Henderson Far East Income Limited

Report and Financial Statements for the year ended 31 August 2009

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

	31 August 2009	31 August 2008	% change
Net asset value			
ordinary share	**258.52p**	261.69p	-1.2
Market price			
ordinary share	**269.50p**	238.25p	13.1
Revenue earnings			
ordinary share	**13.76p**	15.67p	-12.2

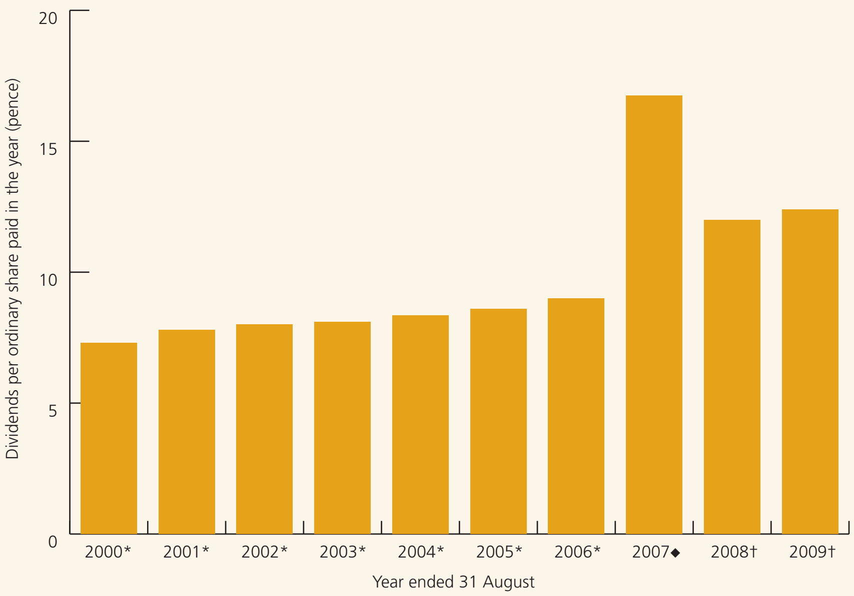
Performance

(12 months to 31 August)

	2009
Net asset value (total return)[(1)]	**5.3%**
Share price (total return)[(2)]	**19.3%**
FTSE All-World Asia Pacific ex Japan (£) (total return)[(2)]	**7.9%**

Sources: [(1)]AIC [(2)]Datastream

Dividend History



*Dividends declared 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 declared by the Company.

Directors

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

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

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.

David Mashiter David is currently managing director of Meridian Asset Management (C.I.) Limited. He is also a director of Northcross Capital Management 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.

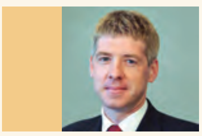
Richard Povey Richard has occupied a number of senior positions in Asia with the Swire Pacific Group, most recently being managing director of the Swire Pacific trading operations in Taiwan. He currently sits on the board of the Jersey Competition Regulatory Authority and Opsec Security Group plc. He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

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

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

Management

Michael Kerley



Andrew Beal

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

Chairman's Statement

John Russell

I am pleased to report that following the general collapse in world stock markets in the first half of the year, Asian stock markets have enjoyed a strong recovery. In spite of the turbulence, the net asset value total return per ordinary share improved over the year under review and the share price total return was 19.3%. In addition, total dividends were increased by 3.3% year on year without the need to utilise revenue reserves. Your Board is confident that the Company is well positioned for both capital and income growth.

Performance

In the year under review, the net asset value total return was 5.3%. The share price total return was 19.3%, reflecting a significant re-rating of the shares. This was a favourable performance compared to the FTSE All-World Asia Pacific ex Japan Index which returned 7.9% on a total return basis. Revenue earnings after taxation dipped by 10.7% to £10,868,000, equivalent to 13.76p per share compared to 15.67p in the previous year, but given the background of dividend cuts in the region, revenue held up well.

Dividends

A fourth interim dividend of 3.20p has been declared making a total of 12.40p for the year, an increase of 3.3% year on year. This total has been met from current year revenue without recourse to the revenue reserve. Consequently, your Board is confident that it will be able at least to maintain the level of total dividend in the coming year.

Capital and gearing

During the year your Company enjoyed considerable demand for its shares which was reflected in the share price trading at a premium to net asset value. In view of this, your Board took the opportunity to issue a number of tranches of shares at premiums of 2% or above thereby enhancing the net asset value per share for shareholders. In total, 5,735,000 shares were issued in the year, resulting in proceeds of over £14.3 million and a further 1,685,000 shares have been allotted since 31 August 2009, yielding additional proceeds in excess of £4.7 million.

Your Board has maintained its cautious stance on borrowings and has not geared the portfolio during the year. However, the Board keeps the possibility under regular review.

Share Issue

In view of the strong performance of your Company and the consistent level of demand for the shares, your Board is considering an issue of new shares by way of a placing. Any such issue would be at a premium to net asset value.

Outlook

We believe that the medium to long term prospects for the Asian region remain attractive and that revenue streams from Asian companies are sustainable. Across Asia, government debt to GDP levels has remained at low levels and regional consumers are cash rich; both these factors will continue to drive domestic demand in the region. While Asian stock markets remain vulnerable to any significant further setbacks there is a genuine opportunity for countries with lower debt levels to gain significant ground on their more developed counterparts. Consequently we see long term value in Asian equities and the continuing prospect of attractive returns for shareholders.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Friday 11 December 2009 at Liberté House, 19-23 La Motte Street, St. Helier, Jersey, JE2 4SY and shareholders are most welcome to attend. In addition, an open presentation to shareholders will be held at 3pm on Tuesday 15 December 2009 at Henderson's offices at 201 Bishopsgate, London EC2M 3AE where the Manager will make an investment presentation and both he and I will be happy to answer questions.

John Russell
Chairman
6 November 2009

Manager's Report

Michael Kerley

Last year I wrote about how the return for the year masked a period of extreme volatility. 2009 was no different. The company posted a 5.3% net asset value total return for the year to 31 August 2009, but at one point in the dark days of October 2008 it had fallen by 35% from its level of the end of August 2008. The subsequent rally from March this year allowed the company to post a positive return, albeit slightly behind that of the FTSE All-World Asia Pacific ex Japan index. The company's NAV performance together with the FTSE index is shown in the chart below.

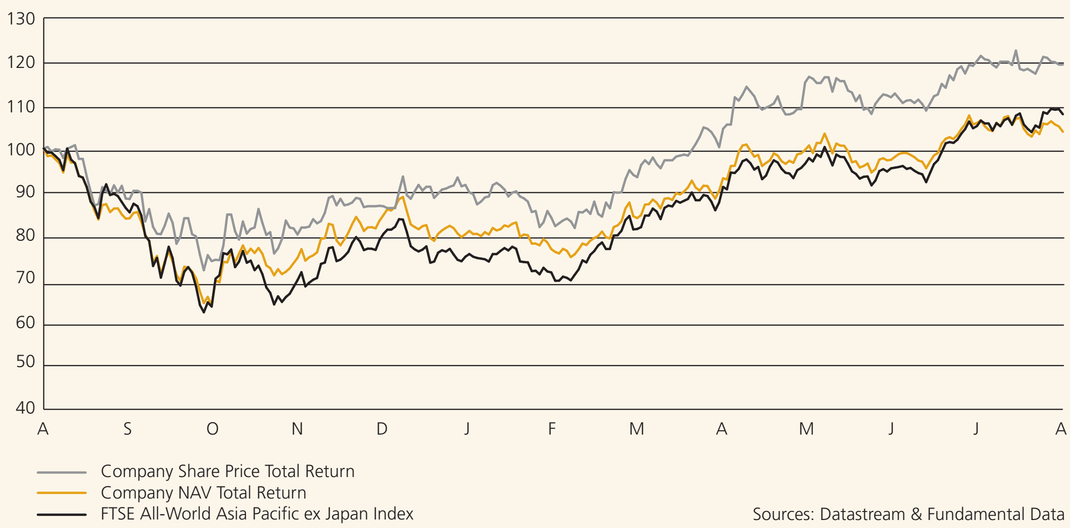
The best performing markets over the period were The Philippines, Malaysia and China, while Australia and Taiwan lagged. In terms of sectors, technology and consumer were the out performers while energy, basic materials and telecommunications disappointed. The returns were boosted by the strength of Asia-Pacific currencies relative to sterling. The portfolio was unhedged through the period and benefited from this trend.

The seeds of the global financial crisis were first sown in the middle of 2007 when the US housing market started to show signs of fatigue. By September 2008 the impact of falling asset prices on derivative instruments and bond markets had snowballed to a point where the solvency of the world's financial system was called in to question. In the following months some once revered financial names disappeared as Lehman Brothers went bankrupt and many more were lost to nationalisation or to enforced mergers and acquisitions.

