has sought assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents. The Directors have adopted a procedure whereby they are required to report any potential acts of bribery and corruption in respect of the Company to the Money Laundering Reporting Officer in Jersey.

Continued appointment of Henderson

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 Henderson are contained on page 4.

In addition to the monitoring of investment performance at each meeting, through the Management Engagement Committee, an annual review of the Company's investment performance over both the short and longer terms, together with the quality of other services provided by Henderson, including company secretarial and accounting is undertaken.

It is the Directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders as a whole.

Share capital

Please see the Report of the Directors on page 20.

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 Annual Report, the Half Year Update and the Interim Management Statements which aim to provide shareholders with a clear and informative 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, the Annual Report and the Half Year Report. All documents issued by the Company can be viewed on the Company's website www.hendersonfareastincome.com

It is the intention of the Board that the 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 Thursday 18 December 2014 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 21.

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.

For and on behalf of the Board

Richard Povey
Director
12 November 2014

Report of The Audit Committee

Meetings

The Audit Committee met three times during the year under review. The Company's auditors are invited to attend meetings as necessary. Representatives of Henderson and BNP Paribas Securities Services ("BNPP") may also be invited.

Role and responsibilities

The role of the Audit Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the auditors. The responsibilities are set out in formal terms of reference which are regularly reviewed. In the year under review the main duties undertaken were:

- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson.
- consideration of the valuation of the Company's unquoted investments;
- consideration of the internal controls in place at Henderson and BNPP as administrator on page 27, and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- consideration of the nature and scope of the external audit and the findings therefrom;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board, as described on page 27;
- consideration of the appointment of the auditors, and their performance and remuneration;
- consideration of the auditor's independence and objectivity and the provision of any non-audit services (as explained further on page 30); and
- consideration of the whistle blowing policy that Henderson and BNPP have put in place for their staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action.

Audit for the year ended 31 August 2014

In relation to the Annual Report for the year ended 31 August 2014 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both Henderson's fair value pricing committee and by the Directors at least twice each year. Ownership of listed investments are verified by reconciliation to the custodian's records; for unquoted investments, verification is via reconciliation to the records of the investee entities.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 36) and is reviewed by the Committee at each meeting.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and BNPP and has access to the relevant personnel of Henderson and BNPP who have a responsibility for risk management and internal audit.

Report of The Audit Committee (continued)

Policy on non-audit services

The provision of non-audit services by the Company's auditors is considered and approved by the Audit Committee on a case by case basis. The policy set by the Audit Committee, which is kept under review, ensures that consideration is given to the following factors when considering the provision of non-audit services by the auditors:

- whether the audit firm is the most suitable supplier of non-audit services;
- the impact on the auditor's independence and objectivity and what safeguards can be put in place to eliminate or reduce any threat in this regard; and
- the cost-effectiveness of the services.

The Board has determined that the auditors will never be considered for the provision of services related to accounting and preparation of the financial statements, internal audit and custody.

Auditor's appointment

KPMG Channel Islands Limited ("KPMG") were appointed as auditor to the Company on 13 February 2013, following a formal tender process being undertaken by the Board on the recommendation of the Audit Committee. Ernst and Young LLP were previously engaged as the Company's auditor from 2006, until the appointment of KPMG.

The Audit Committee remains satisfied with the effectiveness of the audit provided by KPMG. On the basis of the auditor's performance the Audit Committee recommended their continuing appointment to the Board with no tender necessary. The auditors have indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of KPMG as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Fees paid or payable to the auditors are detailed in note 5 on page 39.

For and on behalf of the Board

David Staples
Audit Committee Chairman
12 November 2014

Independent auditor's report to the members of Henderson Far East Income Limited

Report on the financial statements

We have audited the financial statements of Henderson Far East Income Limited (the "Company"), which comprise the balance sheet as at 31 August 2014, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 August 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report of Other Legal and Regulatory Requirements

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following:

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Heather J MacCallum
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditor

12 November 2014

37 Esplanade
St Helier
Jersey
JE4 8WQ

Notes:
The maintenance and integrity of the websites on which these financial statements are published is the responsibility of third parties; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 12 November 2014. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 12 November 2014 which in any way extends this date.

