Henderson Far East Income Limited

Report and Accounts for the year ended 31 August 2008

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. Shareholders hold the same number of shares in the new company as in the previous company. The Board is wholly independent from the management company.

Contents

Financial Highlights

	31 August 2008	31 August 2007	% change
Net asset value			
ordinary share	**261.69p**	268.91p	-2.7
Market price			
ordinary share	**238.25p**	257.75p	-7.6
Revenue earnings			
ordinary share	**15.67p**	12.98p	+20.7

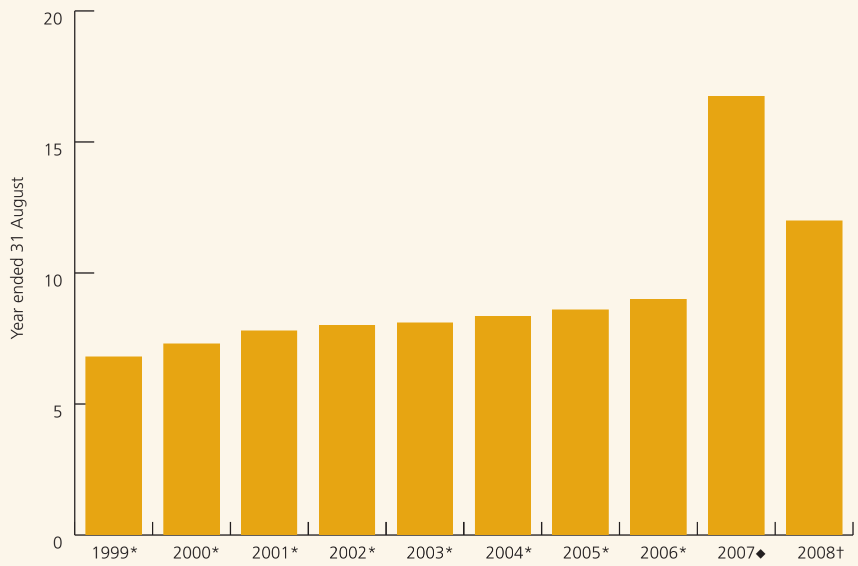
Performance

(12 months to 31 August)

	2008
Net asset value (total return)(1)	**1.8%**
Share price (total return)(2)	**-3.3%**
FTSE All-World Asia Pacific ex Japan £ (total return)(2)	**-5.3%**

Sources: (1)AIC (2)Datastream

Dividend History



Dividends per ordinary share paid in the year (pence)

*Dividends declared by Henderson Far East Income 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, 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.

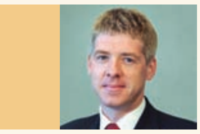
Richard Povey Richard has occupied a number of senior positions in Asia with the Swire Pacific Group, most recently being managing director of the Swire Pacific trading operations in Taiwan. He currently sits on the board of the Jersey Competition Regulatory Authority and Opsec Security Group plc. He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

The last twelve months have been turbulent and volatile for all global stock markets with consequential falls in stock market values. Against this background, I am pleased to report that the net asset value total return on your shares over the year under review was positive and dividends have continued to grow. Your Board remains confident that it will again pay a dividend of not less than 12.0p for the current financial year.

Performance

I am pleased to report that revenues continued to be strong with net revenue after taxation of £12,168,000 and revenue earnings per share of 15.67p compared to 12.98p in the previous period. In the year under review, the net asset value total return was 1.8% whilst the share price total return was -3.3%, reflecting a widening of the discount to net asset value. This compares favourably with the FTSE All-World Asia Pacific ex Japan Index which returned -5.3% on a total return basis.

Dividends

A fourth interim dividend of 3.0p has been declared making a total of 12.0p for the year. This represents a year on year increase of 9.1%. Although market conditions are challenging Asian companies generally have strong cash flows and therefore the ability to raise payout ratios. Your Board remains confident that it will again pay a dividend of not less than 12.0p for the current financial year.

Gearing

Your Board has taken a cautious approach to gearing in the past year and not used its powers to gear the Company. This approach has been rewarded; however, going forward your Board will continue to monitor the situation and will introduce and actively manage gearing if we believe that it will enhance returns for shareholders. Gearing is only considered in capital terms and is not required for income generation purposes.

Outlook

We shall be maintaining the cautious stance that we have adopted over the last year as we continue to believe that Asian stock markets will be affected by the global economic crisis. However, the exceptional volatility in markets is presenting attractive opportunities and we shall be adding selectively to the portfolio where we feel valuations are compelling. In particular our focus will remain on domestic Asia, where we see the prospect of sustained growth, and away from sectors and companies that are exposed to the global cycle. Our long term view of the Asian markets remains extremely positive.

Savings

Your Company aims to be an investment of choice for those looking to build an income portfolio. Investments can be made cost effectively through Itshenderson, our Manager's investment service for private investors.

Annual General Meeting

The Annual General Meeting will be held at noon on Tuesday 9 December 2008 at Liberte 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 Thursday 11 December 2008 at Henderson's new offices at 201 Bishopsgate, London EC2 where the Manager will make an investment presentation and I shall be happy to answer questions. If you would like to attend please complete and return the invitation enclosed with this report.

John Russell
Chairman
10 November 2008

Investment Portfolio

as at 31 August 2008

Company	Country	Sector	Value £'000	Total net assets %
1. Santos	Australia	Oil & Gas	7,271	3.6
Santos explores for and produces natural gas and crude oil mainly in Australia but also in the US, Indonesia and Papua New Guinea. The announcement of major Liquified Natural Gas projects will monetize the company's huge gas reserves.				
2. High Tech Computer†	Taiwan	Technology	6,633	3.3
HTC is the largest manufacturer of Microsoft based handheld communications products. Its technologically advanced models compete directly against Apple and Blackberry for both the retail and corporate smart phone market.				
3. DBS Group	Singapore	Financials	6,483	3.2
DBS provides a variety of financial services. The bank has benefited in recent times from strong loan growth in its core markets of Singapore and Hong Kong and has excess liquidity and a strong capital base which will insulate it from the problems in the global financial sector.				
4. Hang Seng Bank	Hong Kong	Financials	6,424	3.2
One of the largest banks in Hong Kong providing a full array of financial services domestically and with a growing business in mainland China.				
5. Telstra Corporation	Australia	Telecommunications	6,271	3.1
Telstra is a full service domestic and international telecoms provider. The company has successfully differentiated its product from the competition and is enjoying a growing market share, rising margins and sustainable cash flow.				
6. Bank of China	China	Financials	6,073	3.0
One of China's big four policy banks offering a full range of financial services to retail and corporate customers. Despite strong loan growth in recent years China remains 'under banked' providing plenty of growth opportunities.				
7. Petrochina	China	Oil & Gas	6,020	3.0
Petrochina explores, develops and produces crude oil and natural gas in onshore China. In addition it has a large downstream business in refining and petrochemicals as well as a significant distribution presence.				
8. Philippine Long Distance Telephone	Philippines	Telecommunications	6,002	2.9
The largest telecoms operator in the Philippines with the dominant market share in mobile and fixed line services. The expansion of call centre businesses in the Philippines has assisted its growth.				
9. Taiwan Mobile	Taiwan	Telecommunications	5,868	2.9
Taiwan Mobile is the largest mobile telecoms provider in Taiwan. The market is fairly mature and with revenues resilient and capital expenditure falling the company is generating very strong cash flow. As a result its dividend yield is compelling.				
10. Woolworths	Australia	Consumer Services	5,679	2.8
Woolworths operates supermarkets and discount department stores throughout Australia. Its successful branding and placement strategy has resulted in above industry levels of profitability and growing cash flow generation.				
Top Ten Investments			**62,724**	**31.0**

† value adjusted for call options written.

Investment Portfolio

continued

Company	Country	Sector	Value £'000	Total net assets %
11. BOC Hong Kong Holdings	Hong Kong	Financials	5,648	2.8
12. Far Eastone Telecommunications	Taiwan	Telecommunications	5,602	2.8
13. QBE Insurance Group	Australia	Financials	5,521	2.7
14. Singapore Press	Singapore	Consumer Services	5,351	2.6
15. Delta Electronics	Taiwan	Technology	5,313	2.6
16. Keppel Corp	Singapore	Industrials	5,044	2.5
17. Sino Land	Hong Kong	Financials	4,925	2.4
18. Kasikornbank	Thailand	Financials	4,866	2.4
19. China Mobile	China	Telecommunications	4,815	2.4
20. Singapore Technologies Engineering	Singapore	Industrials	4,701	2.3
Top Twenty Investments			**114,510**	**56.5**

Company	Country	Sector	Value £'000	Total net assets %
21. Television Broadcasts	Hong Kong	Consumer Services	4,671	2.3
22. Henderson Land Development	Hong Kong	Financials	4,662	2.3
23. KT Corporation	South Korea	Telecommunications	4,557	2.2
24. Kookmin Bank	South Korea	Financials	4,524	2.2
25. Tenaga Nasional	Malaysia	Utilities	4,477	2.2
26. Korea Exchange Bank	South Korea	Financials	4,382	2.2
27. Spark Infrastructure Fund	Australia	Financials	4,281	2.1
28. Macquarie Airports†	Australia	Industrials	4,127	2.0
29. Krung Thai Bank	Thailand	Financials	3,989	2.0
30. Sincere Navigation	Taiwan	Industrials	3,818	1.9
Top Thirty Investments			**157,998**	**77.9**

† value adjusted for call options written.