The markets bottomed towards the end of November 2008 on expectation that the massive stimulus packages announced around the world would be enough to provide liquidity to the banks and revive flagging economies. The optimism proved short lived as bad news kept coming with the US economy officially falling into recession in the last quarter of 2008 and the downturn widened to include non-financial sectors, most notably the US auto industry. The markets eventually found a bottom in early March 2009 but had almost returned to the levels of October 2008 before doing so.

With demand in the west slowing, the impact on Asian trade was marked. Exports in the first quarter of 2009 fell over

Company and Index returns (Sterling adjusted) – year to 31 August 2009



Sources: Datastream & Fundamental Data

Manager's Report

continued

30% year on year in Korea and over 40% in Taiwan, while China posted its first export decline in ten years. The economies with a high export to GDP ratio suffered the most. Malaysia, Singapore, Thailand and Taiwan all posted declines of greater than 6% in GDP in the first quarter of 2009.

The massive stimulus packages announced by the US and followed by most developed economies were replicated in Asia, although the emphasis was on offsetting the impact of falling exports rather than ensuring solvency in the financial sector. For the most part Asian banks have excess liquidity and hence avoided the spike in interbank rates that negatively impacted banks in the west. Although loan growth slowed, the availability of credit was not such an issue as banks became more prudent, but rarely removed supply completely. For this reason the financial impact on the corporate sector in Asia was mainly confined to companies with high leverage and exposure to cyclical sectors.

Earnings for the region fell 25% in 2008 with dividend growth falling by a similar amount. In March 2009 analysts expected earnings to decline again in 2009, but following the improvement over the last six months, consensus forecasts are now for a low single digit improvement in 2009 with 2010 earnings expected to grow by 22%.

The challenge for Asian policymakers in the next few years will be to promote domestic consumption and investment in order to reduce the reliance on exports. The events of the last two years could be the catalyst for this change as the slowdown in global growth has prompted a focus on domestic growth drivers. Infrastructure spending has picked up significantly, especially in China, while other policies have been initiated to encourage individuals to spend rather than save. The success of these polices will ultimately determine when Asia will be able to decouple its economic cycle from the rest of the world.

With Asian consumption likely to be more resilient than that in the west, the portfolio remains focused on domestic areas and away from sectors exposed to demand from more developed markets. Approximately 80% of the portfolio is exposed to domestic sectors with three key themes: financials, industrials and telecommunications. Asian banks, especially in China, Hong Kong, Singapore and Thailand, are attractive in our view and offer compelling value considering the growth opportunities. With interest rates at all time lows, savings' ratios at highs and property more affordable than at any point in the last 20 years, we believe everything is in place for a significant property price appreciation. Our preferred exposure is in Hong Kong, Taiwan, China, Thailand and Singapore. Infrastructure spending is growing rapidly throughout the region and will continue as an effective way of improving domestic demand. To gain exposure to this theme the portfolio has a high weighting in industrials, which include construction companies and capital equipment providers. Telecommunications is the other highly weighted sector and includes a mixture of companies in fairly mature markets as well as those where penetration growth is still achievable. This sector is extremely cash generative, non-cyclical in nature, and has attractive dividend yields and compelling valuations.

From a country perspective, the portfolio is focused on North Asia and in particular China, Hong Kong and Taiwan. The Chinese fiscal stimulus has been hugely successful with loan growth in the first four months of 2009 equalling the whole of 2008. This should ensure that GDP growth will be in excess of 7% in 2009 and may reach double digits again in 2010. Hong Kong and Taiwan are beneficiaries of this trend especially now the latter inches closer to formal ties with the mainland. Purchases in this area were funded from a reduction in the exposure to Australia. Although Australia appears better placed than most developed economies it is less attractive than other countries in the region both in terms of valuation and economic durability.

Our 2008 results stated that the company forecast a dividend of not less than the previous year as this was felt to be prudent considering the uncertainty in markets at that time. Although there has been some dividend cutting in the region and income has been more difficult to find, we feel comfortable enough with the companies in which we are invested and with the revenue they generate to raise the dividend for the second half of the financial year. Once again dividends will be met from current year revenue without dipping into reserves, which considering the year we have experienced gives us quite a lot of confidence in

Manager's Report
continued

the income generating capabilities in the region. The revenue account was once again bolstered through option writing. This was used sparingly and only when opportunities arose. The high level of volatility over the period again made this strategy very lucrative.

Following the strong run in share prices from the lows of March, valuations are now not as compelling as they once were. On a price earnings basis the region trades at its five year average which suggests that growth needs to be sustained in order to justify the current rating. This is achievable in the domestic sectors but is less clear in the more cyclical areas. The next six months will be a key measure and we suspect that markets will remain volatile until investors have a better idea of the shape of sustainable growth in the developed world.

We remain extremely positive on the medium to long term prospects for the region and expect the portfolio to continue to be focused on domestic sectors in the short to medium term. We believe that the last ten years was all about the US consumer, whilst the next decade will be all about the Asian consumer. We will continue to focus the portfolio to benefit from this trend.

Michael Kerley
Portfolio Manager
6 November 2009

Manager's Report

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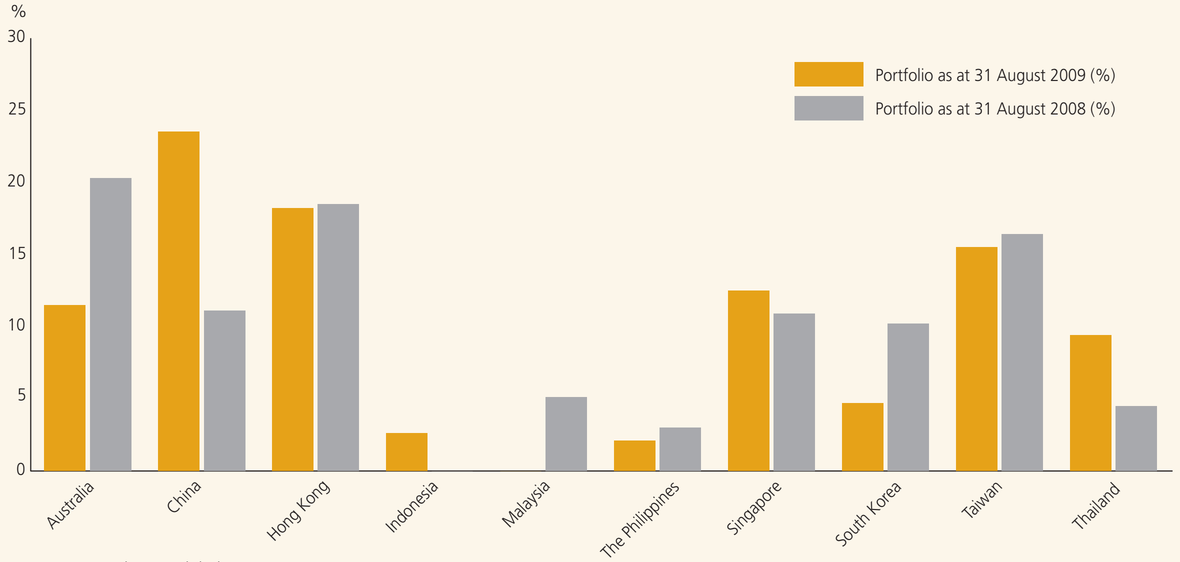
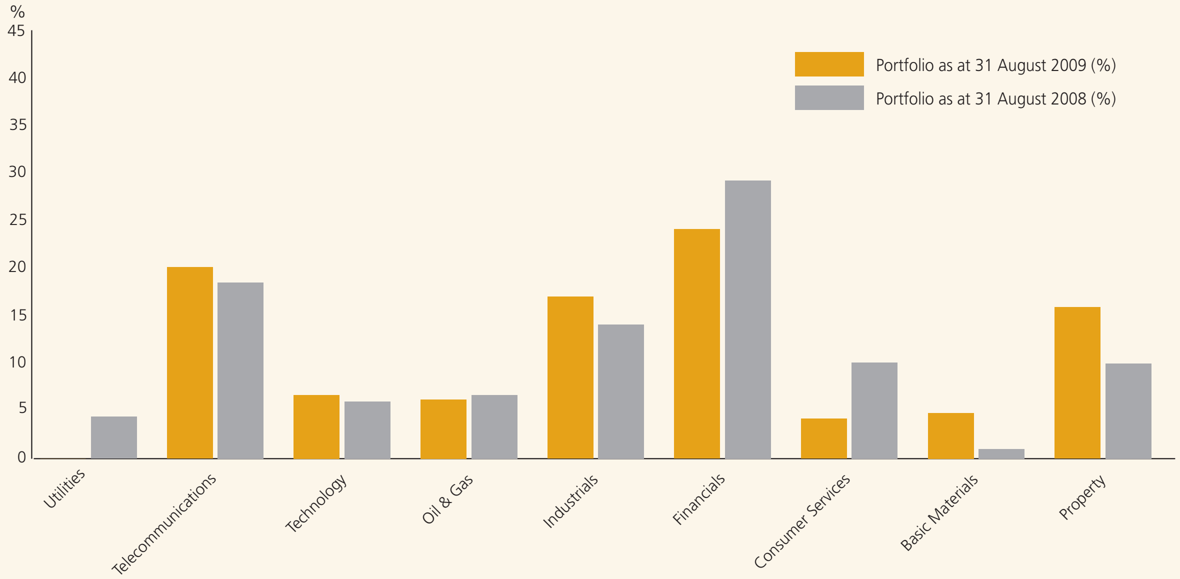
Geographical Analysis