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

Statement of Comprehensive Income

for the year ended 31 August

Notes		Year ended 31 August 2014 Revenue return £'000	Year ended 31 August 2014 Capital return £'000	Year ended 31 August 2014 Total £'000	Year ended 31 August 2013 Revenue return £'000	Year ended 31 August 2013 Capital return £'000	Year ended 31 August 2013 Total £'000
3	Investment income	23,021	–	23,021	21,154	–	21,154
4	Other income	1,474	–	1,474	1,600	–	1,600
10	Gains on investments held at fair value through profit or loss	–	18,228	18,228	–	16,572	16,572
	Total income	**24,495**	**18,228**	**42,723**	**22,754**	**16,572**	**39,326**
	Expenses						
	Management fees	(1,581)	(1,581)	(3,162)	(1,829)	(1,829)	(3,658)
5	Other expenses	(416)	(416)	(832)	(429)	(429)	(858)
	Profit before finance costs and taxation	**22,498**	**16,231**	**38,729**	**20,496**	**14,314**	**34,810**
6	Finance costs	(114)	(114)	(228)	(128)	(128)	(256)
	Profit before taxation	**22,384**	**16,117**	**38,501**	**20,368**	**14,186**	**34,554**
7	Taxation	(1,951)	–	(1,951)	(1,789)	–	(1,789)
	Profit for the year and total comprehensive income	**20,433**	**16,117**	**36,550**	**18,579**	**14,186**	**32,765**
8	Earnings per ordinary share – basic and diluted	19.32p	15.23p	34.55p	18.05p	13.78p	31.83p

The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The notes on pages 36 to 50 form part of these financial statements

Statement of Changes in Equity

for the year ended 31 August

Notes		Year ended 31 August 2014 Stated share capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2013	77,511	180,471	51,305	16,511	325,798
	Total comprehensive income:					
	Profit for the year	–	–	16,117	20,433	36,550
	Transactions with owners, recorded directly to equity:					
9	Dividends paid	–	–	–	(18,959)	(18,959)
14	Shares issued	11,679	–	–	–	11,679
14	Share issue costs	(47)	–	–	–	(47)
	Total equity at 31 August 2014	**89,143**	**180,471**	**67,422**	**17,985**	**355,021**

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

The notes on pages 36 to 50 form part of these financial statements

Balance Sheet

at 31 August

Notes		2014 £'000	2013 £'000
	Non current assets		
10	Investments held at fair value through profit or loss	367,396	348,928
	Current assets		
11	Other receivables	8,278	8,231
	Cash and cash equivalents	7,445	4,257
		15,723	**12,488**
	Total assets	**383,119**	**361,416**
	Current liabilities		
10	Written options	(136)	(581)
12(a)	Other payables	(823)	(3,854)
12(b)&(c)	Bank loans and overdrafts	(27,139)	(31,183)
		(28,098)	**(35,618)**
	Net assets	**355,021**	**325,798**
	Equity attributable to equity shareholders		
14	Stated share capital	89,143	77,511
15	Distributable reserve	180,471	180,471
	Retained earnings:		
16	Other capital reserves	67,422	51,305
	Revenue reserve	17,985	16,511
	Total equity	**355,021**	**325,798**
17	Net asset value per ordinary share	328.43p	312.23p

The financial statements on pages 32 to 50 were approved by the Board of Directors and authorised for issue on 12 November 2014 and were signed on its behalf by:

Richard Thomas Povey
Director

The notes on pages 36 to 50 form part of these financial statements

Statement of Cash Flows

for the year ended 31 August

Notes		2014 £'000	2013 £'000
	Operating activities		
	Profit before taxation	38,501	34,554
	Add back interest payable	228	245
10	Gains on investments held at fair value through profit or loss	(18,228)	(16,572)
10	Sales of investments	256,680	259,085
10	Purchase of investments	(259,147)	(278,348)
	(Increase)/decrease in prepayments and accrued income	(723)	1,174
	Decrease/(increase) in amounts due from brokers	719	(4,442)
	(Decrease)/increase in amounts due to brokers	(3,078)	3,078
	Increase in other payables	17	72
	Stock dividends included in investment income	(199)	(44)
	Net cash inflow/(outflow) from operating activities before interest and taxation	**14,770**	**(1,198)**
	Interest paid	(226)	(245)
	Withholding tax on investment income	(1,929)	(1,800)
	Net cash inflow/(outflow) from operating activities	**12,615**	**(3,243)**
	Financing activities		
	Net loan (repayment)/drawndown	(2,509)	9,744
9	Equity dividends paid	(18,959)	(17,251)
14	Share issue proceeds	11,679	9,833
14	Share issue costs	(47)	(49)
	Net cash (outflow)/inflow from financing	**(9,836)**	**2,277**
	Increase/(decrease) in cash and cash equivalents	**2,779**	**(966)**
	Cash and cash equivalents at the start of the year	4,256	6,076
	Exchange movements	389	(854)
	Cash and cash equivalents at the end of the year (including bank overdrafts of £21,000 (2013: £1,000))	**7,424**	**4,256**

The notes on pages 36 to 50 form 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

These financial statements for the year ended 31 August 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of financial assets designated at fair value through profit and loss and loans that are held at amortised cost using the effective interest method.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

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.

