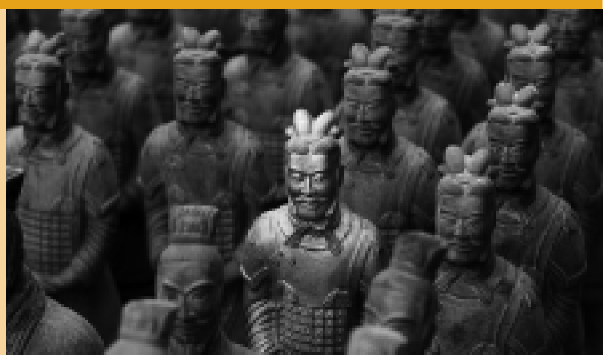
Henderson Far East Income Limited

Report and Financial Statements for the year ended 31 August

2011



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

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

Contents

Financial Highlights

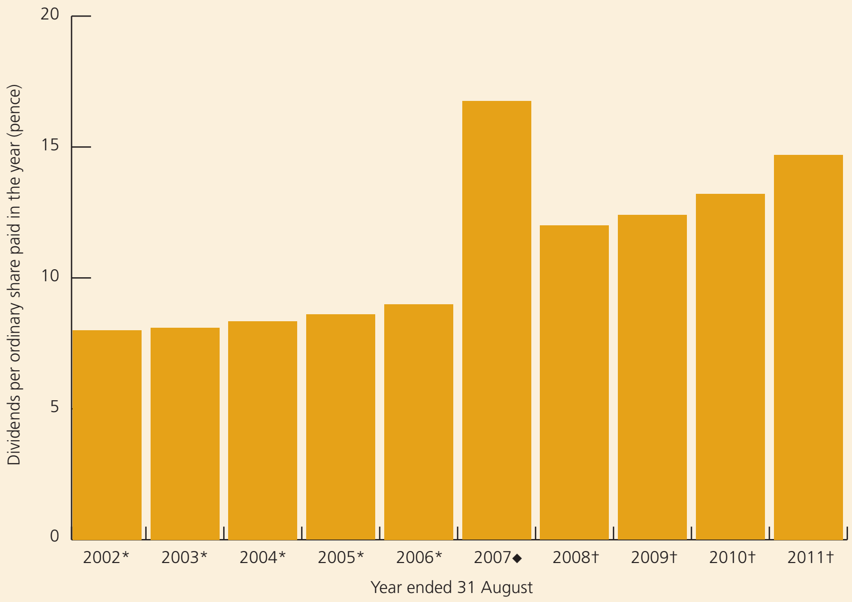
Per Ordinary Share	31 August 2011	31 August 2010	% change
Net asset value	**287.09p**	295.00p	-2.7%
Market price	**294.50p**	298.25p	-1.3%
Total earnings	**5.74p**	47.78p	-88.0%
Revenue earnings	**16.49p**	15.35p	+7.4%

Performance
(12 months to 31 August)

	2011
Net asset value (total return)[1]	**2.1%**
Share price (total return)[2]	**3.4%**
FTSE All-World Asia Pacific ex Japan (£) (total return)[2]	**6.7%**

Sources: [1]AIC [2]Datastream

Dividend History



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

Directors

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

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

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

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

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. He is currently a non-executive director of HSBC Private Bank (C.I.) Limited, Gottex Fund Management Holdings Limited, a number of listed investment companies and four private equity funds managed 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. All of the Directors are independent of the Manager, and with the exception of David Staples who was appointed on 18 January 2011, all the Directors were appointed to the Board in 2006, at the commencement of the Company.

Management

Michael Kerley

Andrew Beal

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

Chairman's Statement

John Russell

I am pleased to report that revenues grew over the year under review, enabling your Board to raise the total annual dividend by 10.3% year on year. Capital performance was, however, disappointing due to our overweight position in China, where fears of inflation subdued the market. Australia's poor performance, where we had an underweight position, was transformed into a positive sterling performance by a very strong Australian dollar.

Performance

In the year under review, the net asset value total return was 2.1%. Share price total return was 3.4% against the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) which returned 6.7%. Revenue earnings after taxation per ordinary share rose by 7.4% to 16.49p, compared to 15.35p in the previous year.

Dividends

A fourth interim dividend of 3.90p has been declared making a total of 15.00p for the year, an increase of 10.3% year on year. This total has been met from current year revenue with a modest addition to our revenue reserve, which will help to underpin dividends in future years. Your Board is confident that it will be able to at least maintain the level of total dividend in the coming year.

Capital and gearing

During the year your Company continued to enjoy consistent demand for its shares with the share price trading predominantly at an attractive premium to net asset value. In view of this, your Board took the opportunity to issue further shares at premiums of 2% or above thereby enhancing the net asset value per share for shareholders. In total, 3,525,000 shares were issued in the year, resulting in proceeds of over £11.3 million and a further 375,000 shares have been allotted since 31 August 2011, with proceeds of £1,029,000.

Your Board has maintained its cautious stance on borrowings and has not geared the portfolio during the year under review. However, the market volatility seen since the summer has led us to the view that some flexible gearing might be introduced during the coming year. To that end, we are looking at taking out a multi-currency loan facility.

Shareholder Communication

Your Board is committed to understanding shareholder aspirations and expectations and to this end Simon Meredith Hardy and I visited most of the major shareholders earlier in the year to listen to their views. These meetings were held without the Manager present so that conversations could be frank and fulsome. We came away with an enhanced understanding of what is expected and more importantly what is critical from their perspective. The resulting feedback has guided the deliberations of the Board in a significant way.

Counterparty Risk

The Board assesses counterparty risk on a regular basis but against the background of the current debt crisis we undertook an even more rigorous approach. We met with service providers and, in particular, with our custodian, JP Morgan, to assure ourselves that the sub custodians in Asian jurisdictions where it is not represented are properly managed from a risk perspective. We are satisfied that their management is robust and that we can place an appropriate degree of reliance on it. We met, too, with the Registrar, Computershare Investor Services, and satisfied ourselves as to the quality of their risk management procedures.

Regional Perspective

Much is written about China in the press; some of it misleading, some of it inaccurate and some the result of old fashioned prejudice. But there is no doubt that the future success of Asia as a region will be dependent on the continuing growth of China into the most powerful economy in the world. It is difficult to understand the scale of change happening there and what effect this will have on the rest of the world. While it is not possible to predict the future with any certainty there are some things of which we can be certain. China will have an impact on the world at least as great, possibly greater than the Industrial Revolution which started 150 years ago. The results of that revolution still reverberate around the world today. How much more then can we expect from China whose home grown industrial revolution is being rolled out many times faster than the western industrial revolution? Tens of millions of people have moved from the countryside to the cities and this process will continue for many years to come. The impact on global economics, politics and demographics will be both significant and long lasting.

Of course this rapid rate of change will not be without problems and big ones at that. However we should remember that China was a leading economy in the world for 18 of the past 20 centuries. It stumbled in the nineteenth century and suffered horribly in the twentieth but is now nationally committed to regaining its place among the foremost nations of the world. Those in the west who fail to appreciate what is happening and to engage with China either as investors or in business will, I believe, be making a grave mistake.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Tuesday 20 December 2011 in Jersey and shareholders are most welcome to attend. In addition, an open presentation to shareholders will be held at 11am on Wednesday 21 December 2011 at Henderson's offices in London where the Manager will make an investment presentation and both he and I will be happy to answer questions. If you would like to attend please complete and return the invitation card which is enclosed with this report.

John Russell
Chairman
11 November 2011

Manager's Report

Michael Kerley

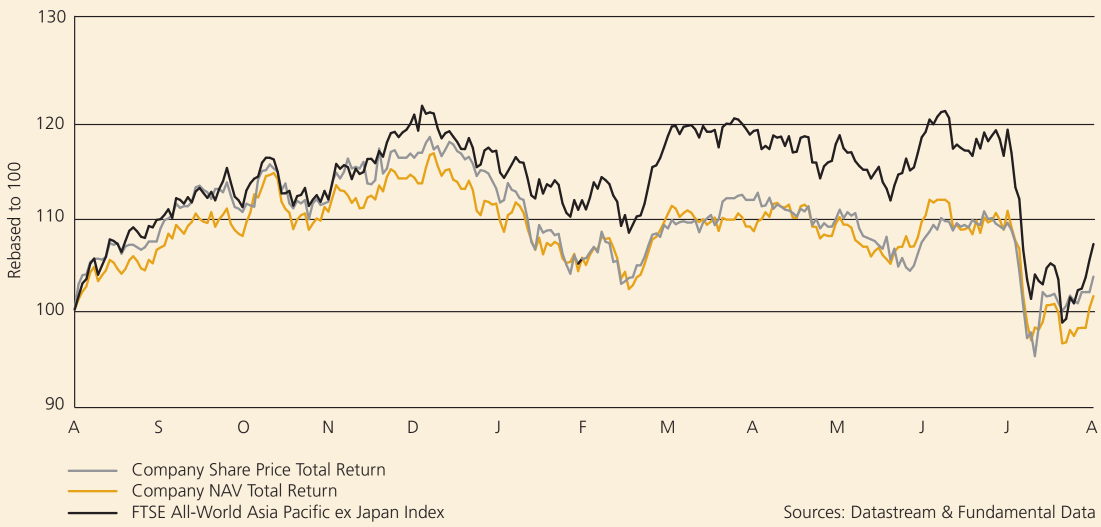
The twelve months to the end of August 2011 were some of the most dramatic in recent history. The period featured significant natural and financial disasters with earthquakes in Japan and New Zealand, political turmoil in the Middle East and North Africa, sovereign debt concerns in Europe and finally a downgrade of US sovereign debt. Despite this long list of negative events, Asian and global markets posted positive returns over the period and it is only in recent months that sentiment towards equity markets has deteriorated markedly.