Source: Henderson Global Investors

Sector Analysis



Source: Henderson Global Investors

Investment Portfolio

as at 31 August 2009

Rank 2009	Rank 2008	Company	Country	Sector	Value £'000	Total net assets %
1	6	**Bank of China**	China	Financials	8,102	3.8
One of China's big four policy banks offering a full range of financial services to retail and corporate customers. China remains 'underbanked' in spite of strong loan growth in recent years, providing growth opportunities.						
2	19	**China Mobile**	China	Telecommunications	6,699	3.1
China and the world's largest mobile phone operator with over 450 million subscribers as at the end of 2008. The company is very cash generative which should lead to a more progressive dividend policy over time.						
3	–	**Industrial & Commercial Bank of China**	China	Financials	6,131	2.8
China's largest bank by market capitalisation offering a full range of financial services through 16,000 domestic and overseas branches. The bank's significant excess liquidity should ensure strong loan growth to its 3.5 million corporate and 190 million retail customers.						
4	18	**Kasikornbank**	Thailand	Financials	5,789	2.7
One of Thailand's largest banks with a focus on lending to small and medium enterprises. The bank is well capitalised and can utilise this strength to increase growth in loans and other financial products.						
5	13	**QBE Insurance Group**	Australia	Financials	5,717	2.7
One of the top 25 insurers and reinsurers worldwide with offices in over 45 countries. The demise of AIG has provided opportunities for improved pricing and to add additional market share both organically and through acquisition.						
6	–	**Venture Corp**	Singapore	Technology	5,565	2.6
A leading global electronics services provider, offering an excellent combination of outstanding management, world-class technical capabilities, and innovative manufacturing technology, the Venture group operates in South-East Asia, North Asia, America and Europe, and employs more than 14,000 people worldwide.						
7	–	**Telekomunikasi Indonesia**	Indonesia	Telecommunications	5,337	2.5
Indonesia's largest integrated operator in both fixed line and mobile telecommunications. The Indonesian market is underpenetrated allowing plenty of growth for new subscribers especially in broadband and mobile value added services.						
8	1	**Santos**	Australia	Oil & Gas	5,301	2.5
The company explores for and produces crude oil and natural gas, principally in Australia, but also in Indonesia, Papua New Guinea and the United States.						
9	11	**BOC Hong Kong Holdings**	Hong Kong	Financials	5,286	2.4
The Hong Kong subsidiary of Bank of China which is a dominant player in the Hong Kong mortgage market with a 20% market share. Its securities business is well placed to benefit from the increased issuance coming from the mainland.						
10	–	**Taiwan Cement**	Taiwan	Basic Materials	5,263	2.4
Taiwan's largest cement producer with sales both domestically, to the rest of Asia and to the United States. In recent years the company has been expanding in southern China and is now a significant player in this high growth market.						
Top Ten Investments					**59,190**	**27.5**

The Top Ten Investments by value account for 27.5% of the total net assets (2008: £62,274,000 or 31.0%).

Investment Portfolio

continued

Company	Country	Sector	Value £'000	Total net assets %
11. Hang Seng Bank	Hong Kong	Financials	5,203	2.4
12. CTCI Corporation	Taiwan	Industrials	5,149	2.4
13. Link REIT	Hong Kong	Property	5,088	2.4
14. Midland Holdings	Hong Kong	Property	4,868	2.2
15. Bangkok Bank	Thailand	Financials	4,828	2.2
16. Incitec Pivot	Australia	Basic Materials	4,760	2.2
17. Advanced Information Services	Thailand	Telecommunications	4,687	2.2
18. Singapore Technologies Engineering	Singapore	Industrials	4,660	2.2
19. Singapore Press	Singapore	Consumer Services	4,659	2.2
20. Chunghwa Telecom	Taiwan	Telecommunications	4,618	2.1
Top Twenty Investments			**107,710**	**50.0**

Company	Country	Sector	Value £'000	Total net assets %
21. Asustek Computer	Taiwan	Technology	4,600	2.1
22. Keppel Corp	Singapore	Industrials	4,572	2.1
23. Shenzhen International Holdings	China	Industrials	4,512	2.1
24. Henderson Land Development	Hong Kong	Property	4,493	2.1
25. Far Eastone Telecommunications	Taiwan	Telecommunications	4,429	2.1
26. Sino Land	Hong Kong	Property	4,395	2.0
27. Philippine Long Distance Telephone	Philippines	Telecommunications	4,356	2.0
28. NWS Holdings	Hong Kong	Industrials	4,324	2.0
29. Telstra Corporation	Australia	Telecommunications	4,275	2.0
30. Petrochina	China	Oil & Gas	4,237	2.0
Top Thirty Investments			**151,903**	**70.5**

Investment Portfolio

continued

Company	Country	Sector	Value £'000	Total net assets %
31. Hung Poo Real Estate Development	Taiwan	Property	4,175	1.9
32. Ascendas Real Estate	Singapore	Property	4,167	1.9
33. Lonking Holdings	China	Industrials	4,022	1.9
34. Jiangsu Expressway	China	Industrials	4,015	1.9
35. China Communications Construction	China	Industrials	3,998	1.9
36. Television Broadcasts	Hong Kong	Consumer Services	3,978	1.8
37. High Tech Computer	Taiwan	Technology	3,757	1.7
38. Insurance Australia Group	Australia	Financials	3,731	1.7
39. Shenzhen Investment	China	Property	3,666	1.7
40. SK Telecom	South Korea	Telecommunications	3,564	1.7
Top Forty Investments			**190,976**	**88.6**

Company	Country	Sector	Value £'000	Total net assets %
41. KT Corporation	South Korea	Telecommunications	3,525	1.6
42. China Oilfield Services	China	Oil & Gas	3,181	1.5
43. Macquarie Korea Infrastructure Fund	South Korea	Financials	2,690	1.3
44. DBS Group	Singapore	Financials	2,311	1.1
45. Land & Houses	Thailand	Property	2,040	0.9
46. LPN Development	Thailand	Property	2,034	0.9
Total Investments			**206,757**	**95.9**
Net current assets			8,739	4.1
Total net assets			**215,496**	**100.0**

Report of the Directors

The Directors present the audited financial statements of the Group and their report for the year ended 31 August 2009. The Group comprises Henderson Far East Income Limited ('the Company') and its wholly owned subsidiary undertaking, Henderson Far East Income (Malta) Limited. The subsidiary undertaking was placed into voluntary liquidation on 31 August 2008 and this process should complete later in 2009. The Company commenced trading on the London and New Zealand Stock Exchanges on 18 December 2006.

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 August 2009. It should be read in conjunction with the Manager's Report on pages 4 to 7 which gives a detailed review of the investment activities for the year and an outlook for the future.

a) Status

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

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

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

b) Investment objective and policy

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

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

The Company does not have a fixed life.

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

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

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

The Company intends to pay dividends on a quarterly basis each year. The Company holds stocks in nine countries across the region, and no single country represents more than 23.5% of the portfolio. Investments have not yet been made in the markets of India or Japan.

c) Financial Review

Results for the year

Total net assets at 31 August 2009 amounted to £215,496,000 and the net asset value per ordinary share was 258.52p.

At 31 August 2009 there were 46 (2008: 45) separate investments, as detailed in the Investment Portfolio and the Manager's Report on pages 4 to 7.

Group net revenue after taxation for the year was £10,868,000 (2008: £12,168,000).

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 3.00p per share and one of 3.20p. A fourth interim dividend of 3.20p per share will be paid on 30 November 2009, to shareholders on the register of members on 6 November 2009. The shares were quoted ex-dividend on 4 November 2009.

Report of the Directors

continued

Bank facilities and gearing

At the year end the Group had a short term overdraft of £1.46 million and held cash of £3.85 million, which meant the Company was ungeared.

Payment of Suppliers

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Future developments

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

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

d) Performance measurement and key performance indicators

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

- *Returns and net asset value*
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price for the Company. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index for comparison purposes only.

- *Discount/Premium to net asset value ('NAV')*
  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 has included 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 yield on the portfolio and the amount available for distribution.