The following amended IFRSs have been adopted by the Company during the year:

New Standards applied

IFRS 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing guidance on how to measure fair value where fair value is required or permitted across IFRSs and enhances disclosures requirements (effective for annual periods beginning on or after 1 January 2013).

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures.*

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

New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee has recently issued the following new standards and amendments which are effective for annual periods beginning on or after 1 January 2014, unless stated otherwise, and have not been applied in preparing these financial statements.

IFRS 9 Financial Instruments: Classification and Measurement which is the first phase of a wider project to replace IAS 39 Financial Instruments: Recognition and Measurement, replaces the current models for classification and measurement of financial instruments. Financial assets are to be classified into two measurement categories: fair value and amortised cost. Classification will depend on an entity's business model and the characteristics of contractual cash flow of the financial instrument. The standard is effective for annual periods beginning on or after 1 January 2018.

No assessment of the impact of the above standards has been made by the Directors. These standards will be adopted when they become due.

The Directors do not anticipate that the adoption of these standards and interpretation in the future periods will have a significant impact on the financial statements.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

b) Investments held at fair value through profit or loss

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

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

Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgments, estimates or assumptions. The Company's holdings in Participation Notes are valued at £7,964,000 (2013: £24,088,000). These are valued by reference to the underlying stock. The obligations relating to the options valued at £136,000 (2013: £581,000) are valued by reference to the Black-Scholes model. The valuation of China Forestry Holdings Limited is derived from the audited cash and verified assets stated in that company's last annual report and then discounted as determined by the Directors taking into account the performance of the 'H' share market in Hong Kong, and of similar companies subject to suspension and subsequent re-listing. The position in China Forestry was written down to zero value following a missed coupon payment, delayed publication of annual report and accounts and resignation of chief financial officer and company secretary in June 2014.

c) 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 premium income is recognised upon expiration or settlement of the option contracts.

d) Expenses

All administration expenses, including the management fee 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 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.

e) Taxation

The Company is subject to Jersey income tax at a rate of 0%. The States of Jersey introduced a Goods & Services Tax ('GST') with effect from 1 May 2008. The Company does not suffer any irrecoverable GST as it has applied to the Controller of Income Tax for inclusion on the list of 'International Services Entities' of its administrator BNP Paribas Securities Services S.C.A. Jersey Branch, pursuant to the Goods & Services Tax (Jersey) Law 2007 and payment of the relevant application fees. As a result the tax charge (of the Company) consists solely of withholding tax suffered on dividend income.

f) Foreign currency

For the purposes of the financial statements, the results and financial position of the Company is expressed in Sterling, which is the functional currency of the Company and the presentation currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company 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 in which the majority of the costs of the Company are incurred, capital is raised and dividends are paid.

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

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

g) Cash and cash equivalents
Cash comprises current accounts and demand deposits excluding bank loans. Cash equivalents have a term of three months or less, are highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risks of changes in value.

h) Bank loans and overdrafts
Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Loans (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue. Loans are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans are derecognised, as well as through the amortisation process. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

i) Segmental reporting
Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker (the Fund Manager, with oversight from the Board) in deciding how to allocate resources and in assessing performance. The Directors meet regularly to consider investment strategy and to monitor the Company's performance. The Fund Manager, who has been appointed to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The Directors consider that the Company is organised into one operating segment which invests in equity securities, debt instruments and related derivatives. All of the Company's activities are interrelated and each activity is dependent on the others.

The business is not managed on a geographical basis, however, for the convenience of investors, disclosure by geographical segment has been provided in note 3 and in the Strategic report on page 10. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

The Company is not exposed to a single investment that generates revenue greater than 10% of total revenue (2013: nil).

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

k) Contingent liability
Provisions are recognised when:

– The Company has a present legal or constructive obligation as a result of past events;
– It is probable that an outflow of resources will be required to settle the obligation: and
– The amount has been reliably estimated.