The company's financial year began with Asian equities basking in the US Federal Reserve's second round of quantitative easing (QE2). The increase in liquidity was designed to sustain the economic recovery in the US but, in addition, it provided a positive fillip for equities, bonds and commodities. The record low levels of interest rates and strong money supply led to a weak US dollar and a flight to physical assets. As a result, the price of commodities, particularly gold, appreciated significantly.

Markets pulled back from their highs in early November 2010 as the problems in Greece worsened and threatened to drag in other European countries. A brief rally towards the end of 2010 was curtailed by political disruption in the Middle East and North Africa, while March 2011 was dominated by the horrific earthquake, tsunami and resulting disruption in Japan. The emergency liquidity injected by the Bank of Japan helped markets rally through to the end of April before uncertainty over Eurozone debt and US growth led to an 10.5% decline in the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) over the next four months up to the Company's year end.

From an economic stand point Asian economies have fared far better than their western counterparts. Economic growth remains robust with only export sectors being impacted by the slowdown elsewhere. Earnings numbers have exceeded expectations in most economies with the only real disappointment being India, due to margin pressure. The performance of the markets has, however, been disappointing with the FTSE All-World Asia Pacific ex Japan Index underperforming both the S&P 500 and the FTSE 100 over the period, in sterling terms. This dynamic was partly due to risk aversion as global investors reduced exposure to more volatile regions but was also down to the inflationary pressure that has been building in Asia over the last year. Unlike the US, EU and UK where economic growth would be most

Company and Index returns (sterling adjusted) – year to 31 August 2011



Sources: Datastream & Fundamental Data

Manager's Report

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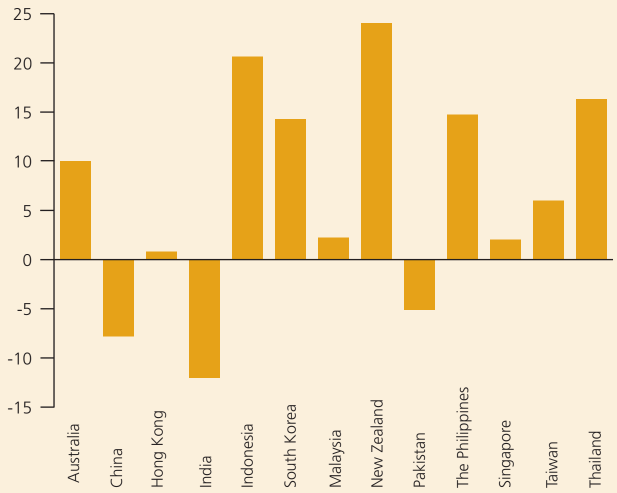
welcome, Asia has been fighting against too much growth and the fear of overheating. As a result, interest rates have risen across the region and various measures have been taken to reduce liquidity and speculation, especially in the property markets. It is this policy uncertainty which has caused investors to focus on the more mature markets where the growth outlook is less impressive but the direction of monetary and fiscal policy is more certain.

Performance

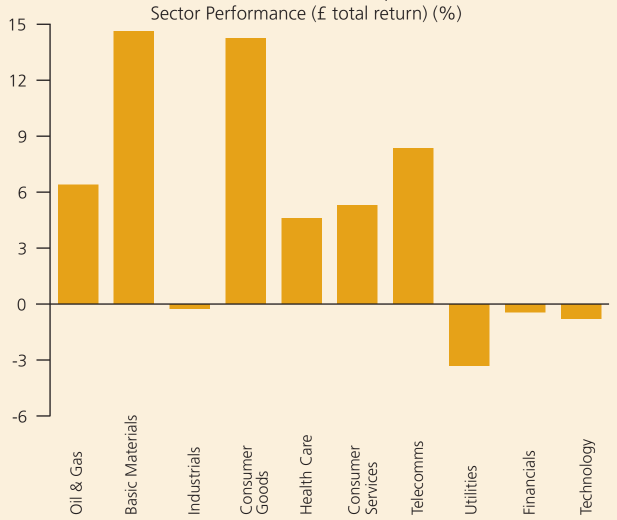
Although Asian markets on the whole posted a positive return over the period, there was a wide divergence between the returns of individual countries and sectors. The best performing markets in sterling terms were New Zealand and Indonesia which both rose over 20%, while India and China fell 12% and 8% respectively. Other markets that outperformed the broader index in sterling terms were Thailand, South Korea, The Philippines and Australia. Sector performance was less varied but consumer goods and basic materials led the way while utilities and technology lagged. Once again currency played a major part in bolstering returns, most notably in Australia where a 12% gain in the currency turned a 2% fall in the market into a 10% gain in sterling terms.

FTSE All-World Asia Pacific ex Japan Index – Country Performance (£ total return) (%)



Source: Factset

FTSE All-World Asia Pacific ex Japan Index – Sector Performance (£ total return) (%)



Source: Factset

The performance of the portfolio was behind the market over the period. Our underweight position in Australia and in the basic materials sector excluded us from benefiting from the strength of the Australian dollar while the large weighting in China continues to prove disappointing. Elsewhere we benefited from the strong performance of our Thai portfolio but were disappointed by the lacklustre returns from our large weighting in financial stocks. Most of the underperformance took place in the first half of the company's financial year when markets were focused on growth recovery in the US and Europe. From April 2011 onwards as growth expectations faded and volatility increased, the defensive nature of income proved more resilient in the downturn.

China

The poor performance of Chinese equities has once again been a drag on portfolio returns and like last year deserves a paragraph to itself. China's importance to the region and the rest of the world cannot be over estimated and along with the trauma impacting the US and EU, it has been the main driver of market sentiment and shareholder return. In the last year the authorities in Beijing have been in tightening mode in order to reign in some of the excess and speculation resulting from the huge fiscal expansion which followed the global financial crisis. Interest rates have been raised, property anti-speculation measures have been introduced and bank reserve requirements increased to ensure that excess liquidity does not find its way into unproductive areas. This constant tinkering with policy has unsettled investors and resulted in a trading mentality which does not reward long term shareholders. Despite this we continue to believe that China offers the best combination of value and income in the region and are very comfortable with the positions held by the company.

Currently earnings and valuations are not the key drivers of share price performance as macro concerns, whether global or

Manager's Report
continued

local, dominate. We do believe, however, that the macro headwinds for China will begin to dissipate as the rest of the year progresses. Inflation should have peaked in July and although it is likely to remain higher than recent history it should allow some room for more accommodating policies going forward.

Revenue

The volatility in Far Eastern markets may have impacted share prices but Asian company earnings and balance sheets remain resilient and this translates into sustainable and rising dividends. Debt is at record low levels and with capital expenditure undertaken on a much more prudent basis than we have seen in the past, Asian companies are generating significant amounts of free cash flow. We expect this to result in higher payout ratios (% of net profit paid as dividend) and significant dividend growth in the years to come. The Company's recent announcement of an increase in the quarterly dividend to 3.9p from 3.6p bears out this confidence.

For most of the financial year the ability to earn additional revenue by writing options was curtailed by the low level of volatility. This changed in the last few months as uncertain markets provided attractive opportunities allowing revenue from this strategy to reach similar levels to last year.

Outlook

We remain very positive on the long term outlook for Asian equities. The economic fundamentals are intact, corporate earnings are more resilient to shock than we have seen in the past and balance sheets are strong. The more cyclical areas of the markets are at risk of earnings downgrades as demand slows but domestic sectors should be well supported by strong local consumption trends in most markets.

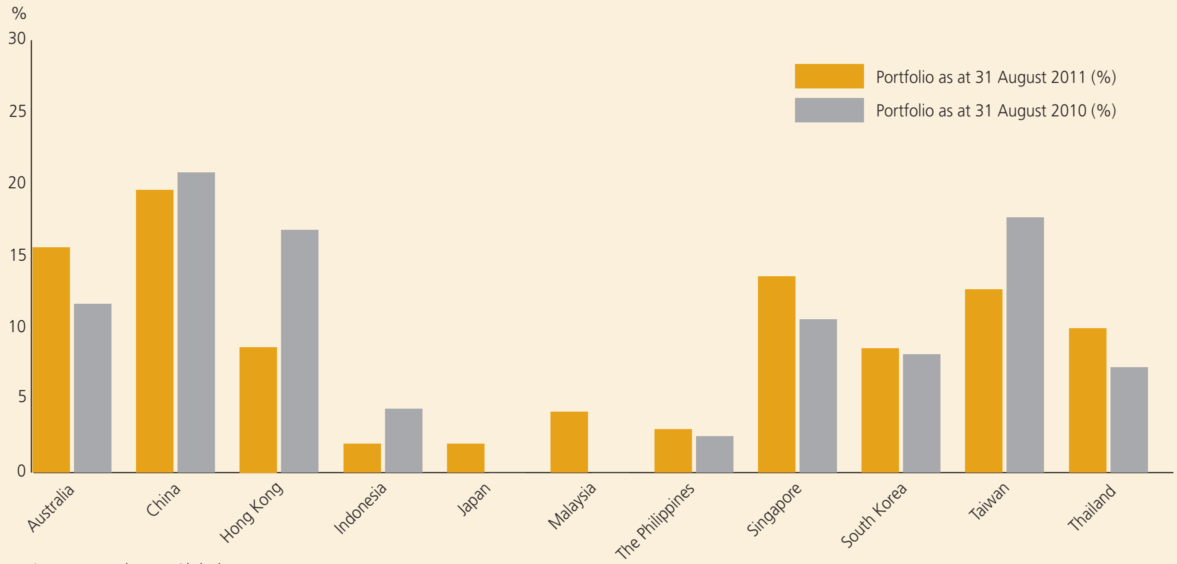
We remain heavily weighted in China, Thailand and Singapore with a more cautious view on Australia, Korea and India. The portfolio remains domestically focused with a sector preference for financials and telecommunications.