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

e) Management, administration and custody arrangements

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

The management fee is calculated and paid quarterly in arrears at the rate of 1.0% per annum of the average value of the Company's (or the predecessor company's for the periods prior to the launch) assets under management on the last day of each of the two calendar years preceding the calculation date in respect of which the charge is determined. Where the Company raises additional money by issuing shares, a supplemental fee is payable calculated at 1.0% of the amount raised net of expenses.

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.

Report of the Directors
continued

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 Equiniti (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 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 14 on pages 36 to 43.

- *Accounting, legal and regulatory*
  The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA and New Zealand Stock Exchange Rules.

- *Operational*
  Disruption to, or the failure of, the Manager's or the Administrator's accounting, dealing, or payment systems or the Custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Administrator, BNPP sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Securities Services. Details of how the Board monitors the services provided by the Manager and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of this report.

- *Financial*
  The financial risks faced by the Company include market risk (market price risk, interest rate risk and currency risk), liquidity risk and credit risk. Further details are disclosed in Note 14 on pages 36 to 43. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

Corporate Governance Statement

a) Applicable corporate governance codes

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

Report of the Directors

continued

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

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

There is no standard code of corporate governance in Jersey, where the Company is incorporated, however, the AIC Code was enhanced for Jersey companies in March 2009 to include a statement of support from the Jersey Financial Services Commission.

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 Combined Code except as noted below.

- *Senior independent director*
  A senior non-executive director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

- *The role of chief executive*
  Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a chief executive.

- *Executive Directors' remuneration*
  As the Board has no executive directors, it is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 21.

- *Internal audit function*
  As the Company delegates to third parties its day-to-day operations and has no employees, the Board has, therefore, determined that there is no requirement for an internal audit function. The Directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

- *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.

c) Directors

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

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

No Director has a service contract with the Company.

Board independence

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

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

The Directors are conscious of the need to maintain continuity of the Board, particularly given the cyclical nature and remoteness of the Company's markets. The Board believes that retaining

Report of the Directors

continued

directors with sufficient experience of both the Company and its markets is of great benefit to shareholders and that the Directors have different qualities and areas of expertise on which they may lead where issues arise. Their biographies, set out on page 2, demonstrate a breadth of investment, commercial and professional experience with an international perspective.

Directors' Remuneration

A report on Directors' Remuneration is on page 21.

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

Directors' interests in shares

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

Ordinary Shares of no par value	31 August 2009	1 September 2008
John Russell (Chairman)	5,000	5,000
David Mashiter	5,000	5,000
Simon Meredith Hardy	15,000	15,000
Richard Povey	5,000	5,000
Christopher Spencer	5,000	5,000

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

Directors' professional development

When a new Director is appointed, he or she will be offered a directors' introductory programme to be held by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes in Directors' responsibilities are advised in advance.

Directors' Indemnity

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

d) The Board

Responsibilities

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

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

Board Committees

The Board has established Audit, Management Engagement and Nominations committees with defined terms of reference and duties.

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;

Report of the Directors
continued

- to monitor the integrity of the half year and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgments of the Manager and the Administrator;
- to meet, if required, with the Company's auditors to review their proposed audit programme of work and the findings of its auditors (the Audit Committee also uses this as an opportunity to assess the effectiveness of the audit process);
- to make recommendations to the Board in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and
- to monitor and review annually the Company's auditors' independence, objectivity, effectiveness, resources and qualifications.

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

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

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

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

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 6**	**Audit Committee 2**	**Management Engagement Committee 1**
John Russell	4	2	1
David Mashiter	6	2	1
Simon Meredith Hardy	4	2	1
Richard Povey	6	2	1
Christopher Spencer	5	2	1

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 will be reviewed annually by the Nominations Committee. The Directors will also meet without the Chairman present in order to review his performance.

The Board has direct access to the company secretarial advice provided by the Administrator which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed.

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

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

The Board, assisted by the Manager, undertook a full review of the Company's business risks and these have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control

Report of the Directors

continued

failures. The Board receives each year from the Manager a report on its internal controls which includes a report from the Manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31 August 2009, and to the date of approval of this Annual Report and Financial Statements.

g) Accountability and Relationship with the Manager and the Administrator

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

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

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

The Manager takes decisions as to the purchase and sale of individual investments. The Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager and of the Administrator attend each Board meeting enabling the Directors to probe further on matters of concern. A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Manager and the Administrator operate in a supportive, co-operative and open environment.

h) Continued Appointment of the Investment Manager

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

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

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

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

i) Share capital and shareholders

The Company's share capital comprises ordinary shares of no par value. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's shares or voting rights and there are no shares which carry specific rights with regard to the control of the Company. The number of shares in issue at the start of the year was 77,622,621, and at the end 83,357,621, as the Company has followed a progressive policy of alloting new shares during the year. Since the year end a further 1,685,000 shares have been issued. All new shares are issued at a premium to net asset value.

Report of the Directors
continued

Substantial share interests
Declarations of notifiable interests in the issued share capital of the Company, at 28 October 2009, are set out below.

Shareholder	% of voting rights
Legal & General Investment Management	3.91

At 28 October 2009, 8.56% of the issued share capital was held on behalf of participants in the Halifax Share Dealing products run by Halifax Share Dealing Limited ('HSDL'). These participants are given the opportunity to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. HSDL has undertaken to instruct its nominee company to exercise the voting rights of any shares held through HSDL that have not been exercised by the individual participants in them. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

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

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

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

The Board recognises that few shareholders are able to travel to Jersey to attend the AGM so a shareholder event will be held in London on Tuesday 15 December 2009 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 48.

Board authority to buy back share capital
The Directors seek annual authority from the shareholders to buy back for cancellation or to be held in Treasury, the Company's shares. Further details of the authorities sought at the AGM are set out below.

j) Exercise of voting powers
The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on investment returns.

Annual General Meeting ('AGM')

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary Shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held in Jersey on Friday 11 December 2009 at 12 noon. The Notice of Meeting is set out on page 46.

The Directors intend to operate an active discount management policy through the use of share buy backs, if the shares were ever to trade at a substantial discount to net asset value for a significant period. Purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per Ordinary share (as last calculated) where the Directors believe such purchases will enhance shareholder value and to assist in narrowing any discount to net asset value at which the Ordinary shares may trade. On 9 December 2008 the Directors were granted authority to repurchase 11,635,630 Ordinary shares for cancellation. This authority will expire at the

Report of the Directors

continued

forthcoming AGM. In Resolution 6, a Special Resolution, the Board is seeking authority to purchase up to a maximum of 12,747,889 Ordinary shares (representing 14.99%. of the current issued share capital). The Directors do not intend to use this authority to purchase the Company's shares unless to do so would result in an increase in net asset value per share and would be in the interests of shareholders generally. The authority being sought shall expire at the conclusion of the Annual General Meeting in 2010 unless such authority is renewed prior to such time. In Resolution 7, a Special Resolution, the Board is seeking authority to hold up to 10% of the Company's own shares as treasury shares. Subject to the passing of Resolution 7, any Ordinary Shares purchased under Resolution 6 may be cancelled or held in treasury.

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.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM.

Directors' Authority to Allot Relevant Securities

There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. Accordingly, the Articles of Association authorise the Directors to allot an unlimited number of Ordinary shares without pre-emption rights applying for shareholders. Ordinary shares are only issued at a premium to the prevailing net asset value per Ordinary share and, therefore, will not be disadvantageous to existing shareholders. Issues of Ordinary shares are carried out in accordance with the Listing Rules which limit issues of new shares to 10% of the issued share capital in any one year, without the requirement of a new prospectus. During the period since launch, 7,420,000 new Ordinary shares have been issued.

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

Director
6 November 2009

Statement of Directors' Responsibilities in respect of the Financial Statements

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

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

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

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

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

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

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

Statement under Disclosure and Transparency Rules

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

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

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

For and on behalf of the Board

C P Spencer
Director
6 November 2009

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 in the prior period, 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.

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

Directors' fees

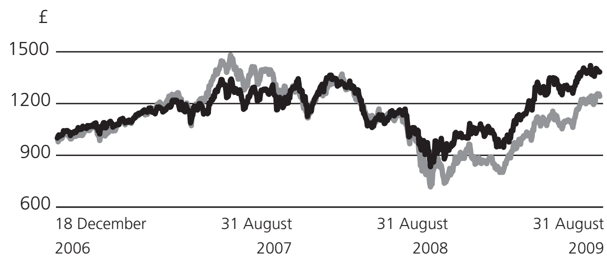
The fees payable by the Company in respect of each of the Directors who served during the year, and in the previous year, were as follows:

Year ended 31 August	**2009** £	2008 £
John Russell (Chairman and highest paid director)	**27,500**	27,500
David Mashiter	**18,500**	17,500
Simon Meredith Hardy	**18,500**	17,500
Richard Povey	**18,500**	17,500
Christopher Spencer	**21,000**	20,000
Total	**104,000**	100,000

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

The graph below illustrates the total shareholder return as compared to the FTSE All-World Asia Pacific ex Japan Index (currency adjusted) for the period from launch to 31 August 2009. In view of the Company's objective, this is the most appropriate index against which to measure performance.

