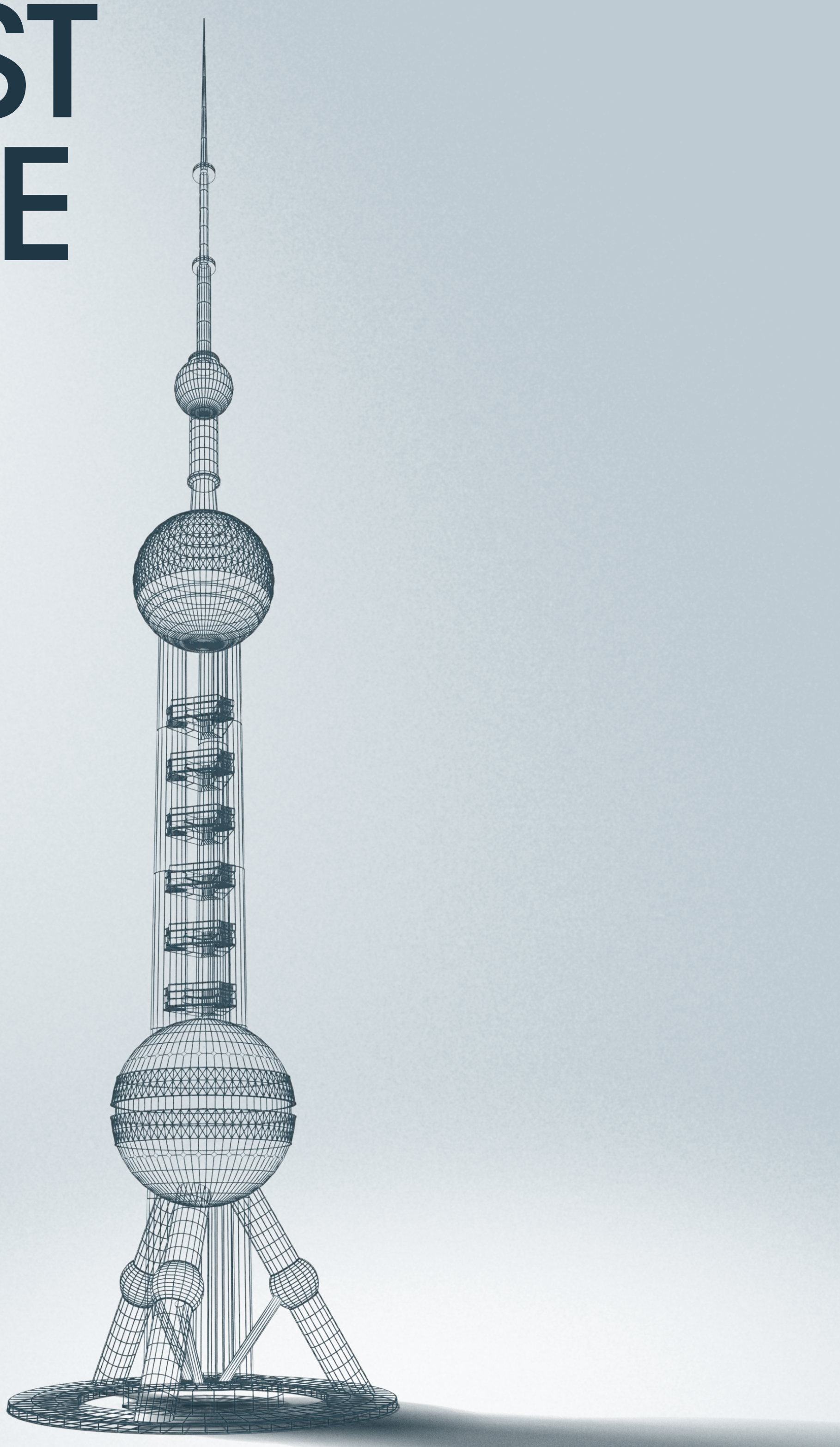
HENDERSON FAR EAST INCOME LIMITED

Annual Report 2015



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GLOBAL INVESTORS

Henderson Far East Income Limited – Annual Report 2015

HGI3657/0915

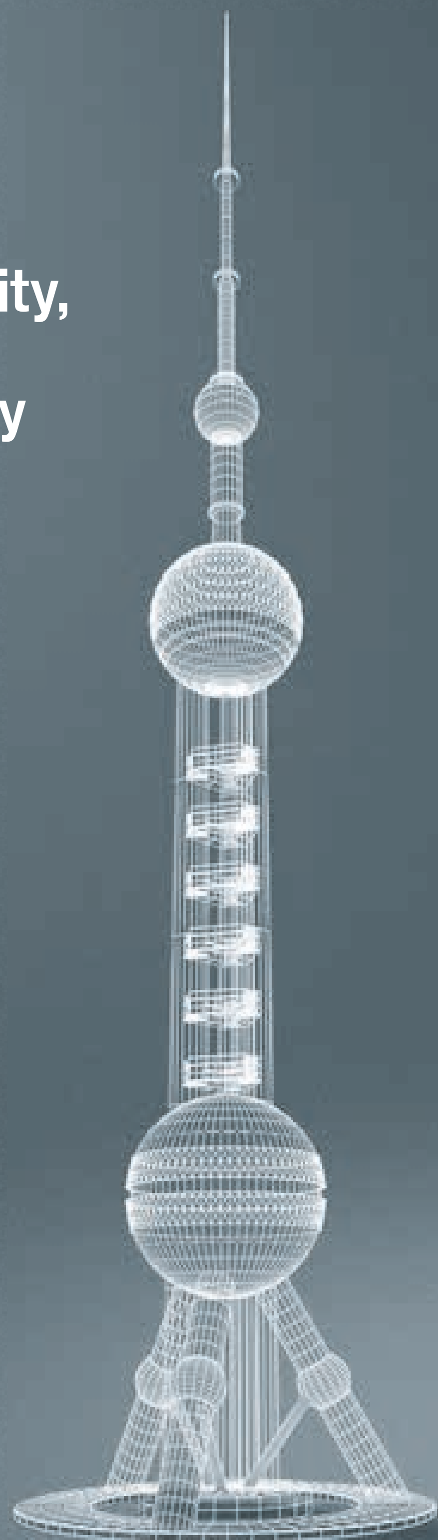
Contents