The most compelling argument for Asia in the short term is valuation. Following the recent sell off, Asia is trading significantly below its long term average price to earnings ratio and not far from the lows seen in the height of the global financial crisis. For the long term investor this is an attractive entry point and we remain vigilant in looking for opportunities to add to favoured positions as opportunities arise.

Michael Kerley
Portfolio Manager
11 November 2011

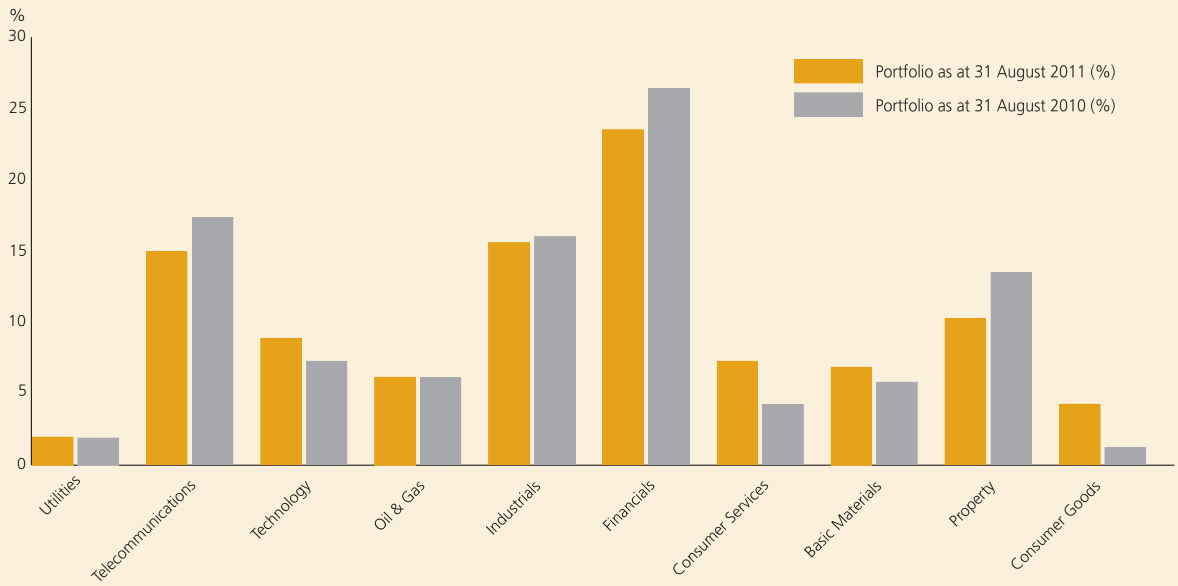
Manager's Report
continued

Geographical Analysis



Source: Henderson Global Investors

Sector Analysis



Source: Henderson Global Investors

Investment Portfolio

as at 31 August 2011

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
1	21	**Korean Reinsurance**	South Korea	Financials	8,715	3.09

Korean Reinsurance underwrites life and non life insurance. The company's products include life, fire, marine, auto, casualty, guarantee and pension both in Korea and overseas. Recent restructuring and improving reinsurance rates are driving growth in the short and medium term.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
2	18	**Telstra Corporation**	Australia	Telecommunications	8,522	3.02

Telstra Corporation is a full service domestic and international telecommunications provider for Australia. The Company's dominant position and superior network quality is driving market share gains and improving profitability especially in the area of data and value added services. High and growing cash flow supports a high and sustainable dividend yield.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
3	10	**Philippine Long Distance Telephone**	The Philippines	Telecommunications	8,328	2.95

Through its three main business groups: fixed line, wireless and information communication technology, the company offers the largest and most diversified telecommunications services across The Philippines.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
4	7	**Amcor**	Australia	Industrials	7,722	2.74

Australian packaging company specialising in plastic containers for beverage applications and flexible packaging for food, tobacco and healthcare products. One of the world's leading packagers with sales of A$14 billion derived from 43 countries.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
5	17	**Incitec Pivot**	Australia	Basic Materials	7,680	2.72

Incitec Pivot is an integrated supplier of fertilisers and explosives based in Australia. It is one of the lowest cost producers of fertilisers globally and benefits from the trend to improve agricultural yields especially in the developing world. The explosives business services the mining sector mainly in Australia and the US.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
6	5	**Link REIT**	Hong Kong	Property	7,574	2.68

Hong Kong's first and largest real estate investment trust. Link REIT's portfolio consists of approximately 11 million square feet of retail space and 80,000 car park spaces and boasts a large and diverse tenant base.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
7	–	**Kangwon Land**	South Korea	Consumer Services	7,202	2.55

Kangwon Land is a casino and hotel operator in the Kangwon province of South Korea. The resort was built from an abandoned mine and is the monopoly provider of casino services for Korean nationals. The close proximity to the site of the 2018 Winter Olympics will improve transportation links and allow for expansion in the years to come.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
8	38	**QBE Insurance Group**	Australia	Financials	7,025	2.49

QBE Insurance is a world class general insurance company based in Australia. QBE underwrites most forms of commercial and industrial policies as well as providing services to individuals. The company has grown in recent years by successfully acquiring complementary businesses mainly overseas and especially in the US.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
9	40	**Jiangsu Expressway**	China	Industrials	6,998	2.48

Jiangsu Expressway constructs, operates and maintains expressways in Jiangsu province in South East China. The company operates six assets with the most significant being the Shanghai-Nanjing Expressway. Increased penetration of automobiles will provide steady growth in toll revenue supporting a high and sustainable dividend yield.

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
10	24	**Ascendas Real Estate**	Singapore	Property	6,975	2.47

Ascendas REIT is a property trust with a diverse portfolio of income producing business and industrial parks in Singapore. The company has a high quality client base and benefits from rising rents and strong demand due to Singapore's leading position as the trading hub for South East Asia.

Top Ten Investments					**76,741**	**27.19**

The Top Ten Investments by value account for 27.19% of the total investments (2010: £75,558,000 or 26.9%).

Investment Portfolio

continued

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
11	20	Yuanta Financial	Taiwan	Financials	6,934	2.45
12	4	Advanced Information Services	Thailand	Telecommunications	6,889	2.44
13	12	CTCI Corporation	Taiwan	Industrials	6,848	2.43
14	–	Singapore Telecommunications	Singapore	Telecommunications	6,758	2.39
15	–	Tabcorp Holdings	Australia	Consumer Services	6,685	2.37
16	8	Fraser & Neave	Singapore	Industrials	6,674	2.36
17	22	Television Broadcasts	Hong Kong	Consumer Services	6,632	2.35
18	36	Taiwan Semiconductor Manufacturing	Taiwan	Technology	6,486	2.30
19	–	Capitamall Trust REIT	Singapore	Property	6,483	2.30
20	31	China Construction Bank	China	Financials	6,471	2.29
Top Twenty Investments					**143,601**	**50.87**

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
21	19	Chunghwa Telecom	Taiwan	Telecommunications	6,446	2.28
22	9	Santos	Australia	Oil & Gas	6,425	2.28
23	1	Kasikornbank	Thailand	Financials	6,385	2.26
24	14	Industrial & Commercial Bank of China	China	Financials	6,374	2.26
25	46	Skyworth Digital Holdings	China	Consumer Goods	6,357	2.25
26	–	Digital China Holdings	China	Technology	6,336	2.25
27	–	Petronas Chemicals	Malaysia	Basic Materials	6,171	2.19
28	27	DBS Group	Singapore	Financials	5,963	2.11
29	34	NWS Holdings	Hong Kong	Industrials	5,893	2.09
30	–	UMW Holdings	Malaysia	Consumer Goods	5,769	2.04
Top Thirty Investments					**205,720**	**72.88**