Share price performance graph



Henderson Far East Income Limited share price total return, assuming the investment of £1,000 on 18 December 2006 and the reinvestment of all dividends (excluding dealing expenses).

FTSE All-World Asia Pacific ex Japan Index total return (£), assuming the notional investment of £1,000 into the Index on 18 December 2006 and the reinvestment of all income (excluding dealing expenses).

Source: Datastream

For and on behalf of the Board

Director

6 November 2009

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

We have audited the Group and parent company financial statements ('the financial statements') of Henderson Far East Income Limited for the year ended 31 August 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and the parent Company's affairs as at 31 August 2009 and of the Group's results for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP
Jersey, Channel Islands
6 November 2009

The financial statements are published on websites maintained by the Company's manager, Henderson Global Investors Limited ('Henderson').

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

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

Consolidated Income Statement

for the year ended 31 August 2009

Notes		**Year ended 31 August 2009** Revenue return £'000	**Year ended 31 August 2009** Capital return £'000	**Year ended 31 August 2009** Total £'000	Year ended 31 August 2008 Revenue return £'000	Year ended 31 August 2008 Capital return £'000	Year ended 31 August 2008 Total £'000
3	Investment income	**11,069**	**–**	**11,069**	12,127	–	12,127
4	Other income	**1,900**	**–**	**1,900**	2,278	–	2,278
11	Losses on investments held at fair value through profit or loss	**–**	**(1,870)**	**(1,870)**	–	(7,271)	(7,271)
	Total income	**12,969**	**(1,870)**	**11,099**	14,405	(7,271)	7,134
	Expenses						
5	Management fees	**(979)**	**(992)**	**(1,971)**	(984)	(984)	(1,968)
6	Other expenses	**(242)**	**(249)**	**(491)**	(325)	(225)	(550)
	Profit/(loss) before finance costs and taxation	**11,748**	**(3,111)**	**8,637**	13,096	(8,480)	4,616
7	Finance costs	**(25)**	**(25)**	**(50)**	(50)	(17)	(67)
	Profit/(loss) before taxation	**11,723**	**(3,136)**	**8,587**	13,046	(8,497)	4,549
8	Taxation	**(855)**	**–**	**(855)**	(878)	(152)	(1,030)
	Profit/(loss) for the year	**10,868**	**(3,136)**	**7,732**	12,168	(8,649)	3,519
9	**Earnings/(loss) per ordinary share**	**13.76p**	**(3.97)p**	**9.79p**	15.67p	(11.14)p	4.53p

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

All items in the above statement derive from continuing operations.

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

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

Consolidated and Parent Company Statement of Changes in Equity

for the year ended 31 August 2009

Note	**Consolidated year ended 31 August 2009**	**Stated capital £'000**	**Distributable reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Balance at 31 August 2008	**–**	**180,471**	**13,811**	**8,852**	**203,134**
	Net (loss)/profit from ordinary activities after taxation	**–**	**–**	**(3,136)**	**10,868**	**7,732**
	Shares issued	**14,323**	**–**	**–**	**–**	**14,323**
10	**Ordinary dividends paid**	**–**	**–**	**–**	**(9,693)**	**(9,693)**
	At 31 August 2009	**14,323**	**180,471**	**10,675**	**10,027**	**215,496**

Note	Consolidated year ended 31 August 2008	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Balance at 31 August 2007	–	180,471	22,460	5,806	208,737
	Net (loss)/profit from ordinary activities after taxation	–	–	(8,649)	12,168	3,519
10	Ordinary dividends paid	–	–	–	(9,122)	(9,122)
	At 31 August 2008	–	180,471	13,811	8,852	203,134

Note	**Company year ended 31 August 2009**	**Stated capital £'000**	**Distributable reserve £'000**	**Other capital reserves £'000**	**Revenue reserve £'000**	**Total £'000**
	Balance at 31 August 2008	**–**	**180,471**	**14,082**	**8,581**	**203,134**
	Net (loss)/profit from ordinary activities after taxation	**–**	**–**	**(3,235)**	**10,967**	**7,732**
	Shares issued	**14,323**	**–**	**–**	**–**	**14,323**
10	**Ordinary dividends paid**	**–**	**–**	**–**	**(9,693)**	**(9,693)**
	At 31 August 2009	**14,323**	**180,471**	**10,847**	**9,855**	**215,496**

Note	Company year ended 31 August 2008	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Balance at 31 August 2007	–	180,471	24,098	4,168	208,737
	Net (loss)/profit from ordinary activities after taxation	–	–	(10,016)	13,535	3,519
10	Ordinary dividends paid	–	–	–	(9,122)	(9,122)
	At 31 August 2008	–	180,471	14,082	8,581	203,134

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

Consolidated and Parent Company Balance Sheet

at 31 August 2009

Notes		**Consolidated 2009 £'000**	Consolidated 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
	Non current assets				
11	Investments held at fair value through profit or loss	**206,757**	198,137	**207,473**	198,952
	Current assets				
12	Other receivables	**6,865**	7,400	**6,865**	7,285
	Cash and cash equivalents	**3,845**	8,894	**3,845**	8,891
		10,710	16,294	**10,710**	16,176
	Total assets	**217,467**	214,431	**218,183**	215,128
	Current liabilities				
13	Other payables	**(510)**	(7,743)	**(1,226)**	(8,440)
13	Bank overdrafts	**(1,461)**	(3,554)	**(1,461)**	(3,554)
		(1,971)	(11,297)	**(2,687)**	(11,994)
	Net assets	**215,496**	203,134	**215,496**	203,134
	Equity attributable to equity shareholders				
15	Stated capital	**14,323**	–	**14,323**	–
16	Distributable reserve	**180,471**	180,471	**180,471**	180,471
	Retained earnings:				
17	Other capital reserves	**10,675**	13,811	**10,847**	14,082
	Revenue reserve	**10,027**	8,852	**9,855**	8,581
	Total equity	**215,496**	203,134	**215,496**	203,134
18	**Net asset value per ordinary share**	**258.52p**	261.69p	**258.52p**	261.69p

The financial statements were approved by the Board of Directors and authorised for issue on 6 November 2009 and were signed on its behalf by:

David Edward Peter Mashiter
Director

Christopher Paul Spencer
Director

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

Consolidated and Parent Company Cash Flow Statement

for the year ended 31 August 2009

	Consolidated 2009 £'000	Consolidated 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
Operating activities				
Profit before taxation	**8,587**	4,549	**8,481**	4,222
Add back interest paid	**50**	73	**50**	38
Add loss on investments held at fair value through profit or loss	**1,870**	7,271	**1,969**	8,790
Less net purchases of investments held at fair value through profit or loss	**(9,458)**	(6,058)	**(9,458)**	(67,563)
Decrease/(increase) in other receivables	**232**	(185)	**117**	2,524
Decrease/(increase) in amounts due from brokers	**384**	(474)	**384**	(474)
(Decrease)/increase in other payables	**(41)**	1	**(13)**	12
Decrease in amounts due to brokers	**(6,595)**	(2,404)	**(6,595)**	(593)
Capital distribution from subsidiary	**–**	–	**–**	2,862
Scrip dividends included in investment income	**(195)**	(216)	**(195)**	(216)
Net cash (outflow)/inflow from operating activities before interest and taxation	**(5,166)**	2,557	**(5,260)**	(50,398)
Interest paid	**(50)**	(73)	**(50)**	(38)
Taxation on investment income	**(743)**	(933)	**(743)**	(719)
Taxation (paid)/recovered	**(522)**	–	**153**	–
Net cash (outflow)/inflow from operating activities	**(6,481)**	1,551	**(5,900)**	(51,155)
Financing activities				
Equity dividends paid	**(9,693)**	(9,122)	**(9,693)**	(9,122)
Repayment of loan	**–**	(2,236)	**–**	(2,236)
Share issue proceeds	**14,055**	–	**14,055**	–
Movement in inter-company loan	**–**	–	**(578)**	53,231
Net cash inflow/(outflow) from financing	**4,362**	(11,358)	**3,784**	41,873
Decrease in cash and cash equivalents	**(2,119)**	(9,807)	**(2,116)**	(9,282)
Cash and cash equivalents at the start of the year	**5,340**	14,832	**5,337**	14,011
Exchange movements	**(837)**	315	**(837)**	608
Cash and cash equivalents at the end of the year (including bank overdrafts of £1,461,000 (2008: £3,554,000))	**2,384**	5,340	**2,384**	5,337

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

Notes to the Financial Statements

1 General information

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

The Company was incorporated on 6 November 2006.