Investment Portfolio
continued

Company	Country	Sector	Value £'000	Total net assets %
31. Transurban Group	Australia	Industrials	3,760	1.9
32. SK Telecom	South Korea	Telecommunications	3,579	1.8
33. Bumiputra-Commerce	Malaysia	Financials	3,511	1.7
34. Qantas Airways	Australia	Consumer Services	3,351	1.6
35. Zhejiang Expressway	China	Industrials	3,332	1.6
36. Kowloon Development	Hong Kong	Financials	3,293	1.6
37. Hung Poo Real Estate Development	Taiwan	Financials	3,205	1.6
38. NWS Holdings	Hong Kong	Industrials	3,123	1.5
39. Macquarie Korea Infrastructure Fund	South Korea	Financials	3,103	1.5
40. Midland Holdings	Hong Kong	Financials	3,091	1.5
Top Forty Investments			**191,346**	**94.2**

Company	Country	Sector	Value £'000	Total net assets %
41. IOI Properties	Malaysia	Financials	2,032	1.0
42. Farglory Land Development	Taiwan	Financials	1,922	0.9
43. Nine Dragons Paper Holdings	China	Basic Materials	1,888	0.9
44. Regal Hotels#	Hong Kong	Consumer Services	822	0.4
45. China Steel	Taiwan	Basic Materials	127	0.1
Total Investments			**198,137**	**97.5**
Current net assets			4,997	2.5
Total net assets			**203,134**	**100.0**

#Unquoted investment.

Manager's Report

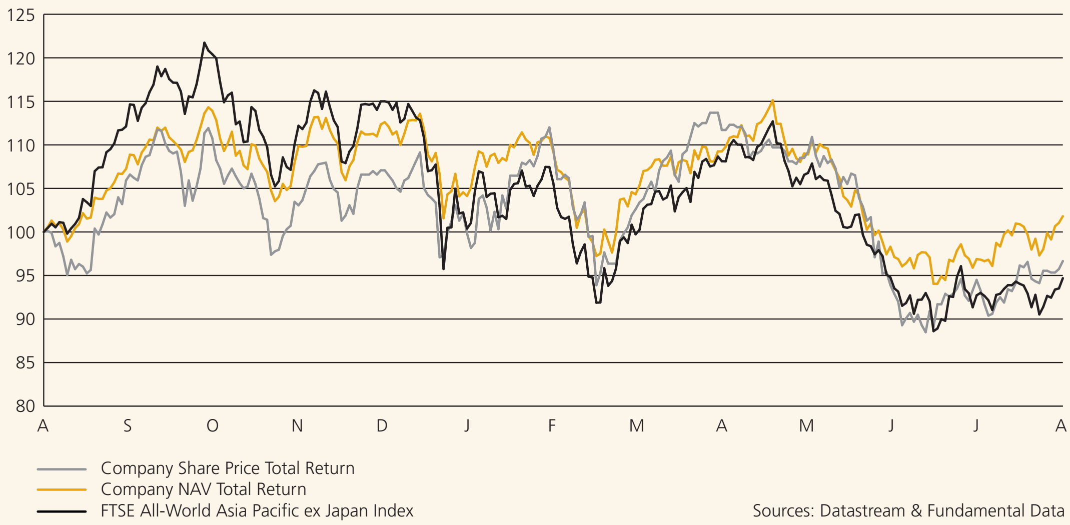
Michael Kerley

The financial year ended 31 August 2008 proved to be a testing time for investors in Asian equity markets. The region, as measured by the FTSE All-World Asia Pacific ex Japan Index returned -5.3% in sterling terms, posting its first negative return in five years. Pleasingly, your company posted a positive NAV total return of 1.8% over the same period. Unfortunately this was not recognised in the share price total return which fell 3.3% as the discount to NAV widened over the period.

The modest headline number masks a period of extreme volatility, with markets rallying by 40% between the lows in August 2007 and the end of October only to give it all back by June this year. Markets have continued to be under pressure since then. Figure 1 charts the rollercoaster ride over the reporting period.

The global economic environment has been, and will continue to be, challenging for Asian equities. The distress in the global financial sector, caused initially by a US housing downturn and then compounded by the financial engineering and leverage within the banking sector, is now having a material impact on the outlook for the US economy. Despite the Federal Reserve cutting interest rates aggressively, the availability of credit has fallen and its cost has risen. Banks are now taking a much more prudent approach to lending as they try to repair their balance sheets which have been ravaged by credit market write-downs. The nationalisation and bail out of well known financial institutions appears to have brought some normality to the credit markets, but the recent IMF intervention in emerging market economies suggests that significant stresses still remain.

Fig. 1 Company and Index returns (Sterling adjusted) – year to 31 August 2008



Sources: Datastream & Fundamental Data

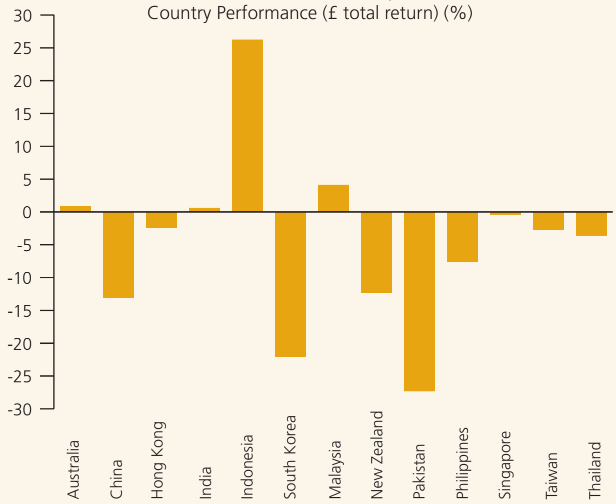
Manager's Report
continued

Energy and commodity prices remained on an upward trend throughout most of the period despite slowing global growth. Tight supply, strong demand from emerging markets and a large speculative element pushed the oil price above US$140 a barrel in July this year and only in recent months has it dropped back below US$100. Although inflationary pressures look to have peaked, the absolute numbers are quite high and due to the lag effect are likely to remain so for the rest of the year.

In this deteriorating global environment the performance of the Asian economies has however been encouraging. Exports and consumer spending, although slowing, are holding up quite well. Inflation has been an issue, particularly in India, China and Singapore, due mainly to the rising cost of imported oil but looks to have peaked in the short term. Although rising costs have eaten into margins in the region, corporate earnings have so far proved to be fairly resilient. Having said that analysts are still too optimistic about growth for the rest of this year and into next and hence earnings downgrades should be anticipated in the months to come. The prospects for dividend growth, however, look more resilient owing to the high levels of cash flow generation in the region and the opportunity for increased payout ratios.

The best performing markets over the period were Indonesia, Malaysia, Australia and India, all posting modest positive returns. The three former benefited from being net exporters of oil and commodities and saw significant currency appreciation which bolstered their sterling returns. The returns in India are a little more difficult to explain as the country is a large oil importer, has an overvalued market and has suffered some of the highest levels of inflation seen in the region. Having said that the market is off over 30% from its highs and its one year performance is a reflection of a significant rally in the third quarter of 2007 rather than its performance subsequently. Some of the worst performing markets were South Korea and Thailand, which both suffered political turmoil over the period. The Korean election which held such hope for reform, has so far proved to be a bit of a damp squib while in Thailand the election of a party aligned to disgraced ex prime minister Thaksin Shinawatra has led to a spate of social unrest. The country returns are shown in Figure 2 opposite.