Investment Portfolio

continued

Rank 2011	Rank 2010	**Company**	**Country**	**Sector**	**Value £'000**	**%**
31	–	PTT Public Company	Thailand	Oil & Gas	5,727	2.03
32	–	Krung Thai Bank	Thailand	Financials	5,692	2.02
33	32	Perusahaan Gas Negara	Indonesia	Utilities	5,650	2.00
34	–	Mizuho Financial Group	Japan	Financials	5,635	2.00
35	15	Shanghai Industrial	China	Industrials	5,629	1.99
36	16	KT Corporation	South Korea	Telecommunications	5,455	1.93
37	42	Petrochina	China	Oil & Gas	5,447	1.93
38	–	Wistron Corporation	Taiwan	Technology	4,966	1.76
39	13	Lonking Holdings	China	Industrials	4,519	1.60
40	–	Guangzhou R & F Properties	China	Property	4,423	1.57
Top Forty Investments					**258,863**	**91.71**

Rank 2011	Rank 2010	**Company**	**Country**	**Sector**	**Value £'000**	**%**
41	–	Coretronics Corporation	Taiwan	Technology	4,400	1.56
42	–	HSBC Holdings	Hong Kong	Financials	4,393	1.55
43	45	LPN Development	Thailand	Property	3,630	1.29
44	43	China Forestry Holdings*	China	Basic Materials	3,284	1.16
45	47	Macquarie Korea Infrastructure Fund	South Korea	Financials	3,063	1.09
46	35	Venture Corp	Singapore	Technology	2,961	1.05
47	–	Dongyue Group	China	Basic Materials	2,483	0.88
48	–	Oriental Union Chemical Nov 11 Put 40 (Expiry 24/11/2011)	Taiwan	Derivatives	(81)	(0.03)
49	–	Santos Oct 11 Put 10.88197 (Expiry 27/10/2011)	Australia	Derivatives	(84)	(0.03)
50	–	Shanghai Industrial Sep 11 Put 25.9559 (Expiry 29/9/2011)	China	Derivatives	(185)	(0.07)
Top Fifty Investments					**282,727**	**100.16**
51	–	Dongyue Group Nov 11 Put 5.8 (Expiry 24/11/2011)	China	Derivatives	(195)	(0.07)
52	–	KB Financial Group Nov 11 Put 43075.85 (Expiry 10/11/2011)	South Korea	Derivatives	(268)	(0.09)
Total Investments					**282,264**	**100.00**

*Refer to Note 20 on page 42

Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year ended 31 August 2011. The Company commenced trading on the London and New Zealand Stock Exchanges on 18 December 2006. The Company held a subsidiary undertaking which was placed into voluntary liquidation on 31 August 2008 and this process completed on 22 February 2011.

Business Review

The following business review is designed to provide information primarily about the Company's business and results for the year ended 31 August 2011. It should be read in conjunction with the Chairman's Statement on page 3 and the Manager's Report on pages 4 to 7 which give a detailed review of the investment activities for the year and an outlook for the future.

a) Status

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

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

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

b) Investment objective and policy

The Company seeks to provide investors with a high level of dividends as well as capital appreciation over the long term, from a diversified portfolio of investments traded on the Pacific, Australasian, Japanese and Indian stock markets.

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

The Company does not have a fixed life.

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

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

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

The Company intends to continue to pay dividends on a quarterly basis each year. The Company holds stocks in 11 countries across the region, and no single country represents more than 20% of the portfolio. The Company invested in Japan for the first time during the year, but no investments have yet been made in India.

c) Financial Review

Results for the year

Total net assets at 31 August 2011 amounted to £287,389,000 (2010: £284,916,000) and the net asset value per ordinary share was 287.09p (2010: 295.00p).

At 31 August 2011 there were 52 (2010: 49) separate investments, as detailed in the Investment Portfolio and the Manager's Report on pages 4 to 10.

Group net revenue after taxation for the year was £16,303,000 (2010: £14,067,000). Group total return was £5,676,000 (2010: £43,782,000).

The total expense ratio ('TER') is 1.24% (2010: 1.23%).

Dividends

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

During the year under review the Company has paid two interim dividends each of 3.60p per share and one of 3.90p. A fourth interim dividend of 3.90p per share will be paid on 30 November 2011, to shareholders on the register of members on 4 November 2011. The shares were quoted ex-dividend on 2 November 2011.

Bank facilities and gearing

At the year end the Company had a short term overdraft of £0.5 million and held cash of £3.3 million, which meant the Company was not geared.

Report of the Directors

continued

Payment of Suppliers

It is the payment policy of the Company for the financial year to 31 August 2012 to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors as at 31 August 2011.

Future developments

While the future performance of the Company will depend to some degree on macro-economic factors and on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined earlier. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement (on page 3) and the Manager's Report (on pages 4 to 7).

Going Concern

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

d) Performance measurement and key performance indicators

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

- *Returns and net asset value*
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price for the Company. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index (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 available for distribution.
- *Performance against other Asian funds*
  The Board considers the performance of other Asian funds, particularly income funds, at each Board meeting.

e) Management, administration, custody and registration arrangements

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

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

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

During the year the Manager used certain services provided by or paid for by various brokers. In return it placed business, which may have included transactions relating to the Company, with these brokers.

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

f) Related party transactions

The contracts with Henderson and BNPP are the only related party arrangements currently in place. Other than fees payable

Report of the Directors
continued

in the ordinary course of business, there have been no material transactions with these related parties which have affected the financial position or performance of the Company in the financial year.

g) Principal risks and uncertainties

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

- *Investment and Strategy*
  An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in under performance against the companies in the peer group, and also in the Company's shares trading on a wider discount. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Portfolio Manager operates in accordance with an investment limits and restrictions policy determined by the Board, which includes limits on the extent to which borrowings may be employed. The Board reviews the limits and restrictions on a regular basis and the Manager confirms adherence to them every month. The Manager provides the Board with management information, including performance data and reports and shareholder analyses. The Directors monitor the implementation and results of the investment process with the Portfolio Manager at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.
- *Market*
  Market risk arises from uncertainty about the future prices of the Company's investments. This is commented on in Note 13 on pages 34 to 40.
- *Accounting, legal and regulatory*
  The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA and New Zealand Stock Exchange Rules.
- *Operational*
  Disruption to, or the failure of, the Manager's or the Administrator's accounting, dealing, or payment systems or the Custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Administrator, BNPP, sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Securities Services. Details of how the Board monitors the services provided by the Manager and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of this report.
- *Financial*
  The financial risks faced by the Company include market risk (market price risk, interest rate risk and currency risk), liquidity risk and credit risk. Further details are disclosed in Note 13 on pages 34 to 40. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

Corporate Governance Statement

a) Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 7.2 of the Disclosure and Transparency Rules of the UK Listing Authority requires all listed companies to publish a corporate governance statement, while paragraph 9.8.6 of the Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provision of the UK Corporate Governance Code (The 'Code'). As an investment company, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

The Financial Reporting Council (the 'FRC') confirmed on 30 September 2010 that it remained the view of the FRC that by following the Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies (the 'AIC Guide') published in 2010, boards of investment companies should fully meet their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules. The AIC Code of Corporate Governance (the 'AIC Code') published in October 2010, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board of Henderson Far East Income believes that reporting against the AIC Code by reference to the AIC Guide

Report of the Directors

continued

will provide the most appropriate information to shareholders and has therefore followed the principles and recommendations set out in the AIC Code. Copies of the AIC Code and the AIC Guide can be found on www.theaic.co.uk

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

b) Statement of compliance

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

The Code includes provisions relating to:

- The role of the Chief Executive
- The appointment of a Senior Independent Director
- Executive directors' remuneration
- The need for an internal audit function.

As the Company delegates to third parties its day-to-day operations and has no employees, the Board does not consider these provisions to be relevant to the Company and has not reported further in respect of these provisions.

The Directors believe that this Report and Financial Statements present a balanced and understandable assessment of the Company's position and prospects.

c) Directors

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

The Articles of Association require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment and shall not remain in office longer than three years since their last election or re-election without submitting themselves for re-election. David Staples was appointed as a Director on 18 January 2011 and offers himself for election. The Articles also provide that one third of the Directors retire by rotation each year. David Mashiter and Simon Meredith Hardy offer themselves for re-election at the forthcoming AGM, having previously been re-elected in 2008. The Board considers that there is a balance of skills and experience within the Board and each of the Directors contributes effectively.

No Director has a service contract with the Company and there are no agreements between the Company and the Directors concerning compensation for loss of office.

Board independence

The Board currently consists of five non-executive directors. All are independent of the Company's Manager. A senior non-executive Director has not been identified as the Board considers that all directors have different qualities and areas of expertise on which they may lead when issues arise and to whom concerns may be conveyed.

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

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

Directors' conflicts of interest

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

Directors' Remuneration

A report on Directors' Remuneration is on page 20.

Directors' interests in shares

The Directors and their beneficial interests in the shares of the Company at the start (or date of appointment if later) and end of the financial year are stated below:

Ordinary Shares of no par value	31 August 2011	1 September 2010
John Russell (Chairman)	30,000	15,000
David Mashiter	5,000	5,000
Simon Meredith Hardy	15,000	15,000
Richard Povey	5,000	5,000
Christopher Spencer(1)	–	5,000
David Staples(2)	7,000	–

(1)Resigned 29 November 2010
(2)Appointed 18 January 2011

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

Directors' professional development

Training seminars held by the Manager are offered to newly appointed Directors. Directors are also provided, on a regular

Report of the Directors

continued

basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes in Directors' responsibilities are advised to the Board as they arise and each Director's individual training requirements are considered by the Chairman as part of an annual appraisal. Directors also regularly participate in relevant training and industry seminars.