Notes to the Financial Statements (continued)

3 Investment income

	2014 £'000	2013 £'000
Overseas dividends	21,630	20,499
Outperformance Participation Note income	1,192	611
Stock dividends	199	44
	23,021	**21,154**
Analysis of investment income by geographical segment:		
Australia	4,159	4,553
China	4,814	3,830
Hong Kong	2,894	2,150
India	915	270
Indonesia	237	823
Japan	124	–
Malaysia	421	458
New Zealand	681	869
The Philippines	417	496
Singapore	1,651	1,503
South Korea	1,340	1,607
Taiwan	4,146	3,455
Thailand	1,222	1,140
	23,021	**21,154**

All of the above income is derived from equity investments.

4 Other income

	2014 £'000	2013 £'000
Bank and other interest	2	3
Option premium income	1,472	1,597
	1,474	**1,600**

5 Other expenses

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Directors' fees (see the Directors' Remuneration Report on page 24)	69	69	138	63	63	126
Auditors' remuneration						
– statutory audit	15	15	30	15	14	29
– interim accounts review	3	3	6	3	3	6
Bank and custody charges	103	103	206	115	115	230
Loan arrangement and non-utilisation fees	56	57	113	68	68	136
Marketing fees[1]	48	47	95	42	42	84
Registrar's fees	17	18	35	21	21	42
Depositary fees	2	2	4	–	–	–
Printing and stationery	11	11	22	10	10	20
Asia Board visit	14	14	28	16	17	33
Broker fees	18	18	36	19	19	38
AIC	10	9	19	9	9	18
Stock Exchange fees	17	18	35	15	15	30
Other expenses	33	32	65	33	33	66
	416	**416**	**832**	**429**	**429**	**858**

1 Payable to the management company

Notes to the Financial Statements (continued)

6 Finance costs

	2014 £'000	2013 £'000
On bank loans and overdrafts payable: within one year	228	256
Amount allocated to capital	(114)	(128)
Total allocated to revenue	**114**	**128**

7 Taxation

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
The taxation charge for the period comprises of:						
Foreign withholding tax suffered	1,951	–	1,951	1,789	–	1,789
	1,951	**–**	**1,951**	**1,789**	**–**	**1,789**

Profits arising in the Company for the year ended 31 August 2014 are subject to Jersey income tax at the rate of 0% (2013: 0%).

8 Earnings per ordinary share

The earnings per ordinary share figure is based on the net gains for the year of £36,550,000 (2013: £32,765,000) and on the weighted average number of ordinary shares in issue during the year of 105,783,168 (2013: on 102,912,043 shares).

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

	2014 £'000	2013 £'000
Net revenue profit	20,433	18,579
Net capital profit	16,117	14,186
Net total profit	**36,550**	**32,765**
Weighted average number of ordinary shares in issue during the year	105,783,168	102,912,043

	2014 Pence	2013 Pence
Revenue earnings per ordinary share	19.32p	18.05p
Capital earnings per ordinary share	15.23p	13.78p
Total earnings per ordinary share	**34.55p**	**31.83p**

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.

9 Dividends

Dividends	Record Date	Pay Date	2014 £'000	2013 £'000
Fourth interim dividend 4.10p for the year ended 2012	9 November 2012	30 November 2012	–	4,165
First interim dividend 4.10p for the year ended 2013	8 February 2013	28 February 2013	–	4,217
Second interim dividend 4.10p for the year ended 2013	10 May 2013	31 May 2013	–	4,278
Third interim dividend 4.40p for the year ended 2013	9 August 2013	30 August 2013	–	4,591
Fourth interim dividend 4.40p for the year ended 2013	8 November 2013	29 November 2013	4,601	–
First interim dividend 4.40p for the year ended 2014	7 February 2014	28 February 2014	4,601	–
Second interim dividend 4.40p for the year ended 2014	9 May 2014	30 May 2014	4,690	–
Third interim dividend 4.70p for the year ended 2014	8 August 2014	29 August 2014	5,067	–
			18,959	**17,251**

Notes to the Financial Statements (continued)

9 Dividends (continued)

The fourth interim dividend for the year ended 31 August 2014 has not been included as a liability in these financial statements as it was announced and paid after the year end. The table which follows sets out the total dividends paid and to be paid in respect of the financial year and the previous year. The revenue available for distribution by way of dividend for the year is £20,433,000 (2013: £18,579,000).