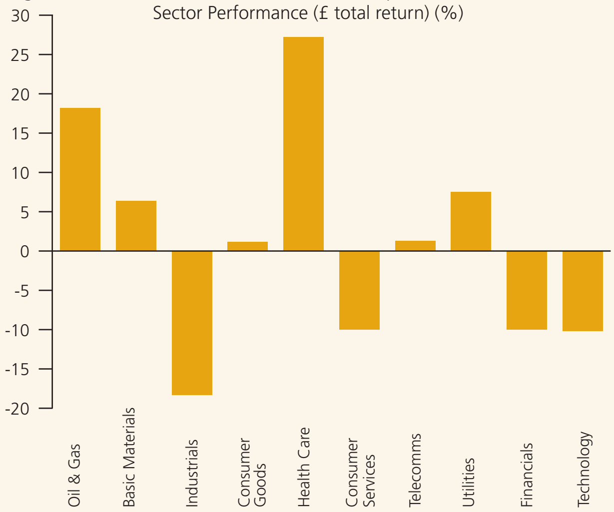
Fig. 2 FTSE All-World Asia Pacific ex Japan Index – Country Performance (£ total return) (%)



Source: Factset

The sector returns were more predictable through the year with oil & gas, materials, health care and utilities outperforming and industrials, financials and technology underperforming; as illustrated in Figure 3 below.

Fig. 3 FTSE All-World Asia Pacific ex Japan Index – Sector Performance (£ total return) (%)



Source: Factset

Throughout the period we have continued to generate additional revenue for the Company by the use of alternative strategies. We have reduced our withholding tax burden by the use of structured products and increased revenue by selling call options against stocks we own. This strategy has been used sparingly but has given us more flexibility in portfolio construction and allowed us to build up a revenue reserve which will help smooth dividend distributions going

Manager's Report
continued

forward. Due to the current market conditions the Company has made a conscious decision to mitigate counterparty risk and therefore currently has zero exposure to structured products.

In the year ended August 2008, the Company has chosen not to gear the portfolio. With strong income from the shares we own, together with supplementary revenue from alternative strategies, we do not need to lever the portfolio to cover the dividend distribution. We believe that our shareholders like the defensive nature of income and hence we will only gear the portfolio when we have a positive view on the markets.

Our strategy has been, and will continue to be, focused on domestic sectors and away from export orientated areas. For this reason, we have very little exposure to technology, energy or materials as we find it difficult to forecast cash flow generation in these areas. Our favoured sectors are financials and telecommunications which together account for 60% of the portfolio. In the current environment it may seem strange to have such a high weighting in the financial sector but we believe that the sell down in Asian financials is due to sentiment rather than deteriorating fundamentals. Asian banks have limited exposure to sub prime, have excess liquidity and are not likely to have the same exposure to falling property prices as their Western peers. In our opinion, the current price levels offer exposure to one of the cornerstones of the Asian growth story at compelling valuations.

From a country perspective, we favour Hong Kong, Singapore and Taiwan as we believe these markets provide the best stock picking opportunities. In the last month we have significantly increased our exposure to China, for the first time in over a year. After falling considerably from its recent high point, the market now offers some compelling valuations. We still have no investments in India as we think that the market looks expensive relative to the rest of the region with economic fundamentals which are less compelling than some of its peers.

Although the epicentre of the current turmoil lies outside the region, its effects have been all encompassing. The forced de-leveraging of the financial sector has led to significant moves in both share prices and currencies and this could well continue while this process takes its course.

We remain confident that Asia can weather the storm better than most other regions. The slowdown in global growth will impact the export sector but Asian governments are well placed to offset this decline through domestic spending.

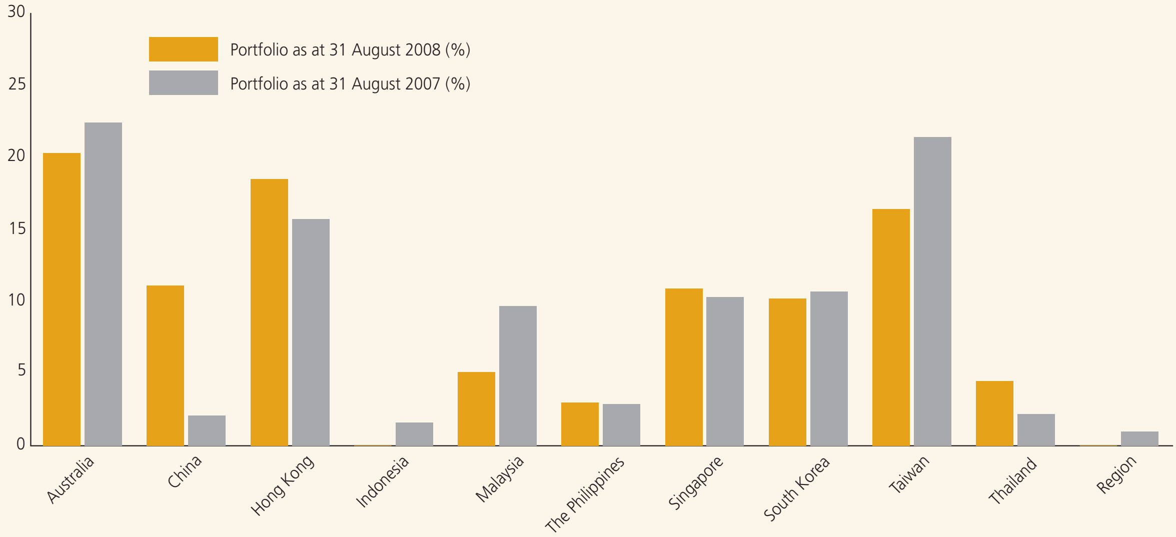
The Asian corporate sector on the whole generates significant free cash flow and is lowly geared, which gives us confidence that the yield available in the region is sustainable.

We remain positive on the medium to long term fundamentals for the region but are aware that in the current environment it may take some time for these to be realised. We expect markets to be volatile in the short term while investors digest the fall out from the Western financial meltdown and its impact on global growth, but remain vigilant and will look to add stocks to the portfolio as opportunities arise.

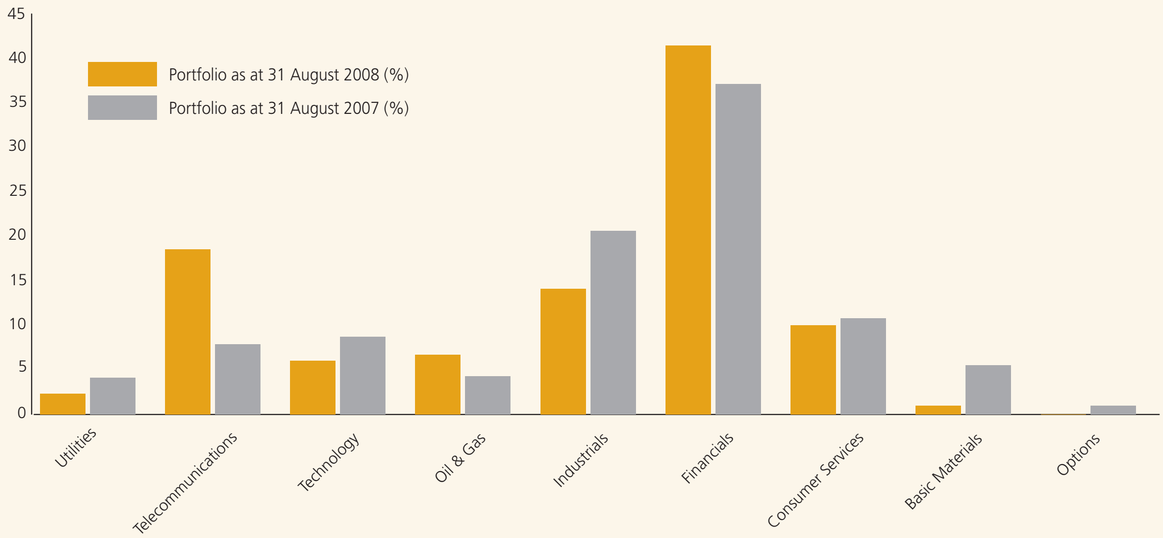
Michael Kerley
Portfolio Manager
3 November 2008

Manager's Report
continued

Geographical Analysis



Sector Analysis



Report of the Directors

The Directors present the audited accounts of the Group and their report for the year ended 31 August 2008. 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 will complete in 2009. The Company commenced trading on the London and New Zealand Stock Exchanges on 18 December 2006.

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').

Individual Savings Accounts ('ISAs')

With effect from 6 April 2008:

- the annual ISA investment allowance has been increased to £7,200; and
- all existing PEP accounts have automatically become Stocks and Shares ISAs and are subject to ISA rules and regulations.