2 Accounting policies

a Basis of preparation

This consolidated financial information for the year ended 31 August 2009 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 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 year to 31 August 2009 but are not relevant to the Group or Company:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
- IFRIC 12, 'Service concession arrangements'
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'
- IFRS 5, 'non-current assets held for sale and discontinued operations'
- IFRIC 16, 'hedges of net investment in a foreign operation'
- IFRIC 17, 'distributions of non-cash assets to owners'

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

- IAS 1 (revised), 'Presentation of Financial Statements' (effective for financial years beginning on or after 1 January 2009). Introduces financial statement name changes for the purposes of accounting standards. The new names are not mandatory for financial reporting and the Group does not currently expect to apply the new statement names.
- IAS 23 (amendment), 'Borrowing costs' (effective for financial years beginning on or after 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group has no qualifying assets.
- IFRS 3 (revised), 'Business combinations' (effective for financial periods beginning on or after 1 July 2009). Changes elements of the acquisition method for business combinations, including that all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt, subsequently re-measured through the income statement. The Group will apply IFRS 3 (revised) to all business combinations from 1 September 2009, subject to endorsement by the EU.

Notes to the Financial Statements
continued

2 **Accounting policies** (continued)

- IAS 27 (revised), 'Consolidated and Separate Financial Statements' (Consequential amendments arising from IFRS 3 'Business Combinations') (effective for financial years beginning on or after 1 July 2009, subject to endorsement by the EU). This standard is unlikely to have any significant impact on the Group. The Group expects to apply IAS 27 (Revised) from 1 September 2009.

- IFRS 8, 'Operating segments' (effective for financial years beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements, of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group expects to apply IFRS 8 from 1 September 2009. This standard is unlikely to have a significant effect on the Group.

- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'. The amendment permits an entity to reclassify particular financial assets in some circumstances. The Group and Company will apply the IAS 39 (amendment) from 1 September 2009. It is not expected to have an impact on the Group or Company's financial statements.

There are also a number of minor amendments to the following standards, which are part of the IASB's annual improvements project published in May 2008. These amendments are subject to endorsement by the EU and they are unlikely to have any significant impact on the Group or Company's financial statements.

- IAS 8, 'Accounting Policies, changes in accounting estimates and errors'

- IAS 10, 'Events after the reporting period'

- IAS 18, 'Revenue'

- IAS 28, (amendment), 'Investments in associates'

- IAS 32, (amendment), 'Financial instruments: presentation' and IAS 1, Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation'

- IAS 34, 'Interim financial reporting'

- IAS 36, (amendment) 'Impairment of Assets'

- IFRS 7, 'Financial Instruments: Disclosures'

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

- IFRIC 13, 'Customer loyalty programmes'

- IAS 16, (amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7: 'Statement of cash flows')

- IAS 29, (amendment), 'Financial reporting in hyperinflationary economies'

- IAS 31, (amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7)

- IAS 38, (amendment), 'Intangible assets'

- IAS 40, (amendment), 'Investment property' (and consequential amendments to IAS 16)

Notes to the Financial Statements

continued

2 Accounting policies (continued)

- IAS 41, (amendment) 'Agriculture'
- IAS 20, (amendment) 'Accounting for government grants and disclosure of government assistance'
- IFRIC 15, 'Agreements for construction of real estates'

b Basis of consolidation

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

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

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

c Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Assets are de-recognised at the trade date of the disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. Unquoted investments are valued based on the latest available information notified to the Group by the Portfolio Manager. The net asset value reported by the Portfolio Manager may be unaudited and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as, in some cases, the notified net asset values are based upon estimates. The Directors have no reason to suppose that any such valuations are unreasonable.

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 Income Statement 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.

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. Premia on written options are recognised as income.

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 Income Statement and allocated to other capital reserves. On the basis of the Board's expected long term split of returns equally between capital gains and income, the Company charges 50% of operating expenses to capital.

f Taxation

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

Notes to the Financial Statements
continued

2 Accounting policies (continued)

f Taxation (continued)

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

Maltese income tax

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

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

g Foreign currency

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

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

h Cash and cash equivalents

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

i Bank borrowings

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

j Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business.

k Share issue costs

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

Notes to the Financial Statements

continued

3	**Investment income**	**2009 £'000**	2008 £'000
	Overseas dividends	**10,821**	11,873
	Interest income	**53**	38
	Stock dividends	**195**	216
		11,069	12,127

4	**Other income**	**2009 £'000**	2008 £'000
	Bank and other interest	**47**	224
	Option premium income	**1,853**	2,054
		1,900	2,278

5	**Management fees**	**2009 Revenue return £'000**	**2009 Capital return £'000**	**2009 Total £'000**	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
	Investment management fees	**1,005**	**1,005**	**2,010**	984	984	1,968
	Write back of VAT (relating to the predecessor company)	**(26)**	**(13)**	**(39)**	–	–	–
		979	**992**	**1,971**	984	984	1,968

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

VAT on management fees

In 2004 the Association of Investment Companies (the 'AIC'), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ('HMRC') to challenge whether Value Added Tax ('VAT') should be charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgement on the case in favour of the AIC. Since then, HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies.

Accordingly, VAT borne by the predecessor company (Henderson Far East Income Trust plc) on investment management fees invoiced in the period from 1 October 2000 to December 2006 has been written back in the year, in accordance with an agreement reached between the Manager and the Company. An amount of £39,000 has been recognised and received from the Liquidator of the predecessor company.

The Company has also received interest paid by HMRC on the amounts recovered. Therefore, £7,000 of interest on the VAT refunds has been included in 'Bank and other interest' in Note 4 of these financial statements.

Notes to the Financial Statements

continued

		2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
6	**Other expenses**						
	Directors' fees† (see the Directors' Remuneration Report on page 21)	**52**	**52**	**104**	59	51	110
	Auditors' remuneration (including £2,000 (2008: £11,000) relating to the subsidiary):						
	– statutory audit	**16**	**14**	**30**	34	17	51
	– interim accounts review	**2**	**2**	**4**	2	2	4
	– non-audit services	**2**	**2**	**4**	18	2	20
	Bank and custody charges	**63**	**62**	**125**	95	58	153
	Other expenses payable to the management company*	**6**	**5**	**11**	1	1	2
	Registrar's fees	**22**	**23**	**45**	9	9	18
	Printing and stationery	**13**	**13**	**26**	13	13	26
	Other expenses	**66**	**76**	**142**	94	72	166
		242	**249**	**491**	325	225	550

†Includes £nil (2008: £10,000) paid to the directors of the Maltese subsidiary.

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

		2009 £'000	2008 £'000
7	**Finance costs**		
	On bank loans and overdrafts payable: within one year	**50**	67
	Amount allocated to capital	**(25)**	(17)
	Total allocated to revenue	**25**	50

		2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
8	**Taxation**						
	The taxation charge for the period is comprised of the following:						
	Foreign withholding tax suffered	**860**	**–**	**860**	863	–	863
	Current tax expense	**(5)**	**–**	**(5)**	15	–	15
	Deferred tax	**–**	**–**	**–**	–	152	152
		855	**–**	**855**	878	152	1,030

Notes to the Financial Statements

continued

8 Taxation (continued)

The taxation on profit differs from the theoretical expense that would apply on the Company's profit before taxation using the applicable tax rate in Jersey of 0% (2008: 20%) as follows:

	2009 Revenue return £'000	**2009 Capital return £'000**	**2009 Total £'000**	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
Profit/(loss) before taxation	**11,723**	**(3,136)**	**8,587**	13,046	(8,497)	4,549
Theoretical taxation expense at nil (2008: 20%)	**–**	**–**	**–**	2,609	(1,699)	910
Tax effect of:						
– Jersey exempt tax relief	**–**	**–**	**–**	(2,609)	1,699	(910)
– Foreign withholding tax	**860**	**–**	**860**	863	–	863
– Maltese income tax	**(5)**	**–**	**(5)**	15	152	167
	855	**–**	**855**	878	152	1,030

9 Earnings per ordinary share

The earnings per ordinary share figure is based on the net gains for the year of £7,732,000 (2008: £3,519,000) and on 78,973,771 (2008: 77,622,621) being the weighted average number of ordinary shares in issue.

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

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.

	2009 £'000	2008 £'000
Net revenue profit	**10,868**	12,168
Net capital loss	**(3,136)**	(8,649)
Net total profit	**7,732**	3,519
Weighted average number of ordinary shares in issue during the year	**78,973,771**	77,622,621

Revenue earnings per ordinary share	**13.76p**	15.67p
Capital loss per ordinary share	**(3.97)p**	(11.14)p
Total earnings per ordinary share	**9.79p**	4.53p

Notes to the Financial Statements

continued

10	Dividends	Record Date	Pay Date	2009 £'000	2008 £'000
	Third interim dividend 2.75p for the year ended 2007	9 November 2007	30 November 2007	**–**	2,135
	First interim dividend 3.00p for the year ended 2008	8 February 2008	29 February 2008	**–**	2,329
	Second interim dividend 3.00p for the year ended 2008	9 May 2008	30 May 2008	**–**	2,329
	Third interim dividend 3.00p for the year ended 2008	8 August 2008	29 August 2008	**–**	2,329
	Fourth interim dividend 3.00p for the year ended 2008	7 November 2008	28 November 2008	**2,329**	–
	First interim dividend 3.00p for the year ended 2009	6 February 2009	27 February 2009	**2,329**	–
	Second interim dividend 3.00p for the year ended 2009	8 May 2009	29 May 2009	**2,385**	–
	Third interim dividend 3.20p for the year ended 2009	7 August 2009	28 August 2009	**2,650**	–
				9,693	9,122

The fourth interim dividend for the year ended 31 August 2009 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 £10,868,000 (2008: £12,168,000).