	2014 £'000	2013 £'000
First interim dividend for 2014 – 4.40p (2013: 4.10p)	4,601	4,217
Second interim dividend for 2014 – 4.40p (2013: 4.10p)	4,690	4,278
Third interim dividend for 2014 – 4.70p (2013: 4.40p)	5,067	4,591
Fourth interim dividend for 2014 – 4.70p (2013: 4.40p) (payable 28 November 2014 based on 108,770,564 shares in issue at 7 November 2014)	5,112	4,601
	19,470	**17,687**

10 Investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Cost at the beginning of the year	329,069	282,630
Investment holding gain at the beginning of the year	19,278	28,975
Valuation of investments and options written at the beginning of the year	**348,347**	**311,605**
Movements in the year:		
Purchases at cost	259,346	278,392
Sales – proceeds	(256,680)	(259,085)
– realised gains on sales	1,031	27,132
Increase/(decrease) in investment holding gains	15,216	(9,697)
Closing valuation of investments and options written at the end of the year	**367,260**	**348,347**
Cost at the end of the year	332,766	329,069
Investment holding gain	34,494	19,278
Closing valuation of investments and options written at the end of the year	**367,260**	**348,347**

As at 31 August 2014 the market value included options written of £(136,000) (2013: £(581,000)).

There is one unquoted investment, China Forestry, which has been written down to zero value in 2014 (2013: £516,000). The Company also holds over-the-counter options and Participation Notes valued at £7,828,000 (2013: £23,507,000).

	2014 £'000	2013 £'000
Gains on investments held at fair value		
Realised gains on sales of investments	1,031	27,132
Increase/(decrease) in investment holding gains	15,216	(9,697)
Net movement on foreign exchange	1,981	(863)
	18,228	**16,572**

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 reserve and are included within gains on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

The total costs were as follows:

	2014 £'000	2013 £'000
Purchases	478	616
Sales	684	614
	1,162	**1,230**

Notes to the Financial Statements (continued)

11 Other receivables

	2014 £'000	2013 £'000
Prepayments and accrued income	3,534	2,811
Amounts due from brokers	4,686	5,405
Unrealised gains on forward exchange contracts	52	15
Other receivables	6	–
	8,278	**8,231**

12 Other payables

	2014 £'000	2013 £'000
a) Other payables		
Foreign withholding tax payable	28	–
Amounts due to brokers	–	3,078
Other payables	795	776
	823	**3,854**

	2014 £'000	2013 £'000
b) Bank overdrafts	21	1

	2014 £'000	2013 £'000
c) Bank loans (unsecured)	27,118	31,182

Interest rates applicable to these tranches are at a margin of 0.9% pa over LIBOR.

13 Risk management policies and procedures

As an investment company the Company invests in equities and other investments for the long-term so as to secure its investment objectives as stated in the Strategic Report. 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 and interest rate 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 Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises Hiportfolio software;
- the IT tools to which the Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Arc Logics operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
  - Bloomberg for market data and price-checking, and
  - Hiportfolio for portfolio holdings and valuations.

These are supplemented by in-house developments: Derivatives Risk and Compliance database ("DRAC") and Counterparty Exposure ("CER") reports.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

The Board determines the objectives, policies and processes for managing 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.

The Company has a spread of investments which by their nature are less risky than placing the entire amount of the Company's assets in solely one investment. Over the long term, equities generally outperform cash deposits and bonds. Performance of equities has been and is likely to continue to be volatile over shorter periods.

13.1 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 13.1.1), currency risk (see note 13.1.2) and interest rate risk (see note 13.1.3). 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.

13.1.1 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

When appropriate, the Company may buy or sell put or call options on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. The Board of Directors manages the risks inherent in the investment portfolio by full and timely review of relevant information from the Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Fund 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 2014 on its investments amounted to £367,396,000 (2013: £348,928,000) and £136,000 (2013: £581,000) in respect of liabilities on derivatives.

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 8 to 9. There is a concentration of exposure to Australia, China, Taiwan and Hong Kong, 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% (2013: 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.

	2014		2013	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(184)	184	(174)	174
Capital return	36,542	(36,542)	34,661	(34,661)
Impact on total return after tax for the year and shareholders' funds	**36,358**	**(36,358)**	**34,487**	**(34,487)**

13.1.2 Currency risk

The majority 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.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

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.