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

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 August 2008 and covers:

a) Investment objective and policy;
b) Performance for the year;
c) Dividends;
d) Performance measurement and key performance indicators;
e) Management, administration and custody arrangements;
f) Related party transactions;
g) Continued appointment of the Manager;
h) Principal risks and uncertainties;
i) Bank facilities and gearing;
j) Share capital; and
k) Future developments.

A review of the investment activities for the year ended 31 August 2008 and the outlook for the coming financial year are given in the Manager's Report on pages 7 to 10.

a) 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. At the year end the Group had borrowings of £3.55 million and held cash of £8.89 million which meant the Company was ungeared.

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. In the year, the Company paid dividends totalling 9.00p per share and has declared a further dividend of 3.00p per share which is payable on 28 November 2008. The Company holds stocks in nine countries across Asia, and no single country represents more than 20.3% of the portfolio. Investments have not yet been made in the markets of India, Pakistan or Japan.

Report of the Directors

continued

b) Performance for the year

Total net assets at 31 August 2008 amounted to £203,134,000 and the net asset value per ordinary share was 261.69p.

At 31 August 2008 there were 45 (2007: 51) separate investments, as detailed in the Investment Portfolio and the Manager's Report on pages 7 to 10.

Group net revenue after taxation for the year was £12,168,000 (2007: £10,076,000).

c) 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 three interim dividends each of 3.00p per share. A fourth interim dividend of 3.00p per share will be paid on 28 November 2008, to shareholders on the register of members on 7 November 2008. The shares will be quoted ex-dividend on 5 November 2008.

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.

Administration services and the services of the Company Secretary are provided to the Company by BNP Paribas Fund Services Jersey Limited. Global Custodian services are provided by JPMorgan Chase Bank N.A.

f) Related party transactions

The contracts with Henderson and BNP are the only related party transactions currently in place. 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) Continued appointment of the Manager

The Board reviews the performance of the investment manager (Manager) at each Board meeting. In the opinion of the Directors the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive

Report of the Directors
continued

investment management resources and wide experience in managing and administering investment companies.

h) 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 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 35 to 42.

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.

Corporate Governance and shareholder relations
Details of the Company's compliance with corporate governance best practice, including information on shareholder relations, are set out in the Corporate Governance Statement on pages 17 to 20.

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, BNP Paribas Fund Services Jersey Limited sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Fund Services UK Limited. 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 the Corporate Governance Statement on page 20.

Financial
The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in Note 14 on pages 35 to 42. Additional disclosures are provided this year for the first time in accordance with IFRS 7: Financial Instruments: Disclosures.

i) Bank facilities and gearing
At 31 August 2008 the Group had a short term overdraft of £3.55 million. At 31 August 2008, the ratio of borrowings under the facilities to gross assets was 1.72%.

j) Share capital
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 and end of the year was 77,622,621.

k) Future developments
While the future performance of the Company is dependent, to a large degree, on the performance of international

Report of the Directors
continued

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 7 to 10).

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. All the Directors were elected at the AGM held on 11 December 2007. The Articles also provide that one third of the Directors retire by rotation each year. Mr Mashiter and Mr Meredith Hardy 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.

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

	Ordinary Shares of no par value	
	31 August 2008	1 September 2007
John Russell (Chairman)	5,000	5,000
David Mashiter	5,000	–
Simon Meredith Hardy	15,000	15,000
Richard Povey	5,000	–
Christopher Spencer	5,000	–

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

No Director has a service contract with the Company.

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' 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.

Substantial Share Interests

Shareholder	% of voting rights
Legal & General Investment Management	4.48

Declarations of notifiable interests in the issued share capital of the Company, at 28 October 2008, are set out above.

In addition, the Board is aware that, at 28 October 2008, 6.99% of the issued share capital was held on behalf of participants in the Itshenderson share schemes and 2.97% on behalf of participants in other Henderson ISA schemes. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. In accordance with the revised terms and conditions of Itshenderson, issued by Henderson recently, Henderson has stated that it will instruct the nominee company to exercise the voting rights of any shares held through Itshenderson that have not been exercised by the individual participants in Itshenderson. 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.

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.

Report of the Directors

continued

The AGM will be held in Jersey on 9 December 2008 at 12 noon. The Notice of Meeting is set out on page 45.

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 11 December 2007 the Directors were granted authority to repurchase 11,635,630 Ordinary shares for cancellation. This authority will expire at the forthcoming AGM. In Resolution 6, a Special Resolution, the Board is seeking authority to purchase up to a maximum of 11,635,630 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 2009 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 will only be issued at a premium to the prevailing net asset value per Ordinary share and, therefore, will not be disadvantageous to existing shareholders. Any future issues of Ordinary shares will be carried out in accordance with the Listing Rules. During the period since launch, no new Ordinary shares have been issued.

Corporate Governance

A statement on Corporate Governance is on pages 17 to 20.

Creditor Payment Policy

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.

Going Concern

After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

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.

On behalf of the Board

Director
3 November 2008

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) this Annual Report includes a fair review of the development and performance of the business and the position 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
3 November 2008

Corporate Governance

Background

The Board is accountable to shareholders for the governance of the Company's affairs. The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the revised Combined Code (the 'Code'). The Financial Reporting Council (the 'FRC') confirmed in February 2007 that it remained the view of the FRC that by following the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'), boards of investment companies should fully meet their obligations in relation to the Combined Code and the Listing Rules.

The Directors considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Henderson Far East Income Limited.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide the most appropriate information to shareholders.

There is no standard code of corporate governance in Jersey, where the Company is incorporated.

Application of the AIC Code's Principles and Statement of Compliance

The Board attaches importance to the matters set out in both the Code and the AIC Code and observes the relevant Main and Supporting Principles. It should be noted that, as an investment company, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

The Directors believe that during the period under review they have complied with the provisions of the Code, insofar as they apply to the Company's business, and with the provisions of the AIC 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 the chief executive

Since all the Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Executive directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the 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 determined that there is no requirement for an internal audit function. The Directors review annually whether a function equivalent to an internal audit is needed and it will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

Board independence and composition

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

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 investment manager takes decisions as to the purchase and sale of individual

Corporate Governance
continued

investments. The investment manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the investment 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.

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 3	Management Engagement Committee 1	Nominations Committee 1
John Russell	6	3	1	1
David Mashiter	6	3	1	1
Simon Meredith Hardy	6	3	1	1
Richard Povey	6	3	1	1
Christopher Spencer	6	3	1	1

Directors' training

When a new Director is appointed, he or she will be offered a directors' introductory programme to be held by the investment 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' appointment

In accordance with the Company's Articles of Association, all Directors stand for election at the first AGM following their appointment, and every Director is to stand for re-election at intervals of not more than three years.

Board Committees

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

Audit Committee

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

- to review and monitor the internal financial control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half year and annual financial statements 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.

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.

Corporate Governance
continued

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.

Performance Evaluation
The performance of the Company is considered in detail at each Board meeting. The Chairman reviews each individual Directors' 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 considers that, in view of its non-executive nature, it is not appropriate for the Directors to be appointed for a specified term of more than three years as recommended by the Combined Code.

Directors' remuneration
The Board as a whole will consider Directors' remuneration and no separate remuneration committee has been appointed. As the Company is an investment company and all its Directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. The Directors' fees are detailed in the Directors' Remuneration Report on page 21.

Relations with shareholders and nominee code
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily calculation and publication at the London and New Zealand Stock Exchanges of the net asset value of the Company's Ordinary shares and a monthly fact sheet.

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

The Notice of the AGM on pages 45 and 46 sets out the business of the meeting and the special resolutions are explained more fully in the Report of the Directors on pages 11 to 15. Separate resolutions are proposed for each substantive issue.

A summary of the proxy votes received on the resolutions proposed will be displayed at the meeting and will also be displayed on the Company's website.

It is the intention of the Board that the Annual Report and Notice of AGM be issued to shareholders so as to provide at least twenty working days' notice of the meeting. Shareholders wishing to lodge questions in advance of the meeting and specifically related to the resolutions proposed are invited to do so by writing to the Company Secretary at the address given on page 48.

Where shares are held in nominee companies, the Company undertakes to:

- provide to those nominee operators, who have indicated in advance a wish to receive them, copies of shareholder communications to distribute to their customers;
- encourage nominee operators to advise investors that they are able to attend general meetings and to speak at meetings when invited to do so by the Chairman.

Investors in the Itshenderson plans (formerly the Henderson Investment Trust Share Plan and the Henderson PEP and ISA) receive all shareholder communications. A voting instruction form is also provided to facilitate voting at general meetings of the Company.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. It is recognised, however, that few shareholders are able to travel to Jersey to attend the formal meeting, and as such a shareholder event will be held in London on 11 December 2008, two days after the AGM. Full details are set out on page 47. This will give shareholders the opportunity to meet the Chairman and to address questions to the Portfolio Manager, who as the representative of the Manager, will make a presentation to shareholders.