Directors' Indemnity

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

d) The Board

Responsibilities

The Board meets at least four times each year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, through its representative who is responsible to the Board for ensuring that Board procedures are followed.

Board Committees

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

a) Audit Committee

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

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

The Audit Committee has been chaired by Mr Staples since 18 January 2011, and previously by Mr Spencer.

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

b) Management Engagement Committee

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

c) Nominations Committee

The Board seeks to ensure that it is well-balanced with the skills and experience necessary. Directors must be able to demonstrate their commitment to the Company. The Board seeks to encompass their past and current experience of various areas relevant to the Company's business.

The Board has appointed a Nominations Committee, which comprises the entire Board and is chaired by the Chairman and which will be convened for the purpose of considering the appointment of additional or replacement directors and reviewing the performance of current Board members. When considering succession planning the Committee bears in mind the balance of skills, experience and diversity existing within the Board and may recommend additional recruitment. A formal job description would be drafted and external agencies may be used to assist in the process.

Report of the Directors
continued

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

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

(1) Resigned 29 November 2010
(2) Appointed 18 January 2011

In addition, seven short Board meetings were held during the year to approve dividends, release the Interim Management Statements and to attend to specific items, and the Annual General Meeting was held in December 2010.

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

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

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

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

The Manager and the Administrator have each established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of their clients. The effectiveness of the internal controls are assessed by the compliance and risk departments of the Manager and Administrator on a continuing basis.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31 August 2011, and to the date of approval of this Annual Report and Financial Statements.

g) Accountability and Relationship with the Manager and the Administrator
The Statement of Directors' Responsibilities is set out on page 19, the Report of the Independent Auditors on page 21 and the Statement of Going Concern on page 12.

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

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

The Manager takes decisions as to the purchase and sale of individual investments. The Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager and of the Administrator attend each Board meeting enabling the Directors to probe

Report of the Directors

continued

further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Manager and the Administrator operate in a supportive, co-operative and open environment.

h) Continued Appointment of the Investment Manager

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

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

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

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

i) Share capital and shareholders

The Company's share capital comprises ordinary shares of no par value. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's shares or voting rights and there are no shares which carry specific rights with regard to the control of the Company. The number of shares in issue at the start of the year was 96,580,564, and at the end 100,105,564, as the Company allotted 3,525,000 additional shares in the year. Since the year end and up to the date of this report, a further 375,000 shares have been issued. All new shares are issued at a premium to net asset value of not less than 2%.

Substantial share interests

Declarations of interests in the voting rights of the Company, at 31 August 2011, are set out below.

Shareholder	% of voting rights
Rathbone Brothers plc	9.57
Investec Wealth & Investment	3.28
Legal & General Group plc	3.25

Since the year end the Company has not been notified of any declarations of interests in the voting rights.

At 31 August 2011, 7.01% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products and 0.35% by participants in Henderson products. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. The nominee companies have undertaken to exercise the voting rights of any shares that have not been exercised by the individual participants. They will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Annual Review, 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 Wednesday 21 December 2011 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 43.

Report of the Directors
continued

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.

j) Corporate Responsibility (SEE Statement)

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

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

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

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

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

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

Annual General Meeting ('AGM')

The AGM will be held at the Company's registered office in Jersey on Tuesday 20 December 2011 at 12 noon. The Notice of Meeting is set out in a separate document which has been sent to shareholders with this report. Separate resolutions will be proposed for each substantive issue.

The Directors intend to operate 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 buy back and cancel, or hold in Treasury up to a maximum of 14.99% of the shares in issue. At the Companys' AGM on 17 December 2010 the Directors were granted authority to repurchase 14,818,449 shares for cancellation. This authority, which has not been used, will expire at the forthcoming AGM.

The Company is also seeking authority to disapply pre-emption rights relating to share issues.

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.

Independent Auditors

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

Directors' Statement as to Disclosure of Information to Auditors

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

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

For and on behalf of the Board

David Staples
Director
11 November 2011

Statement of Directors' Responsibilities in respect of the Financial Statements

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

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

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

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

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

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

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

Statement under Disclosure and Transparency Rules

The Directors, who are listed on page 2 of this Annual Report, each confirm to the best of their knowledge that:

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

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

For and on behalf of the Board

David Staples
Director
11 November 2011

Directors' Remuneration Report

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

Consideration by the Directors of matters relating to Directors' remuneration

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

Remuneration policy

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

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles and more time spent. The Company's Articles of Association limit the aggregate fees payable to the Directors to £150,000 per annum. In the year under review and for the prior year, the Directors' fees were paid at the following annual rates: the Chairman £27,500; the Chairman of the Audit Committee £21,000; the other Directors £18,500. In addition, in 2010, each director was paid a 'one off' payment of £5,000, relating to the additional work associated with the successful raising of new capital in the Company.

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

Directors' fees

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

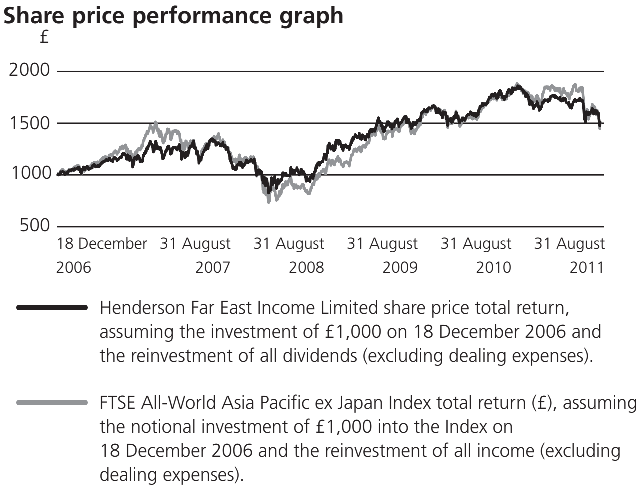
Year ended 31 August	**2011** £	2010 £
John Russell (Chairman and highest paid director)	**27,500**	32,500*
David Mashiter	**18,500**	23,500*
Simon Meredith Hardy	**18,500**	23,500*
Richard Povey	**18,500**	23,500*
Christopher Spencer(1)	**5,231**	26,000*
David Staples(2)	**13,008**	–
Total	**101,239**	129,000

*Includes £5,000 payment (see previous paragraph)
(1)Resigned 29 November 2010
(2)Appointed 18 January 2011

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

The graph below illustrates the total shareholder return as compared to the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) for the period from launch to 31 August 2011. In view of the Company's objective, this is the most appropriate index against which to measure performance.

Share price performance graph



Source: Datastream

For and on behalf of the Board

David Staples
Director

11 November 2011

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

We have audited the financial statements of Henderson Far East Income Limited for the year ended 31 August 2011 which comprise the Consolidated and Parent Company Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company of Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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.

Andrew Jonathan Dann, FCA
For and on behalf of
Ernst & Young LLP
Jersey, Channel Islands 11 November 2011

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

1. The maintenance and integrity of these websites are the responsibility of Henderson; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated and Parent Company Statement of Comprehensive Income

for the year ended 31 August 2011

Notes		Year ended 31 August 2011 Revenue return £'000	Year ended 31 August 2011 Capital return £'000	Year ended 31 August 2011 Total £'000	Year ended 31 August 2010 Revenue return £'000	Year ended 31 August 2010 Capital return £'000	Year ended 31 August 2010 Total £'000
3	Investment income	**18,023**	**–**	**18,023**	15,894	–	15,894
4	Other income	**1,532**	**–**	**1,532**	1,308	–	1,308
10	(Losses)/gains on investments held at fair value through profit or loss	**–**	**(8,754)**	**(8,754)**	–	31,367	31,367
	Total income	**19,555**	**(8,754)**	**10,801**	17,202	31,367	48,569
	Expenses						
	Management fees	**(1,566)**	**(1,566)**	**(3,132)**	(1,322)	(1,322)	(2,644)
5	Other expenses	**(293)**	**(293)**	**(586)**	(328)	(319)	(647)
	Profit/(loss) before finance costs and taxation	**17,696**	**(10,613)**	**7,083**	15,552	29,726	45,278
6	Finance costs	**(14)**	**(14)**	**(28)**	(11)	(11)	(22)
	Profit/(loss) before taxation	**17,682**	**(10,627)**	**7,055**	15,541	29,715	45,256
7	Taxation	**(1,379)**	**–**	**(1,379)**	(1,474)	–	(1,474)
	Profit/(loss) for the year and total comprehensive income	**16,303**	**(10,627)**	**5,676**	14,067	29,715	43,782
8	**Earnings/(loss) per ordinary share**	**16.49p**	**(10.75)p**	**5.74p**	15.35p	32.43p	47.78p

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

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

The net profit of the Company for the year was £5,676,000 (2010: £43,782,000).

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

The investment income and associated withholding tax for the comparative period to 31 August 2010 has been adjusted by £180,000 to reflect comparable treatment in the current financial year.