2014	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	1,132	1,490	–	4,863	109	149	452
Cash at bank and on deposit less short term overdrafts	429	–	–	–	190	6,826	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	–	–
Borrowings under multi-currency loan facility	–	–	–	–	–	(27,118)	–
Total foreign currency exposure on net monetary items	**1,561**	**1,490**	**–**	**4,863**	**299**	**(20,143)**	**452**
Investments at fair value through profit or loss that are equities	62,865	63,902	14,095	96,455	37,948	42,529	49,466
Total net foreign currency exposures	**64,426**	**65,392**	**14,095**	**101,318**	**38,247**	**22,386**	**49,918**

2013	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	4,086	1,227	23	645	1,719	163	322
Cash at bank and on deposit less short term overdrafts	1,045	–	–	415	158	1,489	1,150
Payables (due to brokers, accruals and other creditors)	(649)	–	–	(1,279)	–	–	(1,151)
Borrowings under multi-currency loan facility	–	–	–	–	–	(31,182)	–
Total foreign currency exposure on net monetary items	**4,482**	**1,227**	**23**	**(219)**	**1,877**	**(29,530)**	**321**
Investments at fair value through profit or loss that are equities	58,596	34,769	27,851	95,521	35,796	45,471	50,343
Total net foreign currency exposures	**63,078**	**35,996**	**27,874**	**95,302**	**37,673**	**15,941**	**50,664**

The above amounts are not necessarily 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, Singapore Dollar and US Dollar.

It assumes the following changes in exchange rates:

Sterling/Australian Dollar +/- 10% (2013: 10%). Sterling/Taiwanese Dollar +/- 10% (2013: 10%).

Sterling/Korean Won +/- 10% (2013: 10%). Sterling/Hong Kong Dollar +/- 10% (2013: 10%).

Sterling/Singapore Dollar +/- 10% (2013: 10%). Sterling/US Dollar +/- 10% (2013: 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)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

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

	2014						
	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income – return after tax							
Revenue return	425	288	97	483	169	386	521
Capital return	6,948	7,063	1,558	10,661	4,194	1,702	5,466
Total return after tax for the year	**7,373**	**7,351**	**1,655**	**11,144**	**4,363**	**2,088**	**5,987**

	2013						
	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income – return after tax							
Revenue return	471	275	105	441	146	214	489
Capital return	6,476	3,842	3,078	10,558	3,957	5,026	5,563
Total return after tax for the year	**6,947**	**4,117**	**3,183**	**10,999**	**4,103**	**5,240**	**6,052**

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

	2014						
	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income – return after tax							
Revenue return	(348)	(236)	(79)	(395)	(138)	(316)	(426)
Capital return	(5,685)	(5,779)	(1,275)	(8,723)	(3,432)	(1,392)	(4,472)
Total return after tax for the year	**(6,033)**	**(6,015)**	**(1,354)**	**(9,118)**	**(3,570)**	**(1,708)**	**(4,898)**

	2013						
	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income – return after tax							
Revenue return	(385)	(225)	(86)	(360)	(120)	(175)	(400)
Capital return	(5,298)	(3,144)	(2,519)	(8,638)	(3,237)	(4,112)	(4,552)
Total return after tax for the year	**(5,683)**	**(3,369)**	**(2,605)**	**(8,998)**	**(3,357)**	**(4,287)**	**(4,952)**

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.

13.1.3 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)

13 Risk management policies and procedures (continued)

13.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 31 August 2014 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 notes 12(b) and 12(c).

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank overdrafts and loans, is at a margin over LIBOR or its foreign currency equivalent (2013: 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 rates changes.

Interest rate sensitivity

Based on the Company's financial instruments at each balance sheet date, an increase or decrease of 100 basis points in interest rates would decrease or increase revenue return after tax by £62,000 (2013: £113,000), capital return after tax by £135,000 (2013: £156,000), and total profit after tax and shareholders' funds by £197,000 (2013: £269,000).

This level of change is considered to be reasonably possible based on observation of current market conditions. This is not representative of the year as a whole, since the exposure changes as investments are made. In the context of the Company's balance sheet, the outcome is not considered to be material.