Corporate Governance

continued

Accountability and audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 16. The Independent Auditors' Report is set out on page 22. The Board has delegated contractually to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day company secretarial, administration requirements and accounting services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of 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 reports regularly from the investment manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends gatherings of all the chairmen of the investment trusts and investment companies managed by the investment manager, which is a forum to discuss issues of common interest, and he reports back to the Board.

The investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the investment manager's compliance and business risk department on an ongoing basis.

Continued appointment of the investment manager

The Board reviews the performance of the investment manager. In the opinion of the Directors, the continued appointment of the current investment manager on the terms agreed is in the interests of the Company's shareholders as a whole. The investment manager has extensive investment management resources and wide experience in managing and administering investment companies.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. This 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 was fully in place throughout the year ended 31 August 2008 and up to the date of the approval of this report. In addition the Board conducted its annual review of the effectiveness of the Company's system of internal control, covering all the controls, including financial, operational and compliance controls and risk management. This review took into account points raised during the period in the Board's regular appraisal of specific areas of risk.

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the Directors will review from time to time whether a function equivalent to an internal audit is needed.

The Board received during the period from the investment manager a report on its internal controls (an AAF/0106 Report) which includes a report from the investment manager's auditors on the controls and procedures in operation. The Board also received a similar report from the Administrator. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the 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 were analysed and recorded in a risk map. The Board receives each quarter from the investment 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 investment manager, and which reports the details of any known internal control failures.

Statement of compliance

The Directors consider that the Company has complied throughout the year ended 31 August 2008 with all the relevant provisions set out in the Code except as described above. The Company is compliant with the AIC Code.

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.

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.

Statement of the Company's policy on Directors' remuneration

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. 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 £20,000; the other Directors £17,500.

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

Directors' fees and expenses

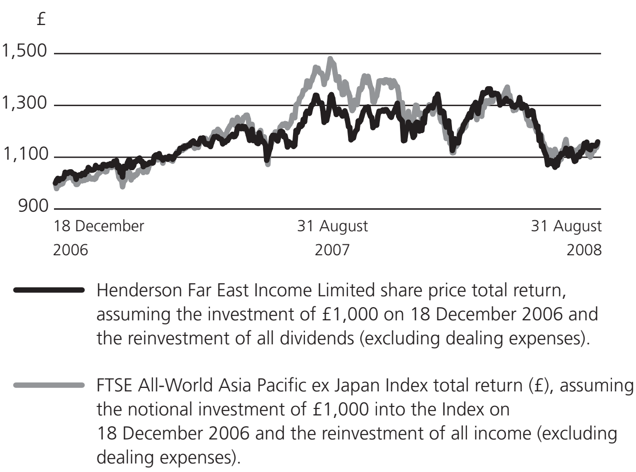
The fees payable by the Company in respect of each of the Directors who served during the year, and during the period from appointment on 9 November 2006 to 31 August 2007, were as follows:

	Year to 31 August 2008 £'000	Period 9 November 2006 to 31 August 2007 £'000
John Russell (Chairman and highest paid director)	**27**	23
David Mashiter	**18**	14
Simon Meredith Hardy	**18**	14
Richard Povey	**18**	14
Christopher Spencer	**20**	17
Total	**101**	82

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 2008. In view of the Company's objective, this is the most appropriate index against which to measure performance.

Share price performance graph



Source: Datastream

For and on behalf of the Board

Director

3 November 2008

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 2008 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, Statement of Directors' Responsibilities in respect of the Financial Statements, the Corporate Governance Statement, 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 2008 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP
Jersey, Channel Islands
3 November 2008

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 2008

Notes		Year ended 31 August 2008 Revenue return £'000	Year ended 31 August 2008 Capital return £'000	Year ended 31 August 2008 Total £'000	Period 6 November 2006 to 31 August 2007 Revenue return £'000	Period 6 November 2006 to 31 August 2007 Capital return £'000	Period 6 November 2006 to 31 August 2007 Total £'000
3	Investment income	**12,127**	**–**	**12,127**	11,808	–	11,808
4	Other income	**2,278**	**–**	**2,278**	434	–	434
11	(Losses)/gains on investments held at fair value through profit or loss	**–**	**(7,271)**	**(7,271)**	–	23,330	23,330
	Total income	**14,405**	**(7,271)**	**7,134**	12,242	23,330	35,572
	Expenses						
5	Management fees	**(984)**	**(984)**	**(1,968)**	(599)	(599)	(1,198)
6	Other expenses	**(325)**	**(225)**	**(550)**	(206)	(169)	(375)
	Profit/(loss) before finance costs and taxation	**13,096**	**(8,480)**	**4,616**	11,437	22,562	33,999
7	Finance costs	**(50)**	**(17)**	**(67)**	(79)	(66)	(145)
	Profit/(loss) before taxation	**13,046**	**(8,497)**	**4,549**	11,358	22,496	33,854
8	Taxation	**(878)**	**(152)**	**(1,030)**	(1,282)	(36)	(1,318)
	Profit/(loss) for the year/period	**12,168**	**(8,649)**	**3,519**	10,076	22,460	32,536
9	**Earnings/(loss) per ordinary share**	**15.67p**	**(11.14)p**	**4.53p**	12.98p	28.94p	41.92p

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.

Consolidated and Parent Company Statement of Changes in Equity

for the year ended 31 August 2008

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	Consolidated period 6 November 2006 to 31 August 2007	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Opening balance	–	–	–	–	–
	Issue of shares	180,982	–	–	–	180,982
	Share issue costs	(499)	(12)	–	–	(511)
	Transfer to distributable reserves	(180,483)	180,483	–	–	–
	Net profit from ordinary activities after taxation	–	–	22,460	10,076	32,536
10	Ordinary dividends paid	–	–	–	(4,270)	(4,270)
	At 31 August 2007	–	180,471	22,460	5,806	208,737

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**

Note	Company period 6 November 2006 to 31 August 2007	Stated capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Opening balance	–	–	–	–	–
	Issue of shares	180,982	–	–	–	180,982
	Share issue costs	(499)	(12)	–	–	(511)
	Transfer to distributable reserves	(180,483)	180,483	–	–	–
	Net profit from ordinary activities after taxation	–	–	24,098	8,438	32,536
10	Ordinary dividends paid	–	–	–	(4,270)	(4,270)
	At 31 August 2007	–	180,471	24,098	4,168	208,737

The notes on pages 27 to 44 form an integral part of these financial statements

Consolidated and Parent Company Balance Sheet

at 31 August 2008

Notes		**Consolidated 2008 £'000**	Consolidated 2007 £'000	**Company 2008 £'000**	Company 2007 £'000
	Non current assets				
11	Investments held at fair value through profit or loss	**198,137**	199,414	**198,952**	143,433
	Current assets				
12	Other receivables	**7,400**	6,722	**7,285**	61,262
8b	Deferred tax asset	**–**	152	**–**	–
	Cash and cash equivalents	**8,894**	17,657	**8,891**	16,614
		16,294	24,531	**16,176**	77,876
	Total assets	**214,431**	223,945	**215,128**	221,309
	Current liabilities				
13	Other payables	**(7,743)**	(10,147)	**(8,440)**	(7,733)
13	Bank loans and overdrafts	**(3,554)**	(5,061)	**(3,554)**	(4,839)
		(11,297)	(15,208)	**(11,994)**	(12,572)
	Net assets	**203,134**	208,737	**203,134**	208,737
	Equity attributable to equity shareholders				
15	Stated capital	**–**	–	**–**	–
16	Distributable reserve	**180,471**	180,471	**180,471**	180,471
	Retained earnings:				
17	Other capital reserves	**13,811**	22,460	**14,082**	24,098
	Revenue reserve	**8,852**	5,806	**8,581**	4,168
	Total equity	**203,134**	208,737	**203,134**	208,737
18	**Net asset value per ordinary share**	**261.69p**	268.91p	**261.69p**	268.91p

The financial statements were approved by the Board of Directors and authorised for issue on 3 November 2008 and were signed on its behalf by:

David Edward Peter Mashiter
Director

Christopher Paul Spencer
Director

The notes on pages 27 to 44 form an integral part of these financial statements

Consolidated and Parent Company Cash Flow Statement

for the year ended 31 August 2008

	Consolidated 2008 £'000	Consolidated 2007 £'000	**Company 2008 £'000**	Company 2007 £'000
Operating activities				
Profit before taxation	**4,549**	33,854	**4,222**	32,816
Add back interest paid	**73**	139	**38**	126
Add loss/(gains) on investments held at fair value through profit or loss	**7,271**	(23,330)	**8,790**	(24,556)
Less purchases of investments held at fair value through profit or loss	**(6,058)**	(175,534)	**(67,563)**	(118,520)
In specie transfer of securities in consideration for shares issued	**–**	178,200	**–**	178,200
(Increase)/decrease in other receivables	**(185)**	(1,942)	**2,524**	(4,649)
Increase in amounts due from brokers	**(474)**	(4,072)	**(474)**	(4,072)
Increase in other payables	**1**	451	**12**	436
Unrealised losses on foreign exchange contracts	**–**	47	**–**	23
(Decrease)/increase in amounts due to brokers	**(2,404)**	9,034	**(593)**	7,223
Capital distribution from subsidiary	**–**	–	**2,862**	–
Scrip dividends included in investment income	**(216)**	(303)	**(216)**	(303)
Net cash inflow/(outflow) from operating activities before interest and taxation	**2,557**	16,544	**(50,398)**	66,724
Interest paid	**(73)**	(139)	**(38)**	(126)
Taxation on investment income	**(933)**	(1,332)	**(719)**	(612)
Net cash inflow/(outflow) from operating activities	**1,551**	15,073	**(51,155)**	65,986
Financing activities				
Equity dividends paid	**(9,122)**	(4,270)	**(9,122)**	(4,270)
(Repayment)/drawdown of loan	**(2,236)**	2,236	**(2,236)**	2,236
Issue proceeds	**–**	2,544	**–**	2,544
Issue costs	**–**	(504)	**–**	(504)
Movement in inter-company loan	**–**	–	**53,231**	(51,927)
Net cash (outflow)/inflow from financing	**(11,358)**	6	**41,873**	(51,921)
(Decrease)/increase in cash and cash equivalents	**(9,807)**	15,079	**(9,282)**	14,065
Cash and cash equivalents at the start of the year/period	**14,832**	–	**14,011**	–
Exchange movements	**315**	(247)	**608**	(54)
Cash and cash equivalents at the end of the year/period (including bank overdrafts of £3,554 and £3,554 (2007: £2,825 and £2,603) respectively)	**5,340**	14,832	**5,337**	14,011

The notes on pages 27 to 44 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. The first accounting period ran from 6 November 2006 to 31 August 2007, and forms the comparative figures to this report. The year under review is the twelve month period to 31 August 2008.

2 Accounting policies

a Basis of preparation

This consolidated financial information for the year ended 31 August 2008 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 December 2005.

The Company has adopted the following new and revised accounting standards during the year:
- International Accounting Standard No. 1 (Revised): Presentation of financial statements
- International Financial Reporting Standard No. 7, Financial Instruments: Disclosures.

(i) Standards, amendments and interpretations becoming effective in the year to 31 August 2008:
- IFRS 7 *Financial Instruments: Disclosure*, and the complementary amendment to *IAS 1 Presentation of Financial Statements – Capital Disclosures*, introduces new disclosures relating to financial instruments. It does not have any impact on the classification and/or valuation of the Group's or Company's financial instruments. The additional disclosures in accordance with the standard are set out in Note 14 to the financial statements.
- International Financial Reporting Interpretations Committee ('IFRIC') 10 *Interim Financial Reporting and Impairment* prohibits impairment losses recognised in an interim period on goodwill or investments to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group or Company's financial statements.

(ii) Standards, amendments and interpretations becoming effective in the year to 31 August 2008 but not relevant to the Group or Company:
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

The Directors do not anticipate the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

(iii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted by the Group or Company:
- IAS 23 (Amendment) *Borrowing costs* (effective for financial years beginning on or after 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. 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 but expects to apply the standard from 1 September 2009 if it becomes applicable.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

- IFRS 8 *Operating segments* (effective for financial years beginning on or after 1 January 2009). The standard is still subject to endorsement by the European Union. 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. The impact is unclear at present.

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

Under Article 123A of the Income Tax (Jersey) Law 1961, as amended, the Company has obtained Jersey exempt company status for the period and is therefore exempt from Jersey income tax on non-Jersey source income and bank interest (by concession). A £600 annual exempt company fee is payable by the Company. The Company plans to maintain this status for as long as it is available pending the introduction of the general zero rate of corporation tax which will be introduced on 1 January 2009.

Notes to the Financial Statements
continued

2 Accounting policies (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 Pounds 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.

Notes to the Financial Statements

continued

3 Investment income	2008 £'000	Period 6 November 2006 to 31 August 2007 £'000
Income from investments		
Overseas dividends	**11,873**	11,465
Interest income	**38**	40
Stock dividends	**216**	303
	12,127	11,808

4 Other income	2008 £'000	Period 6 November 2006 to 31 August 2007 £'000
Bank and other interest	**224**	124
Option premium income	**2,054**	310
	2,278	434

5 Management fee	2008 Revenue return £'000	2008 Capital return £'000	2008 Total return £'000	Period 6 November 2006 to 31 August 2007 Revenue return £'000	Capital return £'000	Total return £'000
Investment management fee	**984**	**984**	**1,968**	599	599	1,198

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

6 Other expenses	2008 Revenue return £'000	2008 Capital return £'000	2008 Total return £'000	Period 6 November 2006 to 31 August 2007 Revenue return £'000	Capital return £'000	Total return £'000
Directors' fees† (see the Directors' Remuneration Report on page 21)	**59**	**51**	**110**	49	41	90
Auditors' remuneration (including £11,000 (2007: £8,000) relating to the subsidiary):						
– statutory audit	**34**	**17**	**51**	21	13	34
– interim accounts review	**2**	**2**	**4**	4	4	8
– non-audit services	**18**	**2**	**20**	4	5	9
Bank and custody charges	**95**	**58**	**153**	43	23	66
Other expenses payable to the management company*	**1**	**1**	**2**	9	8	17
Registrar's fees	**9**	**9**	**18**	7	6	13
Printing and stationery	**13**	**13**	**26**	12	13	25
Other expenses	**94**	**72**	**166**	57	56	113
	325	**225**	**550**	206	169	375

†Includes £9,000 (2007: £8,000) paid to the directors of the Maltese subsidiary.

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

Notes to the Financial Statements

continued

7	**Finance costs**	**2008 £'000**	Period 6 November 2006 to 31 August 2007 £'000
	On bank loans and overdrafts payable: within one year	**67**	145
	Amount allocated to capital	**(17)**	(66)
	Total allocated to revenue	**50**	79

8	**Taxation**	**2008 Revenue return £'000**	**2008 Capital return £'000**	**2008 Total return £'000**	Period 6 November 2006 to 31 August 2007 Revenue return £'000	Period 6 November 2006 to 31 August 2007 Capital return £'000	Period 6 November 2006 to 31 August 2007 Total return £'000
a	**Taxation**						
	The taxation charge for the period is comprised of the following:						
	Foreign withholding tax suffered	**863**	**–**	**863**	1,282	–	1,282
	Current tax expense	**15**	**–**	**15**	–	188	188
	Deferred tax (note 8b)	**–**	**152**	**152**	–	(152)	(152)
		878	**152**	**1,030**	1,282	36	1,318

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 20% as follows:

	2008 Revenue return £'000	**2008 Capital return £'000**	**2008 Total return £'000**	Period 6 November 2006 to 31 August 2007 Revenue return £'000	Period 6 November 2006 to 31 August 2007 Capital return £'000	Period 6 November 2006 to 31 August 2007 Total return £'000
Profit before taxation	**13,046**	**(8,497)**	**4,549**	11,358	22,496	33,854
Theoretical taxation expense at 20%	**2,609**	**(1,699)**	**910**	2,272	4,499	6,771
Tax effect of:						
– Jersey exempt tax relief	**(2,609)**	**1,699**	**(910)**	(2,272)	(4,499)	(6,771)
– Foreign withholding tax	**863**	**–**	**863**	1,282	–	1,282
– Maltese income tax	**15**	**152**	**167**	–	36	36
	878	**152**	**1,030**	1,282	36	1,318

		2008 £'000	Period 6 November 2006 to 31 August 2007 £'000
b	**Deferred Taxation**		
	The provision for deferred taxation for the period is analysed as follows:		
	At beginning of period	**152**	–
	Transfer to profit and loss (note 8a)	**(152)**	152
		–	152

Notes to the Financial Statements

continued

9 Earnings per ordinary share

The earnings per ordinary share figure is based on the net gains for the period of £3,519,000 (2007: £32,536,000) and on 77,622,621 (2007: 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.