The notes on pages 26 to 42 form an integral part of these financial statements

Consolidated and Parent Company Statement of Changes in Equity

for the year ended 31 August 2011

Notes	**Consolidated and Parent Company (Year ended 31 August 2011)**	**Stated share capital £'000**	**Distributable reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Total equity at 31 August 2010	**52,146**	**180,471**	**40,390**	**11,909**	**284,916**
	Total comprehensive income:					
	(Loss)/profit for the year	**–**	**–**	**(10,627)**	**16,303**	**5,676**
	Transactions with owners, recorded directly to equity:					
9	**Dividends paid**	**–**	**–**	**–**	**(14,563)**	**(14,563)**
	Receipt of unclaimed dividends from predecessor company	**–**	**–**	**–**	**11**	**11**
14	**Shares issued**	**11,371**	**–**	**–**	**–**	**11,371**
14	**Issue costs**	**(22)**	**–**	**–**	**–**	**(22)**
	Total equity at 31 August 2011	**63,495**	**180,471**	**29,763**	**13,660**	**287,389**

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

The notes on pages 26 to 42 form an integral part of these financial statements

Consolidated and Parent Company Balance Sheet

at 31 August 2011

Notes		**Consolidated and Parent Company 2011 £'000**	Consolidated and Parent Company 2010 £'000
	Non current assets		
10	Investments held at fair value through profit or loss	**283,077**	281,108
	Current assets		
11	Other receivables	**3,043**	5,994
	Cash and cash equivalents	**3,288**	2,448
		6,331	8,442
	Total assets	**289,408**	289,550
	Current liabilities		
10	Written options	**(813)**	(348)
12(a)	Other payables	**(702)**	(658)
12(b)	Bank overdrafts	**(504)**	(3,628)
		(2,019)	(4,634)
	Net assets	**287,389**	284,916
	Equity attributable to equity shareholders		
14	Stated share capital	**63,495**	52,146
15	Distributable reserve	**180,471**	180,471
	Retained earnings:		
16	Other capital reserves	**29,763**	40,390
	Revenue reserve	**13,660**	11,909
	Total equity	**287,389**	284,916
17	**Net asset value per ordinary share**	**287.09p**	295.00p

The financial statements were approved by the Board of Directors and authorised for issue on 11 November 2011 and were signed on its behalf by:

David Payne Staples
Director

The notes on pages 26 to 42 form an integral part of these financial statements

Consolidated and Parent Company Cash Flow Statement

for the year ended 31 August 2011

	Consolidated and Parent Company 2011 £'000	Consolidated and Parent Company 2010 £'000
Operating activities		
Profit before taxation	**7,055**	45,436
Add back interest payable	**28**	22
Add/(less) losses/(gains) on investments held at fair value through profit or loss	**8,754**	(31,367)
Less movements in investments held at fair value through profit or loss	**(10,049)**	(43,225)
Decrease/(increase) in other receivables	**51**	(3)
Decrease/(increase) in dividends received net of withholding tax	**128**	(387)
Decrease in amounts due from brokers	**3,201**	952
(Decrease)/increase in other payables	**(37)**	198
Decrease in amounts due to brokers	**–**	(35)
Stock dividends included in investment income	**(405)**	(24)
Net cash inflow/(outflow) from operating activities before interest and taxation	**8,726**	(28,433)
Interest paid	**(28)**	(32)
Withholding tax on investment income	**(1,298)**	(1,649)
Taxation recovered	**–**	179
Net cash inflow/(outflow) from operating activities	**7,400**	(29,935)
Financing activities		
Equity dividends paid	**(14,563)**	(12,185)
Unclaimed dividends received from predecessor company	**11**	–
Share issue proceeds	**10,920**	37,943
Net cash (outflow)/inflow from financing	**(3,632)**	25,758
Increase/(decrease) in cash and cash equivalents	**3,768**	(4,177)
Cash and cash equivalents at the start of the year	**(1,180)**	2,384
Exchange movements	**196**	613
Cash and cash equivalents at the end of the year (including bank overdrafts of £504,000 (2010: £3,628,000))	**2,784**	(1,180)

The notes on pages 26 to 42 form an integral part of these financial statements

Notes to the Financial Statements

1 General information

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

The Company was incorporated on 6 November 2006.

2 Accounting policies

(a) Basis of preparation

This consolidated financial information for the year ended 31 August 2011 has been prepared in accordance with International Financial Reporting Standards ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted.

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

The 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.

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

- IFRS 1 (Amendment), *First Time Adoption of International Financial Reporting Standards* simplified the structure of IFRS 1 without making any technical changes. No impact on the Group's or Company's Financial Statements.
- IFRS 3 (Revised), *Business Combinations* harmonised business combination accounting with US GAAP. Not currently relevant to the Group or Company and therefore has no impact on the Financial Statements.
- IFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRS issued in 2009). Not currently relevant to the Group or Company and therefore has no impact on the Financial Statements.
- IAS 27 (Revised), *Consolidated and Separate Financial Statements* introduced changes to the accounting for transactions with non-controlling interests in consolidated financial statements. Adoption did not have any impact on the Group or Company Financial Statements.
- IAS 32 (Amendment), *Financial Instruments: Presentation* – amendments relating to classification of rights issues. No impact on the Group's or Company's Financial Statements.
- IAS 39 (Amendment), *Eligible Hedged Items*. The amendment prohibits designating inflation as a hedgeable component of a fixed debt, and, in a hedge of a one-sided risk with options, prohibits including time value in the hedged risk. Not currently relevant to the Group or Company therefore no impact on the Financial Statements.
- IFRIC 15, *Agreements for Construction of Real Estate*. Not relevant to the Group or Company.
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. Provides clarification to net investment hedging issues. Not currently relevant to the Group or Company and therefore no impact on the Financial Statements.
- IFRIC 17, *Distributions of Non Cash Assets to Owners* clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. Not currently relevant to the Group or Company and therefore no impact on the Financial Statements.
- IFRIC 18 *Transfer of Assets from Customers*. Not relevant to the Group or Company.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*.
- Improvements to IFRS issued in 2009 comprised numerous other minor amendments to IFRS, resulting in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments. These amendments had no impact on the Group or Company Financial Statements.

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

- IAS 24 (Revised), *Related Party Disclosures* (effective for financial periods beginning on or after 1 January 2011). Revises the definition of related parties. The Company will apply IAS 24 from 1 September 2011. Unlikely to have a significant effect.
- IFRS 9, *Financial Instruments* (effective for financial periods beginning on or after 1 January 2013). Replaces IAS 39. Simplifies accounting for financial assets, replacing the current multiple measurement categories with a single principle-based approach to classification. All financial assets to be measured at either amortised cost or fair value. The Company will apply IFRS 9 from 1 September 2013. Unlikely to have a significant effect.
- IAS 34 *Interim Financial Reporting Details* requirements around circumstances likely to affect the classification and values of assets and liabilities. This will apply to the Company's report for the half year to 29 February 2012. Unlikely to have a significant effect.
- IFRS 7 *Financial Instruments: Disclosures* (Amendment) The Company will apply these requirements from 1 September 2012. Unlikely to have a significant effect.
- IAS 7 *Statement of Cash Flows*. Unlikely to have a significant effect.

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

- IFRS 1 (Amendment) *First-time Adoption of International Financial Reporting Standards.*
- IFRIC 14 (Amendment), *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.
- IFRS 2 *Group cash-settled share-based Payment Arrangements.*

(b) Basis of consolidation

The consolidated financial information comprises the financial information of Henderson Far East Income Limited ('the Company') and its subsidiary undertaking, Henderson Far East Income (Malta) Limited ('the Subsidiary'), the liquidation of which was completed on 22 February 2011.

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

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

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

All investments are designated upon initial recognition as held at fair value through profit or loss. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. Assets are 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.

Notes to the Financial Statements
continued

2 Accounting policies (continued)

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

Significant accounting judgments and estimates
The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Group's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgments, estimates or assumptions. The Group holdings in Participation notes is valued at £17.8 million (2010: £18.4 million). These are valued by reference to the underlying security. The obligations relating to the options valued at £813,000 (2010: £348,000) are valued by reference to the Black-Scholes model.

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

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

(f) Taxation
The Company is subject to income tax at a rate of 0%. The States of Jersey introduced a Goods & Services Tax ('GST') with effect from 1 May 2008. The Company does not suffer any irrecoverable GST as it has applied to the Comptroller of Income Tax for inclusion on the list of 'International Services Entities' of its administrator BNP Paribas Securities Services Fund Administration Limited, 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.

(g) Foreign currency

For the purposes of the consolidated financial information, the results and financial position of each entity is expressed in sterling, which is the functional currency of the Company and the presentation currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Group operates. The Company is a closed-end investment company, incorporated in Jersey, with its shares listed on the London Stock Exchange. Sterling is the currency in which the majority of the costs of the Company are incurred.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

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

(h) Cash and cash equivalents

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

(i) Bank overdrafts

Interest-bearing bank overdrafts are recorded as the proceeds are received, net of direct issue costs.

(j) Segmental reporting

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

(k) Share issue costs

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

3 Investment income

	2011 £'000	2010 £'000
Overseas dividends	**17,618**	15,870
Stock dividends	**405**	24
	18,023	15,894

Analysis of investment income by geographical segment:

	2011 £'000	2010 £'000
Australia	**2,945**	1,508
China	**2,649**	2,145
Hong Kong	**2,167**	2,512
Indonesia	**320**	453
Japan	**312**	–
Malaysia	**339**	–
The Philippines	**757**	583
Singapore	**2,168**	1,663
South Korea	**1,610**	1,522
Taiwan	**2,901**	4,079
Thailand	**1,855**	1,429
	18,023	15,894

All of the above income is derived from equity investments.