13.2 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 monitored by the Manager on a daily basis to ensure that financial liabilities can be paid as they fall due. 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 Company has a two year multi-currency loan facility of £45 million (2013: £45 million) of which £27,118,000 (2013: £31,182,000) was drawn down at the year end. This facility is under regular review and unless renewed will expire on 26 February 2016.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one investment. 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:

	2014		2013	
	Due within 3 months £'000	Due between 3 months and one year £'000	Due within 3 months £'000	Due between 3 months and one year £'000
Bank loans and overdrafts[1]	27,209	–	31,233	–
Written put options at fair value	136	–	581	–
Amounts to brokers and accruals	823	–	3,854	–
	28,168	**–**	**35,668**	**–**

1 Includes interest on loans payable to maturity date

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.3 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. Details of the portfolio are shown on pages 8 to 9.

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 banks is held only with reputable banks with high quality external credit ratings and which are reviewed regularly by the Manager's Credit Risk Committee.

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. In summary, the exposure to credit risk at 31 August 2014 was to cash and cash equivalents £7,445,000 (2013: £4,257,000) and to other receivables of £8,278,000 (2013: £8,231,000).

Amounts due from brokers and accrued income of £8,012,000 had been received at 12 November 2014, the date of printing this report.

The Company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The Company's cash balances are held by Custodian J.P. Morgan Chase bank, and loan balances held with National Australia Bank. The Directors believe these counterparties to be of high quality (credit rating at 31 August 2014: J.P. Morgan Chase Bank A- rated (2013: A-). National Australia Bank AA- (2013: AA-)); therefore the Company has minimal exposure to credit risk.

13.4 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 and bank overdrafts).

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 August 2014	Level 1 £'000	Level 2 £'000	Level 3[1] £'000	Total £'000
Equity investments	359,432	7,964	–	367,396
OTC derivatives (put options)	–	(136)	–	(136)
Forward exchange contracts	–	52	–	52
	359,432	**7,880**	**–**	**367,312**

If the discount rate applied in valuing the level 3 investment changed by +/-10%, the impact would be an increase or decrease in revenue after tax of £nil (2013: £1,000), capital return after tax of £nil (2013: £107,000), and total return after tax of £nil (2013: £106,000).

Level 3 investments at fair value through profit or loss	2014 £'000	2013 £'000
Opening balance	516	746
Transferred into Level 3	–	–
Capital distribution	–	–
	516	**746**
Total losses included in gains on investments in the Statement of Comprehensive Income – on assets held at year end	(516)	(230)
Closing balance	**–**	**516**

1 Level 3 investments relate to one unquoted holding of China Forestry, transferred into level 3 in 2012, written to zero market value during 2014. The position in China Forestry was written down to zero value following a missed coupon payment, delayed publication of annual report and accounts and resignation of chief financial officer and company secretary in June 2014.

Financial assets at fair value through profit or loss at 31 August 2013	Level 1 £'000	Level 2 £'000	Level 3[1] £'000	Total £'000
Equity investments	324,324	24,088	516	348,928
OTC derivatives (put options)	–	(581)	–	(581)
Forward exchange contracts	–	15	–	15
	324,324	**23,522**	**516**	**348,362**

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

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

Level 1 – 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. Also included here is a Japanese Yen forward exchange contract for 6,525,000 Yen which resulted in an unrealised gain of £52,000.

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

The valuation techniques used by the Company are explained in the accounting policies note on page 37.

The net fair value movement on written options during the year was a gain of £1,917,000 (2013: £1,270,000).

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.6 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 one unquoted investment, which has been written down to zero fair value in 2014 (2013: £516,000). The Company writes over-the-counter options and holds Participation Notes with a value of £7,828,000 (2013: £23,507,000).

The Company's capital at 31 August 2014 comprises its equity share capital, reserves and bank debt that are shown in the balance sheet as a total of £382,160,000 (2013: £356,981,000).

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 should be retained.
- the level of gearing.

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

14 Stated share capital

		2014		2013	
	Authorised	Issued and fully paid	£'000	Issued and fully paid	£'000
Opening balance at 1 September					
Ordinary shares of no par value	Unlimited	104,345,564	77,511	101,580,564	67,727
Issued during the year		3,750,000	11,679	2,765,000	9,833
Share issue costs		–	(47)	–	(49)
Closing balance at 31 August		**108,095,564**	**89,143**	**104,345,564**	**77,511**

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

During the year, the Company issued 3,750,000 (2013: 2,765,000) shares for proceeds of £11,632,000 (2013: £9,784,000) net of costs.

15 Distributable reserve

	2014 £'000	2013 £'000
At 31 August	180,471	180,471

The Royal Court of Jersey confirmed the reduction of Capital account in the Company by an amount of £180,982,993 less issue costs of £512,000 on 23 January 2007 being the issue proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006.