	2008 £'000	Period 6 November 2006 to 31 August 2007 £'000
Net revenue gain	**12,168**	10,076
Net capital (loss)/gain	**(8,649)**	22,460
Net total gain	**3,519**	32,536
Weighted average number of ordinary shares in issue during the period	**77,622,621**	77,622,621
Revenue earnings per ordinary share	**15.67p**	12.98p
Capital (loss)/earnings per ordinary share	**(11.14)p**	28.94p
Total earnings per ordinary share	**4.53p**	41.92p

10 Dividends

	2008 £'000	Period 6 November 2006 to 31 August 2007 £'000
Amounts recognised as distributions to equity shareholders during the period:		
First interim paid 2007 – 2.75p	**–**	2,135
Second interim paid 2007 – 2.75p	**–**	2,135
Third interim paid 2007 – 2.75p	**2,135**	–
First interim paid 2008 – 3.00p	**2,329**	–
Second interim paid 2008 – 3.00p	**2,329**	–
Third interim paid 2008 – 3.00p	**2,329**	–
	9,122	4,270

The fourth interim dividend has not been included as a liability in these financial statements as it was announced and paid after 31 August 2008.

The table below sets out the total dividends paid and to be paid in respect of the financial period. The revenue available for distribution by way of dividend for the period is £12,168,000 (2007: £10,076,000).

Notes to the Financial Statements
continued

10	**Dividends** (continued)	2008 £'000
	First interim dividend for 2008 – 3.00p	**2,329**
	Second interim dividend for 2008 – 3.00p	**2,329**
	Third interim dividend for 2008 – 3.00p	**2,329**
	Fourth interim dividend for 2008 – 3.00p (payable 28 November 2008)	**2,329**
		9,316

11	**Investments held at fair value through profit or loss**	£'000
a	**Consolidated**	
	Cost at 31 August 2007	**189,541**
	Unrealised appreciation at 31 August 2007	**9,873**
	Valuation at 31 August 2007	**199,414**
	Movements in the period:	
	Purchases at cost	**221,898**
	Sales – proceeds	**(215,589)**
	– realised gains on sales	**1,457**
	Movement in unrealised appreciation	**(9,043)**
	Closing valuation at 31 August 2008	**198,137**

Included in total investments are unquoted investments shown at the Directors' fair valuation of £822,000 (2007: £744,000).

		Investments £'000	Subsidiary Undertaking £'000	Total £'000
b	**Company**			
	Cost at 31 August 2007	**126,658**	**1**	**126,659**
	Unrealised appreciation at 31 August 2007	**6,923**	**9,851**	**16,774**
	Valuation at 31 August 2007	**133,581**	**9,852**	**143,433**
	Movements in the period:			
	Purchases at cost	**181,313**	**–**	**181,313**
	Sales – proceeds	**(113,534)**	**–**	**(113,534)**
	– realised gains on sales	**2,868**	**–**	**2,868**
	Movement in unrealised appreciation	**(6,091)**	**(9,037)**	**(15,128)**
	Closing valuation at 31 August 2008	**198,137**	**815**	**198,952**

Included in total investments are unquoted investments shown at the Directors' fair valuation of £1,637,000 (2007: £10,596,000).

Notes to the Financial Statements

continued

11 **Investments held at fair value through profit or loss** (continued)	**2008 £'000**	Period 6 November 2006 to 31 August 2007 £'000
c (Losses)/gains on investments held at fair value		
Realised gains on sales of investments	**1,457**	13,704
(Decrease)/increase in unrealised appreciation	**(9,043)**	9,873
Net movement on foreign exchange	**315**	(247)
	(7,271)	23,330

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:

	2008 £'000	Period 6 November 2006 to 31 August 2007 £'000
Purchases	**392**	435
Sales	**407**	544
	799	979

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.

12 **Other receivables**	**Consolidated 2008 £'000**	Consolidated 2007 £'000	**Company 2008 £'000**	Company 2007 £'000
Prepayments and accrued income	**2,244**	1,942	**2,242**	4,649
Amounts due from brokers	**4,546**	4,072	**4,546**	4,072
Other receivables	**234**	332	**121**	238
Maltese income tax receivable	**376**	376	**376**	376
Amount due from subsidiary undertaking	**–**	–	**–**	51,927
	7,400	6,722	**7,285**	61,262

Notes to the Financial Statements

continued

13 Other payables	**Consolidated 2008 £'000**	Consolidated 2007 £'000	**Company 2008 £'000**	Company 2007 £'000
a Other payables				
Amounts due to brokers	**6,630**	9,034	**6,630**	7,223
Taxation payable	**579**	564	**–**	–
Other payables	**534**	549	**506**	510
Amount due to subsidiary undertaking	**–**	–	**1,304**	–
	7,743	10,147	**8,440**	7,733

	Consolidated 2008 £'000	Consolidated 2007 £'000	**Company 2008 £'000**	Company 2007 £'000
b Bank loans and overdrafts				
Bank loans	**–**	2,236	**–**	2,236
Bank overdrafts	**3,554**	2,825	**3,554**	2,603
	3,554	5,061	**3,554**	4,839

The bank loans and overdrafts outstanding at 31 August 2008 are valued at the middle rates of exchange at the year end, resulting in cumulative foreign exchange gains of £3,000 (2007: £51,000) for the Group and £3,000 (2007: £36,000) for the Company against the original book cost of these loans.

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.

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.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.1 Market price risk (continued)

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 2008 on its equity investments was as follows:

	31 August 2008 £'000	31 August 2007 £'000
Investments held at fair value through profit or loss	**198,137**	199,414

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 4 to 6. There is a concentration of exposure to Australia, Taiwan, South Korea, 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% (2007: 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.

	2008		2007	
	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	**(99)**	**99**	(100)	100
Capital return	**19,715**	**(19,715)**	19,841	(19,841)
Total return after tax for the year	**19,616**	**(19,616)**	19,741	(19,741)
Change in shareholders' funds	**19,616**	**(19,616)**	19,741	(19,741)

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.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

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

Foreign currency exposure

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

2008	AS$ £'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**

2007	AS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	401	1,552	–	–	99	3,938
Cash at bank and on deposit less short term overdrafts	(120)	15,967	–	34	266	(2,283)
Payables (due to brokers, accruals and other creditors)	(1,811)	–	–	(5,045)	(997)	(1,181)
Borrowings under multi currency loan facility	–	–	–	–	–	(2,236)
Total foreign currency exposure on net monetary items	(1,530)	17,519	–	(5,011)	(632)	(1,762)
Investments at fair value through profit or loss that are equities	44,492	28,895	17,124	34,844	20,535	53,524
Total net foreign currency exposures	42,962	46,414	17,124	29,833	19,903	51,762

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.

Notes to the Financial Statements
continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

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% (2007: 10%). Sterling/Taiwanese Dollar +/- 10% (2007: 10%).
Sterling/Korean Won +/- 10% (2007: 10%). Sterling/Hong Kong Dollar +/- 10% (2007: 10%).
Sterling/Singapore Dollar +/- 10% (2007: 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.

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

	2008 AS$ £'000	2008 TW$ £'000	2008 KRW £'000	2008 HK$ £'000	2008 S$ £'000	2007 AS$ £'000	2007 TW$ £'000	2007 KRW £'000	2007 HK$ £'000	2007 S$ £'000
Income statement – return after tax										
Revenue return	**355**	**99**	**96**	**149**	**132**	249	282	234	70	77
Capital return	**4,449**	**3,600**	**1,331**	**6,407**	**2,385**	4,917	3,193	1,892	3,852	2,270
Total return after tax for the year/period	**4,804**	**3,699**	**1,427**	**6,556**	**2,517**	5,166	3,475	2,126	3,922	2,347
Change to shareholders' funds	**4,804**	**3,699**	**1,427**	**6,556**	**2,517**	5,166	3,475	2,126	3,922	2,347

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

	2008 AS$ £'000	2008 TW$ £'000	2008 KRW £'000	2008 HK$ £'000	2008 S$ £'000	2007 AS$ £'000	2007 TW$ £'000	2007 KRW £'000	2007 HK$ £'000	2007 S$ £'000
Income statement – return after tax										
Revenue return	**(359)**	**(103)**	**(98)**	**(155)**	**(134)**	(253)	(285)	(236)	(73)	(79)
Capital return	**(3,640)**	**(2,945)**	**(1,089)**	**(5,242)**	**(1,951)**	(4,023)	(2,612)	(1,548)	(3,151)	(1,857)
Total return after tax for the year/period	**(3,999)**	**(3,048)**	**(1,187)**	**(5,397)**	**(2,085)**	(4,276)	(2,897)	(1,784)	(3,224)	(1,936)
Change to shareholders' funds	**(3,999)**	**(3,048)**	**(1,187)**	**(5,397)**	**(2,085)**	(4,276)	(2,897)	(1,784)	(3,224)	(1,936)

Notes to the Financial Statements
continued

14 Risk Management policies and procedures (continued)

14.1.2 Currency risk (continued)

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.