Notes to the Financial Statements

continued

4 **Other income**	**2011 £'000**	2010 £'000
Bank and other interest	**5**	24
Option premium income	**1,527**	1,284
	1,532	1,308

5 **Other expenses**	**2011 Revenue return £'000**	**2011 Capital return £'000**	**2011 Total £'000**	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000
Directors' fees (see the Directors' Remuneration Report on page 20)	**51**	**50**	**101**	65	64	129
Auditors' remuneration (including £nil (2010: £2,000) relating to the subsidiary):						
– statutory audit	**15**	**15**	**30**	16	14	30
– interim accounts review	**2**	**2**	**4**	2	2	4
Bank and custody charges	**89**	**89**	**178**	85	85	170
Other expenses payable to the management company*	**33**	**33**	**66**	25	24	49
Registrar's fees	**18**	**19**	**37**	16	16	32
Printing and stationery	**12**	**12**	**24**	16	16	32
Other expenses	**73**	**73**	**146**	103	98	201
	293	**293**	**586**	328	319	647

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

6 **Finance costs**	**2011 £'000**	2010 £'000
On bank loans and overdrafts payable: within one year	**28**	22
Amount allocated to capital	**(14)**	(11)
Total allocated to revenue	**14**	11

7 **Taxation**	**2011 Revenue return £'000**	**2011 Capital return £'000**	**2011 Total £'000**	2010 Revenue return £'000	2010 Capital return £'000	2010 Total £'000
The taxation charge for the period is comprised of the following:						
Foreign withholding tax suffered	**1,379**	**–**	**1,379**	1,474	–	1,474
	1,379	**–**	**1,379**	1,474	–	1,474

Under Jersey law the Company is liable to income tax at 0% (2010: 0%).

Notes to the Financial Statements

continued

8 Earnings/(loss) per ordinary share

The earnings per ordinary share figure is based on the net gains for the year of £5,676,000 (2010: £43,782,000) and on 98,873,304 (2010: 91,639,804) being the weighted average number of ordinary shares in issue during the year.

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

	2011 £'000	2010 £'000
Net revenue profit	**16,303**	14,067
Net capital (loss)/profit	**(10,627)**	29,715
Net total profit	**5,676**	43,782
Weighted average number of ordinary shares in issue during the year	**98,873,304**	91,639,804
Revenue earnings per ordinary share	**16.49p**	15.35p
Capital (loss)/earnings per ordinary share	**(10.75)p**	32.43p
Total earnings per ordinary share	**5.74p**	47.78p

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

	Record Date	Pay Date	**2011 £'000**	2010 £'000
Fourth interim dividend 3.20p for the year ended 2009	6 November 2009	30 November 2009	**–**	2,721
First interim dividend 3.20p for the year ended 2010	5 February 2010	26 February 2010	**–**	2,963
Second interim dividend 3.20p for the year ended 2010	7 May 2010	28 May 2010	**–**	3,035
Third interim dividend 3.60p for the year ended 2010	6 August 2010	31 August 2010	**–**	3,466
Fourth interim dividend 3.60p for the year ended 2010	5 November 2010	30 November 2010	**3,530**	–
First interim dividend 3.60p for the year ended 2011	4 February 2011	28 February 2011	**3,562**	–
Second interim dividend 3.60p for the year ended 2011	6 May 2011	31 May 2011	**3,577**	–
Third interim dividend 3.90p for the year ended 2011	5 August 2011	31 August 2011	**3,894**	–
			14,563	12,185

The fourth interim dividend for the year ended 31 August 2011 has not been included as a liability in these financial statements as it was announced and paid after the year end. The table below sets out the total dividends paid and to be paid in respect of the financial year. The revenue available for distribution by way of dividend for the year is £16,303,000 (2010: £14,067,000).

Notes to the Financial Statements

continued

9	**Dividends** (continued)	**2011 £'000**
	First interim dividend for 2011 – 3.60p	**3,562**
	Second interim dividend for 2011 – 3.60p	**3,577**
	Third interim dividend for 2011 – 3.90p	**3,894**
	Fourth interim dividend for 2011 – 3.90p	**3,919**
	(payable 30 November 2011 based on 100,480,564 shares in issue at 4 November 2011)	
		14,952

10	**Investments**	**2011 £'000**
	(a) Consolidated and parent company	
	Cost at 31 August 2010	**241,013**
	Investment holding loss at 31 August 2010	**39,747**
	Valuation of investments and written options at 31 August 2010	**280,760**
	Movements in the period:	
	Purchases at cost	**183,692**
	Sales – proceeds	**(173,238)**
	– realised gains on sales	**21,065**
	Movement in investment holding gains	**(30,015)**
	Closing valuation of investments and written options at 31 August 2011	**282,264**

There are no unquoted investments (2010: nil), however, the Company does hold over-the-counter options and participation notes valued at £16,967,000 (2010: £18,084,000).

	2011 £'000	2010 £'000
(b) Gains on investments held at fair value		
Realised gains on sales of investments	**21,065**	9,692
(Decrease)/increase in investment holding gains	**(30,015)**	21,062
Net movement on foreign exchange	**196**	613
	(8,754)	31,367

(c) Transaction costs

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

The total costs were as follows:

	2011 £'000	2010 £'000
Purchases	**405**	395
Sales	**524**	381
	929	776

Notes to the Financial Statements
continued

10 Investments (continued)

(d) Former subsidiary undertaking

The Company had, until 22 February 2011, an investment in the issued share capital in its wholly owned limited liability subsidiary undertaking, Henderson Far East Income (Malta) Limited. This was a limited liability company, registered under the Companies Act, 1995, Cap.386 of the Laws of Malta and was incorporated on 14 December 2006 and liquidated on 22 February 2011. The investment in the subsidiary undertaking of £nil is stated at net asset value.

11 Other receivables

	Consolidated and Parent Company 2011 £'000	Consolidated and Parent Company 2010 £'000
Prepayments and accrued income	**2,431**	2,559
Amounts due from brokers	**9**	3,210
Amounts due from shares issued	**577**	148
Other receivables	**26**	77
	3,043	5,994

12 Other payables

	Consolidated and Parent Company 2011 £'000	Consolidated and Parent Company 2010 £'000
(a) Other payables		
Foreign withholding tax payable	**86**	5
Other payables	**616**	653
	702	658

	Consolidated and Parent Company 2011 £'000	Consolidated and Parent Company 2010 £'000
(b) Bank overdrafts	**504**	3,628

Notes to the Financial Statements
continued

13 Risk management policies and procedures

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

These financial risks: market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk and the Directors' approach to the management of these risks, are set out below. The Board of Directors and the Manager coordinate the Company's risk management. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

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. When appropiate, 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.

Management of the risk

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

The Company's exposure to changes in market prices at 31 August 2011 on its investments amounted to £283,077,000 (2010: £281,108,000) in respect of 'Non current assets' and £813,000 (2010: £348,000) 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 10. There is a concentration of exposure to China, Australia, Singapore, Taiwan and Thailand, 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% (2010: 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.

Notes to the Financial Statements
continued

13 Risk Management policies and procedures (continued)

13.1.1 Market price risk (continued)

	2011		2010	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Income statement – profit after tax				
Revenue return	**(141)**	**141**	(140)	140
Capital return	**28,085**	**(28,085)**	27,935	(27,935)
Impact on total return after tax for the year and shareholders' funds	**27,944**	**(27,944)**	27,795	(27,795)

13.1.2 Currency risk

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

Management of the risk

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

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

Foreign currency exposure

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

2011	**AUS$ £'000**	**TW$ £'000**	**KRW £'000**	**HK$ £'000**	**S$ £'000**	**US$ £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	**1,482**	**319**	**–**	**67**	**126**	**195**	**248**
Cash at bank and on deposit less short term overdrafts	**–**	**990**	**80**	**(26)**	**–**	**(479)**	**464**
Payables (due to brokers, accruals and other creditors)	**–**	**(18)**	**–**	**–**	**–**	**(68)**	**–**
Total foreign currency exposure on net monetary items	**1,482**	**1,291**	**80**	**41**	**126**	**(352)**	**712**
Investments at fair value through profit or loss that are equities	**43,975**	**11,733**	**18,711**	**82,433**	**35,815**	**38,050**	**51,547**
Total net foreign currency exposures	**45,457**	**13,024**	**18,791**	**82,474**	**35,941**	**37,698**	**52,259**

Notes to the Financial Statements
continued

13 Risk Management policies and procedures (continued)

13.1.2 Currency risk (continued)

2010	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	481	812	–	131	1,144	2,285	888
Cash at bank and on deposit less short term overdrafts	–	261	139	1,405	86	(2,510)	556
Total foreign currency exposure on net monetary items	481	1,073	139	1,536	1,230	(225)	1,444
Investments at fair value through profit or loss that are equities	32,749	26,149	8,946	105,460	29,810	44,652	32,994
Total net foreign currency exposures	33,230	27,222	9,085	106,996	31,040	44,427	34,438

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 and Singapore Dollar.