	2009 £'000
First interim dividend for 2009 – 3.00p	**2,329**
Second interim dividend for 2009 – 3.00p	**2,385**
Third interim dividend for 2009 – 3.20p	**2,650**
Fourth interim dividend for 2009 – 3.20p (payable 30 November 2009 based on 85,042,621 shares in issue at 4 November 2009)	**2,721**
	10,085

11 Investments held at fair value through profit or loss

a	Consolidated	£'000
	Cost at 31 August 2008	**197,307**
	Investment holding gains at 31 August 2008	**830**
	Valuation at 31 August 2008	**198,137**
	Movements in the period:	
	Purchases at cost	**109,767**
	Sales – proceeds	**(100,114)**
	– realised losses on sales	**(18,888)**
	Movement in investment holding gains	**17,855**
	Closing valuation at 31 August 2009	**206,757**

There are no unquoted investments included in the total investments (2008: Directors' fair valuation of £822,000).

Notes to the Financial Statements

continued

11 **Investments held at fair value through profit or loss** (continued)	Investments £'000	Subsidiary undertaking £'000	Total £'000
b Company			
Cost at 31 August 2008	**197,307**	**1**	**197,308**
Investment holding gains at 31 August 2008	**830**	**814**	**1,644**
Valuation at 31 August 2008	**198,137**	**815**	**198,952**
Movements in the period:			
Purchases at cost	**109,767**	**–**	**109,767**
Sales – proceeds	**(100,114)**	**–**	**(100,114)**
– realised losses on sales	**(18,888)**	**–**	**(18,888)**
Movement in investment holding gains	**17,855**	**(99)**	**17,756**
Closing valuation at 31 August 2009	**206,757**	**716**	**207,473**

Included in total investments are unquoted investments shown at the Directors' fair valuation of £716,000 (2008: £1,637,000).

	2009 £'000	2008 £'000
c Losses on investments held at fair value		
Realised (losses)/gains on sales of investments	**(18,888)**	1,457
Increase/(decrease) in investment holding gains	**17,855**	(9,043)
Net movement on foreign exchange	**(837)**	315
	(1,870)	(7,271)

d Transaction costs

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

The total costs were as follows:

	2009 £'000	2008 £'000
Purchases	**271**	392
Sales	**296**	407
	567	799

e Subsidiary undertaking

The Company has an investment in the issued share capital in its wholly owned limited liability subsidiary undertaking, Henderson Far East Income (Malta) Limited. This is a limited liability company, registered under the Companies Act, 1995, Cap.386 of the Laws of Malta and was incorporated on 14 December 2006. The investment in the subsidiary undertaking of £1,000 is stated at net asset value (see note 11 b). The subsidiary undertaking was placed in voluntary liquidation on 31 August 2008, and the liquidation is expected to be completed in 2009.

Notes to the Financial Statements

continued

12 Other receivables	Consolidated 2009 £'000	Consolidated 2008 £'000	Company 2009 £'000	Company 2008 £'000
Prepayments and accrued income	**2,169**	2,244	**2,169**	2,242
Amounts due from brokers	**4,162**	4,546	**4,162**	4,546
Amounts due from shares issued	**268**	–	**268**	–
Other receivables	**77**	234	**77**	121
Maltese income tax recoverable	**189**	376	**189**	376
	6,865	7,400	**6,865**	7,285

13 Other payables	Consolidated 2009 £'000	Consolidated 2008 £'000	Company 2009 £'000	Company 2008 £'000
a Other payables				
Amounts due to brokers	**35**	6,630	**35**	6,630
Taxation payable	**10**	579	**–**	–
Other payables	**465**	534	**465**	506
Amount due to subsidiary undertaking	**–**	–	**726**	1,304
	510	7,743	**1,226**	8,440

	Consolidated 2009 £'000	Consolidated 2008 £'000	Company 2009 £'000	Company 2008 £'000
b Bank overdrafts	**1,461**	3,554	**1,461**	3,554

14 Risk Management policies and procedures

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

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

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1 Market risk

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

14.1.1 Market price risk

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

Management of the risk

The Board of Directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Investment 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 2009 on its equity investments can be found on the Balance Sheet.

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 Australia, Taiwan, China, Hong Kong and Singapore, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the equity to an increase or decrease of 10% (2008: 10%) in the fair values of the Company's equities. 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.

	2009		2008	
	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	**(103)**	**103**	(99)	99
Capital return	**20,572**	**(20,572)**	19,715	(19,715)
Impact on total return after tax for the year and shareholders' funds	**20,469**	**(20,469)**	19,616	(19,616)

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk

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

Management of the risk

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

Foreign currency borrowing may be used to limit the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

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.

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

2008	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	1,079	1,940	–	46	122	3,570
Cash at bank and on deposit less short term overdrafts	226	3,450	–	(3,539)	71	3,067
Payables (due to brokers, accruals and other creditors)	–	–	–	(6,630)	–	–
Total foreign currency exposure on net monetary items	1,305	5,390	–	(10,123)	193	6,637
Investments at fair value through profit or loss that are equities	40,261	32,567	20,145	57,964	21,579	25,621
Total net foreign currency exposures	41,566	37,957	20,145	47,841	21,772	32,258

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

Foreign currency sensitivity

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

It assumes the following changes in exchange rates:
Sterling/Australian Dollar +/- 10% (2008: 10%). Sterling/Taiwanese Dollar +/- 10% (2008: 10%).
Sterling/Korean Won +/- 10% (2008: 10%). Sterling/Hong Kong Dollar +/- 10% (2008: 10%).
Sterling/Singapore Dollar +/- 10% (2008: 10%).

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

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

	2009 AUS$ £'000	2009 TW$ £'000	2009 KRW £'000	2009 HK$ £'000	2009 S$ £'000	2008 AUS$ £'000	2008 TW$ £'000	2008 KRW £'000	2008 HK$ £'000	2008 S$ £'000
Income statement – return after tax										
Revenue return	**156**	**128**	**40**	**261**	**181**	355	99	96	149	132
Capital return	**2,628**	**1,520**	**687**	**9,528**	**2,866**	4,449	3,600	1,331	6,407	2,385
Total return after tax for the year	**2,784**	**1,648**	**727**	**9,789**	**3,047**	4,804	3,699	1,427	6,556	2,517

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

	2009 AUS$ £'000	2009 TW$ £'000	2009 KRW £'000	2009 HK$ £'000	2009 S$ £'000	2008 AUS$ £'000	2008 TW$ £'000	2008 KRW £'000	2008 HK$ £'000	2008 S$ £'000
Income statement – return after tax										
Revenue return	**(128)**	**(105)**	**(12)**	**(196)**	**(148)**	(359)	(103)	(98)	(155)	(134)
Capital return	**(2,151)**	**(1,244)**	**(483)**	**(7,796)**	**(2,345)**	(3,640)	(2,945)	(1,089)	(5,242)	(1,951)
Total return after tax for the year	**(2,279)**	**(1,349)**	**(495)**	**(7,992)**	**(2,493)**	(3,999)	(3,048)	(1,187)	(5,397)	(2,085)

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

14.1.3 Interest rate risk

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

Management of the risk

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

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

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

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 31 August 2009 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 7.

The Company does not have any fixed interest rate exposure.

Interest receivable and finance costs are at the following rates:

– Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2008: same)
– Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan.

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

Interest rate sensitivity

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

	2009		2008	
	Increase in rate £'000	**Decrease in rate £'000**	Increase in rate £'000	Decrease in rate £'000
Income statement – profit after tax				
Revenue return	**30**	**(30)**	71	(71)
Capital return	**(7)**	**7**	(18)	18
Impact on total return after tax for the year and net assets	**23**	**(23)**	53	(53)

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.2 Liquidity risk

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

Management of the risk

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

The Board gives guidance to the Investment 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:

	2009 £'000	2008 £'000
Current liabilities – three months or less		
Bank overdraft	**1,461**	3,554
Amounts due to brokers and accruals	**510**	7,743
	1,971	11,297

There are no current liabilities more than one year.

14.3 Credit risk

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

Management of the risk

Credit risk is managed as follows:

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

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

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

Amounts due from brokers and accrued income of £6,307,000 have all been received at the date of printing this report and the Maltese tax due of £189,000 should be received within six months. £77,000 remains outstanding from the Liquidator of Henderson Far East Income Trust plc pending the finalisation of the liquidation.