Interest rate exposure

The exposure at 31 August of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	2008 Within one year £'000	**2008** More than one year £'000	**2008** Total £'000	2007 Within one year £'000	2007 More than one year £'000	2007 Total £'000
Exposure to floating interest rates:						
Cash at bank	**8,894**	**–**	**8,894**	17,657	–	17,657
Payables						
Borrowings under multi-currency loan facility	**–**	**–**	**–**	(2,236)	–	(2,236)
Bank borrowings	**(3,554)**	**–**	**(3,554)**	(2,825)	–	(2,825)
Total exposure to interest rates	**5,340**	**–**	**5,340**	12,596	–	12,596

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 (2007: 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.

Notes to the Financial Statements
continued

14 Risk Management policies and procedures (continued)

14.1.3 Interest rate risk (continued)

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.

	2008 Increase in rate £'000	**2008** Decrease in rate £'000	2007 Increase in rate £'000	2007 Decrease in rate £'000
Income statement – profit after tax				
Revenue return	**71**	**(71)**	151	(151)
Capital return	**(18)**	**18**	(25)	25
Total return after tax for the year	**53**	**(53)**	126	(126)
Impact on net assets	**53**	**(53)**	126	(126)

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.

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:

2008	**3 months or less £'000**	**More than one year £'000**	**Total £'000**
Current liabilities			
Bank overdraft	**3,554**	**–**	**3,554**
Amounts due to brokers and accruals	**7,743**	**–**	**7,743**
	11,297	**–**	**11,297**

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.2 Liquidity risk (continued)

2007	3 months or less £'000	More than one year £'000	Total £'000
Current liabilities			
Borrowings under the multi-currency loan facility	2,236	–	2,236
Bank overdraft	2,825	–	2,825
Amounts due to brokers and accruals	9,583	564	10,147
	14,644	564	15,208

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;

– cash at bank is held only with reputable banks 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 £6,768,000 have all been received at the date of printing this report and the Maltese tax due of £376,000 should be received within six months. £122,000 remains outstanding from the liquidator of Henderson Far East Income Trust plc pending the finalisation of the liquidation and £112,000 remains outstanding from the tax authorities under double taxation treaties.

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 an unquoted investment which totals 0.4% (2007: 0.4%) of the total portfolio. The unquoted holding is held at Directors' valuation.

Notes to the Financial Statements
continued

14 Risk Management policies and procedures (continued)

14.5 Capital management policies and procedures (continued)

The Company's capital at 31 August comprises its equity share capital and reserves that are shown in the balance sheet at a total of £206,688,000 (2007: £213,798,000).

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;
– 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 several externally imposed capital requirements:
– Under the multi currency facility, total borrowings were not to exceed 30% of net asset value and net asset value not to fall below £200,000,000. These were measured in accordance with the policies used in the annual financial statements.
– In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by law.

These requirements are unchanged since last year and the Company has complied with them.

15 Called-up share capital	**Authorised**	**Issued and fully paid**
At 31 August 2008 and 2007		
Founder shares of no par value	2	–
Ordinary shares of no par value	Unlimited	77,622,621
		77,622,621

On 15 December 2006 the Company issued 77,622,621 Ordinary shares of no par value for consideration value of £180,982,000, incurring £511,000 of issue expenses.

16 Distributable reserve	**Consolidated and Company 2008 £'000**	Consolidated and Company 2007 £'000
Opening balance	**180,471**	–
Transfer from stated capital	**–**	180,982
Issue share costs	**–**	(511)
At 31 August	**180,471**	180,471

Notes to the Financial Statements

continued

17 Other capital reserves

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Total capital reserves £'000
a Consolidated			
At 1 September 2007	12,556	9,904	22,460
Bank loans – movement in unrealised currency gain	31	(31)	–
Exchange gain	315	–	315
Movement in unrealised appreciation	–	(9,043)	(9,043)
Gain on investments	1,457	–	1,457
Costs charged to capital	(1,226)	–	(1,226)
Tax charge on capital gains	(152)	–	(152)
At 31 August 2008	**12,981**	**830**	**13,811**

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Total capital reserves £'000
b Company			
At 1 September 2007	7,293	16,805	24,098
Bank loans – movement in unrealised currency gain	31	(31)	–
Exchange gain	608	–	608
Movement in unrealised appreciation	–	(15,128)	(15,128)
Gain on investments	2,868	–	2,868
Costs charged to capital	(1,226)	–	(1,226)
Capital distribution from subsidiary undertaking	2,862	–	2,862
At 31 August 2008	**12,436**	**1,646**	**14,082**

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 period end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share 2008 pence	**Net asset value attributable 2008 £'000**	Net asset value per share 2007 pence	Net asset value attributable 2007 £'000
Ordinary shares	**261.69p**	**203,134**	268.91p	208,737

The basic net asset value per Ordinary share is based on 77,622,621 (2007: 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 2008 (2007: £nil).

Notes to the Financial Statements
continued

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 2008 was £1,968,000 (period ended 31 August 2007: £1,198,000) of which £342,000 was outstanding at 31 August 2008 (2007: £300,000).

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 2008 amounted to £2,000 (period ended 31 August 2007: £17,000), of which £nil was outstanding at 31 August 2008 (2007: £17,000).

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of Henderson Far East Income Limited will be held at Liberte House, 19-23 La Motte Street, St. Helier, Jersey, JE2 4SY on Tuesday 9 December 2008 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 2008, together with the auditors' report thereon.

2 To approve the Directors' Remuneration Report.

3 To re-elect Mr David Mashiter as a Director.

4 To re-elect Mr Simon Meredith Hardy 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 a 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 Fund Services Jersey Limited
Secretary

Registered Office:
BNP House
Anley Street
St. Helier
Jersey
JE2 3QE
3 November 2008

Note in respect of the Annual General Meeting

Notes

(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.

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 48.

Investor Information

Financial calendar

Financial period end:	31 August 2008
Annual General Meeting:	9 December 2008
Shareholder Event (see below)	11 December 2008
4th Interim dividend 2008	28 November 2008
Ex dividend date:	5 November 2008
Record date:	7 November 2008
1st Interim dividend 2009	27 February 2009
2nd Interim dividend 2009	29 May 2009
3rd Interim dividend 2009	28 August 2009

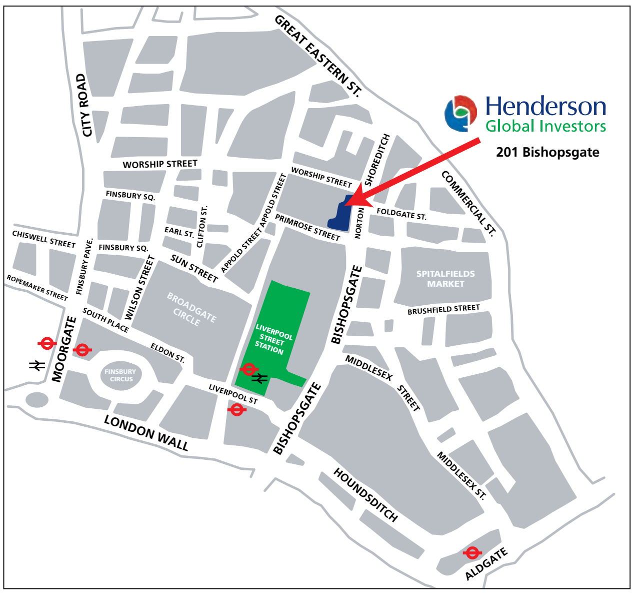
Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services). Mandate forms for this purpose are available on request from the Company's registrars.

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 new offices at 201 Bishopsgate, London EC2M 2AE on Thursday 11 December 2008. 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 2AE

Quotation of shares

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: B1GXH75.

The International Security Identification Number is: JE00B1GXH751.

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.itshenderson.com/hfel**

Shareholder information

Copies of this Report & Accounts 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.

For investors through Itshenderson a textphone telephone service is available on 020 7850 5406. This service is available during normal business hours.

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.

Those who invest through the Itshenderson Dealing Account, or ISA, 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 Bishopgate, London EC2M 2AE

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

Secretary
BNP Paribas Fund Services Jersey Limited
represented by Jeremy Hamon

Registered Office
BNP House
Anley Street
St. Helier
Jersey JE2 3QE
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
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