Notes to the Financial Statements (continued)

16 Other capital reserves

	2014			2013		
	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
At 1 September	32,027	19,278	51,305	8,144	28,975	37,119
Foreign exchange gains/(losses)	1,929	52	1,981	(863)	–	(863)
Movement in investment holding gains/(losses)	–	15,216	15,216	–	(9,697)	(9,697)
Gains on investments	1,031	–	1,031	27,132	–	27,132
Costs charged to capital	(2,111)	–	(2,111)	(2,386)	–	(2,386)
At 31 August	**32,876**	**34,546**	**67,422**	**32,027**	**19,278**	**51,305**

This reserve reflects any gains or losses on investments realised in the period, together with any increases or decreases in the fair value of investments held that have been recognised in the Statement of Comprehensive Income.

17 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:

	2014		2013	
	Net asset value per share pence	Net asset value attributable £'000	Net asset value per share pence	Net asset value attributable £'000
Ordinary shares	328.43	355,021	312.23	325,798

The basic net asset value per ordinary share is based on 108,095,564 (2013: 104,345,564) ordinary shares, being the number of ordinary shares in issue.

18 Contingent liabilities

There were no contingent liabilities as at 31 August 2014 (2013: £nil).

19 Transactions with the Manager

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 13 November 2006 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company appointed a wholly owned subsidiary company of Henderson Global Investors (Holdings) plc ('Henderson') to provide investment management services.

Details of the fee arrangements for these services are given in the Strategic Report on page 4. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 August 2014 was £3,162,000 (31 August 2013: £3,658,000) of which £572,000 was outstanding at 31 August 2014 (2013: £595,000).

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 2014 amounted to £95,000 (31 August 2013: £84,000), of which £58,000 was outstanding at 31 August 2014 (2013: £16,000).

The related party transactions with the Directors are set out in the Directors' Report on page 20 and in the Directors' Remuneration Report on page 24.

20 Subsequent events

Since the year end the Company has issued 675,000 shares for net proceeds of £2,215,000. The Directors have evaluated the period since the year end and have not noted any other subsequent events.

General Shareholder Information

BACS

Dividends and interest can be paid to shareholders and stockholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 14) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Disability Act

Copies of this report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services (Jersey) Limited, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

FCA restrictions

The Company currently conducts its affairs so that its ordinary shares can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products as the Company's portfolio is wholly or predominantly made up of shares, debentures or government and public securities which are not themselves issued by other investment funds.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Share Price Listings

The market price of the Company's ordinary shares is published daily in The Financial Times and the New Zealand Herald. The Financial Times also shows figures for the estimated NAV and the discount.

The market prices of the Company's shares can be found in the London Stock Exchange Daily Official List.

New Zealand listing

The Company's 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.

Performance Details/Share Price Information

Details of the Company's share price and NAV can be found on the website. The address is **www.hendersonfareastincome.com** The Company's NAV is published daily.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**.
Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

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 them when invited to do so by the Chairman.

Investors in Halifax Share Dealing and Henderson ISAs receive all shareholder communications including a copy of the strategic report in lieu of this annual report. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Alternative Investment Fund Managers Directive Disclosures

Henderson and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a Key Investor Information Document ("KIID") which can be found on the website. There have been no material changes to the disclosures contained within the KIID since publication in July 2014.

The periodic disclosures to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A full list of portfolio holdings is included on pages 8 and 9.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 13 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson.

General Shareholder Information (continued)

- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. It is therefore anticipated that the Henderson Remuneration Policy and associated financial disclosures will be made with the Company's Annual Report from 2016.

Leverage

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities.

Leverage is considered in terms of the Company's overall "exposure" to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Henderson is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its net asset value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;
- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- derivative instruments are converted into the equivalent position in their underlying assets;
- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	As a percentage of net assets	
	Gross method	Commitment method
Maximum level of leverage	200%	200%
Actual level as at 31 August 2014	111%	109%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the KIID in relation to any special arrangements in place, the maximum level of leverage which the Manager may employ on behalf of the Company; the right of reuse of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

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Registered as an investment company in Jersey with registration number 95064
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Regulated by the Jersey Financial Services Commission.

SEDOL/ISIN number: Ordinary Shares: B1GXH751/JE00B1GXH751
London Stock Exchange (EPIC) Code: HFEL
Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.826
Legal Entity Identified (LEI): 213800801QRE00380596

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Printed by Leycol, London

HGI36557/0914