Notes to the Financial Statements
continued

14 Risk Management policies and procedures (continued)

14.4 Fair values of financial assets and financial liabilities

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

14.5 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 (2008: 0.4% of total portfolio).

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 £216,957,000 (2008: £206,688,000).

The Board with the assistance of the Investment 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.

The Company is subject to an externally imposed capital requirement: under the multi currency facility, total borrowings were not to exceed 30% of net asset value and the net asset value was not to fall below £200,000,000. These were measured in accordance with the policies used in the annual financial statements.

This requirement is unchanged since last year and the Company has complied with it.

Notes to the Financial Statements

continued

15 Stated share capital

	Authorised	Issued and fully paid
At 31 August 2008		
Founder shares of no par value	2	–
Ordinary shares of no par value	Unlimited	77,622,621
Issued in year		5,735,000
At 31 August 2009		83,357,621

During the year the Company issued 5,735,000 shares for proceeds of £14,323,000 net of costs. Since the year end a further 1,685,000 shares have been issued for proceeds of £4,762,000.

16 Distributable reserve

	Consolidated and Company 2009 £'000	Consolidated and Company 2008 £'000
At 31 August	**180,471**	180,471

17 Other capital reserves

	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
a Consolidated			
At 1 September 2008	12,981	830	13,811
Foreign exchange loss	(837)	–	(837)
Movement in investment holding gains	–	17,855	17,855
Loss on investments	(18,888)	–	(18,888)
Costs charged to capital	(1,266)	–	(1,266)
At 31 August 2009	**(8,010)**	**18,685**	**10,675**

	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
b Company			
At 1 September 2008	12,438	1,644	14,082
Foreign exchange loss	(837)	–	(837)
Movement in investment holding gains	–	17,756	17,756
Loss on investments	(18,888)	–	(18,888)
Costs charged to capital	(1,266)	–	(1,266)
At 31 August 2009	**(8,553)**	**19,400**	**10,847**

Notes to the Financial Statements

continued

18 Net asset value per share

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

	Net asset value per share 2009 pence	**Net asset value attributable 2009 £'000**	Net asset value per share 2008 pence	Net asset value attributable 2008 £'000
Ordinary shares	**258.52**	**215,496**	261.69	203,134

The basic net asset value per ordinary share is based on 83,357,621 (2008: 77,622,621) ordinary shares, being the number of ordinary shares in issue.

19 Contingent liabilities

There were no contingent liabilities as at 31 August 2009 (2008: £nil).

20 Transactions with the Manager

Under the terms of an agreement dated 13 November 2006 as amended, the Company has appointed wholly owned subsidiary companies of Henderson Global Investors (Holdings) 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 2009 was £2,010,000 (31 August 2008: £1,968,000) of which £332,000 was outstanding at 31 August 2009 (2008: £342,000).

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 2009 amounted to £11,000 (31 August 2008: £2,000), of which £3,000 was outstanding at 31 August 2009 (2008: £nil).

Notice of Meeting

Notice is hereby given that the third Annual General Meeting of Henderson Far East Income Limited will be held at Liberté House, 19-23 La Motte Street, St. Helier, Jersey, JE2 4SY on Friday 11 December 2009 at 12 noon for the following purposes:

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

1 To receive the Report of the Directors and financial statements for the year ended 31 August 2009, together with the auditors' report thereon.

2 To approve the Directors' Remuneration Report.

3 To re-elect Mr Richard Povey as a Director.

4 To re-elect Mr John Russell as a Director.

5 To re-appoint Ernst & Young LLP as independent auditors and to authorise the Directors to agree their remuneration.

Special Business

As special business, to consider the following Resolutions, which will be proposed as Special Resolutions:

6 THAT, the Company be and is hereby generally and unconditionally authorised to make market purchases on a stock exchange of, and to cancel, or (subject to Resolution 7) hold as treasury shares, Ordinary shares of no par value in the capital of the Company ('shares'), provided that:

(a) the maximum number of shares hereby authorised to be purchased is 14.99 per cent. of the issued share capital of the Company as at the date of the passing of this Resolution;

(b) the maximum price which may be paid for a share shall not be more than the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for a share taken from the Official List for the five business days immediately preceding the day on which the share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;

(c) the minimum price which may be paid for a share is one penny;

(d) the Company be authorised to purchase shares out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 18 months from the passing of this Resolution, unless such authority is renewed prior to such time.

7 THAT, the Company be and is hereby generally and unconditionally authorised to hold up to 10% of the Company's own shares (whether purchased pursuant to Resolution 6 or otherwise) as treasury shares pursuant and subject to Articles 58A and 58B of the Companies (Jersey) Law 1991, as amended.

By order of the Board

BNP Paribas Securities Services Fund
Administration Limited
Secretary

Registered Office:
Liberté House
19-23 La Motte Street
St. Helier
Jersey JE2 4SY
6 November 2009

Notes in respect of the Annual General Meeting

(i) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

(ii) Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to The Registrars, Equiniti (Jersey) Limited, 11-12 Esplanade, St. Helier, Jersey, JE4 8PH, so as to arrive not less than forty eight hours before the time fixed for the meeting.

(iii) In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.

(iv) No Director has a service contract with the Company.

(v) The Register of Directors' Interests is kept by the Company and available for inspection at the registered office.

(vi) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (ID 7RA01) by the latest time for receipt of proxy appointments specified in note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

Warning to Shareholders

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

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

If you are in any doubt about the veracity of an unsolicited telephone call, please call either the Company Secretary or the Registrar at the numbers provided on page 49.

Investor Information

Financial calendar

Financial period end	31 August 2009
Annual General Meeting	11 December 2009
Shareholder Event (see below)	15 December 2009
4th Interim dividend 2009	30 November 2009
Ex dividend date	4 November 2009
Record date	6 November 2009
1st Interim dividend 2010	26 February 2010
2nd Interim dividend 2010	28 May 2010
3rd Interim dividend 2010	31 August 2010

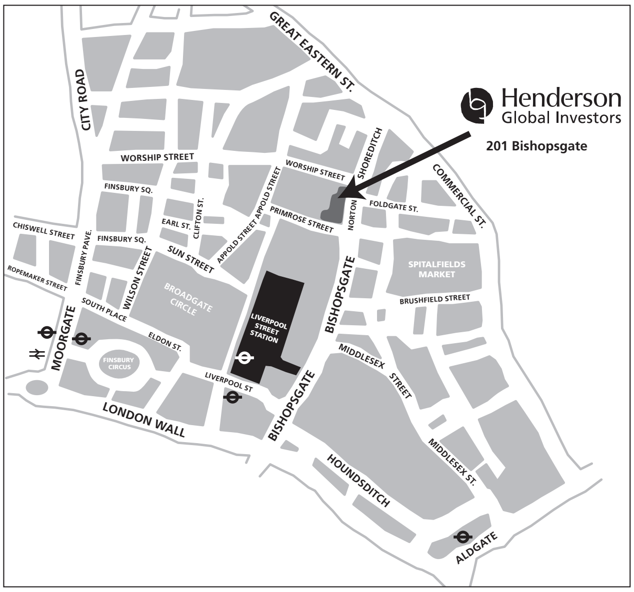
Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services). Mandate forms for this purpose are available on request from the Company's Registrars.

Shareholder Event

All General Meetings of the Company will be held in Jersey. The Board recognises that many shareholders are unable to travel to Jersey, but would like to meet a member of the Board and hear from the Portfolio Manager on a regular basis, as in the case of the previous company, Henderson Far East Income Trust plc.

Henderson has therefore arranged a Shareholder Event to be held at Henderson's offices at 201 Bishopsgate, London EC2M 3AE at 3pm on Tuesday 15 December 2009. The event will provide the opportunity for the Portfolio Manager, Michael Kerley, to give a presentation on the investment strategy and performance. The event will include light refreshments.

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



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

ISIN/SEDOL number

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

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

New Zealand listing

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

Website

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

Shareholder information

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

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

Nominee share code

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

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

Investor Information

continued

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

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

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

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

Registered Office
Liberté House
19-23 La Motte Street
St. Helier
Jersey JE2 4SY
Telephone: 01534 709108

Registered Number
Registered in Jersey, number 95064

Registered Auditor
Ernst & Young LLP
Liberation House
Castle Street
St. Helier
Jersey JE1 1EY

Registrar
Equiniti (Jersey) Limited
11-12 Esplanade
St. Helier
Jersey JE4 8PH
Telephone: 0870 240 7974

New Zealand Registrars
Computershare Investor Services Limited
PO Box 92119
Auckland 1142
New Zealand
Telephone: (0064) 09 488 8777

UK Stockbrokers
Cenkos Securities Limited
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London EC2R 7AS

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

The Company is a member of

aic
The Association of
Investment Companies

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Henderson Global Investors

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