It assumes the following changes in exchange rates:

Sterling/Australian Dollar +/- 10% (2010: 10%). Sterling/Taiwanese Dollar +/- 10% (2010: 10%).
Sterling/Korean Won +/- 10% (2010: 10%). Sterling/Hong Kong Dollar +/- 10% (2010: 10%).
Sterling/Singapore Dollar +/- 10% (2010: 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:

	2011 AUS$ £'000	2011 TW$ £'000	2011 KRW £'000	2011 HK$ £'000	2011 S$ £'000	2010 AUS$ £'000	2010 TW$ £'000	2010 KRW £'000	2010 HK$ £'000	2010 S$ £'000
Income statement – return after tax										
Revenue return	**300**	**98**	**50**	**431**	**220**	146	204	94	442	164
Capital return	**4,860**	**1,297**	**2,068**	**9,111**	**3,958**	3,620	2,890	989	11,657	3,295
Total return after tax for the year	**5,160**	**1,395**	**2,118**	**9,542**	**4,178**	3,766	3,094	1,083	12,099	3,459

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

	2011 AUS$ £'000	2011 TW$ £'000	2011 KRW £'000	2011 HK$ £'000	2011 S$ £'000	2010 AUS$ £'000	2010 TW$ £'000	2010 KRW £'000	2010 HK$ £'000	2010 S$ £'000
Income statement – return after tax										
Revenue return	**(245)**	**(80)**	**(41)**	**(353)**	**(180)**	(119)	(167)	(77)	(362)	(135)
Capital return	**(3,976)**	**(1,061)**	**(1,692)**	**(7,454)**	**(3,239)**	(2,962)	(2,364)	(809)	(9,537)	(2,696)
Total return after tax for the year	**(4,221)**	**(1,141)**	**(1,733)**	**(7,807)**	**(3,419)**	(3,081)	(2,531)	(886)	(9,899)	(2,831)

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.

Interest rate exposure

The exposure at 31 August 2011 of financial assets can be found on the Balance Sheet under the heading 'Cash and cash equivalents' and the financial liabilities exposure to interest rate risk to floating interest rates is shown under note 12(b).

Notes to the Financial Statements

continued

13 Risk Management policies and procedures (continued)

13.1.3 Interest rate risk (continued)

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2010: same).

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

Interest rate sensitivity

Based on the Company's monetary 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 £30,000 (2010: £6,000), capital return after tax by £2,000 (2010: £18,000), and total profit after tax and shareholders' funds by £28,000 (2010: £12,000).

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

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

Liquidity risk exposure

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

	2011 £'000	2010 £'000
Current liabilities – three months or less		
Bank overdraft	**504**	3,628
Written put options at fair value	**813**	348
Amounts due to brokers and accruals	**697**	658
Current liabilities – more than one year		
Amounts due to brokers and accruals	**5**	–
	2,019	4,634

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 10.

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 2011 was to cash and cash equivalents £3,288,000 (2010: £2,448,000) and to other receivables of £3,043,000 (2010: £5,994,000).

Amounts due from brokers and accrued income of £2,973,000 have been received at the date of printing this report.

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, bank overdrafts).

13.5 Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss at 31 August 2011	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	**265,297**	**17,780**	**–**	**283,077**
OTC derivatives (put options)	**–**	**(813)**	**–**	**(813)**
	265,297	**16,967**	**–**	**282,264**

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

Notes to the Financial Statements

continued

13 Risk Management policies and procedures (continued)

13.5 Fair value hierarchy disclosures (continued)

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

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

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1. The Company's holdings in over-the-counter options and participation notes are included within Level 2.

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

The valuation techniques used by the Company are explained in the accounting policies note on page 27.

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

The net fair value movement on written options during the year was a gain of £1,062,000 (2010: gain £936,000).

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 no unquoted investments (2010: nil). The Company does, however, hold over-the-counter options and participation notes with a value of £16,967,000 (2010: £18,084,000).

The Company's capital at 31 August comprises its equity share capital, reserves and debt that are shown in the balance sheet as a total of £287,893,000 (2010: £288,544,000).

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

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

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

14 Stated share capital

	Authorised	Issued and fully paid	£'000
At 31 August 2010			
Ordinary shares of no par value	Unlimited	96,580,564	52,146
Issued in year		3,525,000	11,349
At 31 August 2011		**100,105,564**	63,495

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.

Notes to the Financial Statements

continued

14 Stated share capital (continued)

During the year the Company issued 3,525,000 (2010: 13,222,943) shares for proceeds of £11,349,000 (2010: £37,823,000) net of costs. Since the year end and up to 11 November 2011 a further 375,000 shares have been issued for proceeds of £1,029,000.

15 Distributable reserve	Consolidated and Parent Company 2011 £'000	Consolidated and Parent Company 2010 £'000
At 31 August	**180,471**	180,471

The Royal Count of Jersey confirmed the reduction of Capital account in the Company by an amount of £180,982,993 less issue costs of £511,000 on 23 January 2007 being the issue proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006..

16 Other capital reserves	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
Consolidated and Parent Company			
At 1 September 2010	643	39,747	40,390
Foreign exchange gains	196	–	196
Movement in investment holding gains	–	(30,015)	(30,015)
Gains on investments	21,065	–	21,065
Costs charged to capital	(1,873)	–	(1,873)
At 31 August 2011	**20,031**	**9,732**	**29,763**

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 Consolidated and Parent Company 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:

	Net asset value per share 2011 pence	Net asset value attributable 2011 £'000	Net asset value per share 2010 pence	Net asset value attributable 2010 £'000
Ordinary shares	**287.09**	**287,389**	295.00	284,916

The basic net asset value per ordinary share is based on 100,105,564 (2010: 96,580,564) ordinary shares, being the number of ordinary shares in issue.

Notes to the Financial Statements
continued

18 Contingent liabilities

There were no contingent liabilities as at 31 August 2011 (2010: £nil).

19 Transactions with the Manager

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

Details of the fee arrangements for these services are given in the Report of the Directors on page 12. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 August 2011 was £3,132,000 (31 August 2010: £2,644,000) of which £479,000 was outstanding at 31 August 2011 (2010: £475,000).

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 2011 amounted to £66,000 (31 August 2010: £49,000), of which £11,000 was outstanding at 31 August 2011 (2010: £11,000).

20 Post Balance Sheet Event

The investment in China Forestry Holdings (as detailed on page 10) was written down from HK$1.95 per share to HK$0.52 per share on 7 October 2011. This resulted in a decrease in the value of the investment of £2,600,000 (0.9% of the net asset value as at 31 August 2011).

Investor Information

Financial calendar

Financial period end	31 August 2011
Annual General Meeting	20 December 2011
Shareholder Event (see below)	21 December 2011
4th Interim dividend 2011	30 November 2011
Ex dividend date	2 November 2011
Record date	4 November 2011
1st Interim dividend 2012	29 February 2012
2nd Interim dividend 2012	31 May 2012
3rd Interim dividend 2012	31 August 2012

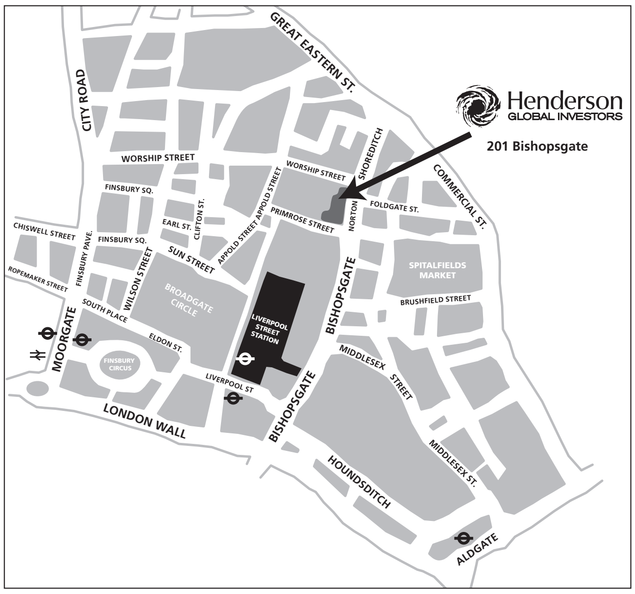
Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services). Mandate forms for this purpose are available on request from the Company's Registrars.

Shareholder Event

All General Meetings of the Company 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 Portfolio Manager on a regular basis.

Henderson has therefore arranged a Shareholder Event to be held at Henderson's offices at 201 Bishopsgate, London EC2M 3AE on Wednesday 21 December 2011 at 11.00 am. The event will provide the opportunity for the Portfolio Manager, Michael Kerley, to give a presentation on the investment strategy and performance. The event will include light refreshments.

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



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

ISIN/SEDOL number

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

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

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.

New Zealand holders may view details of the Company on the New Zealand Stock Exchange website, www.nzx.com, under the Main Board with mnemonic HFL.

Website

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

Shareholder information

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

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

Nominee share code

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

Investors in Halifax Share Dealing Limited products and Henderson ISAs receive all shareholder communications, including a copy of the Annual Review, in lieu of this Annual Report. A form of instruction is provided to facilitate voting at general meetings of the Company.

Investor Information
continued

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John Russell (Chairman)
David Mashiter
Simon Meredith Hardy
Richard Povey
David Staples

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is authorised and regulated by the Financial Services Authority

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

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