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

Strategic Report

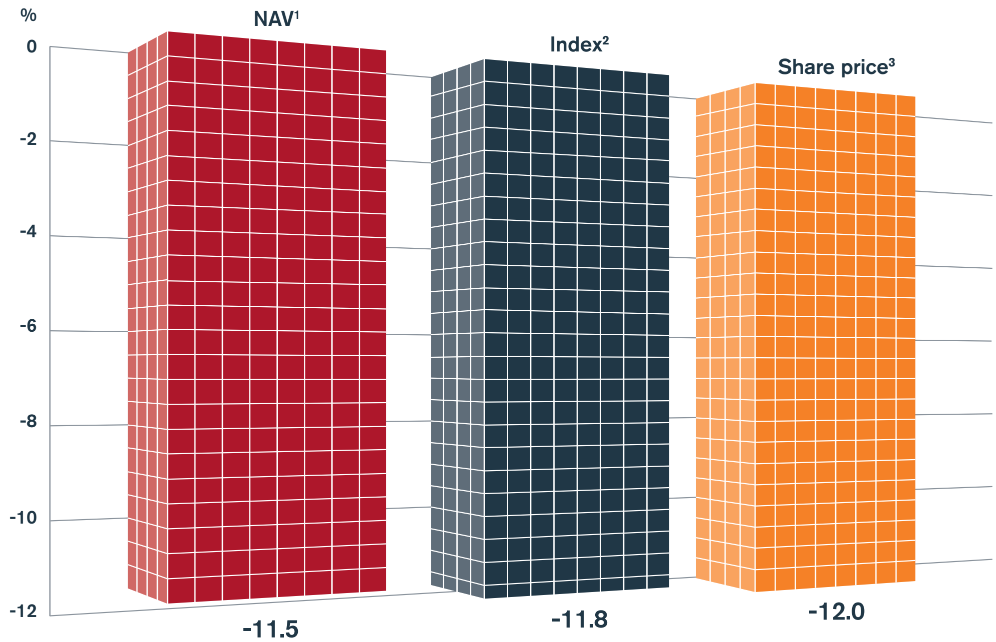
"Despite recent volatility, Asia Pacific has the ability to produce very attractive returns for investors over time."

John Russell, Chairman

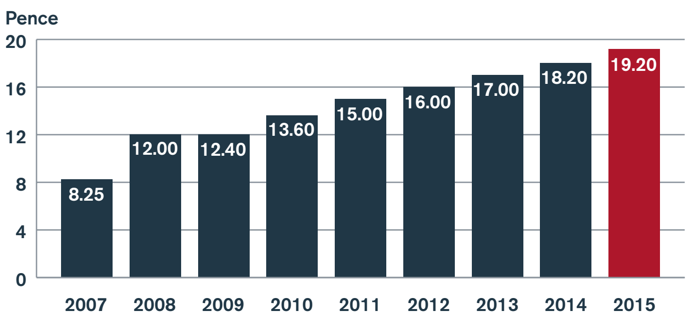


Strategic Report: Performance Highlights

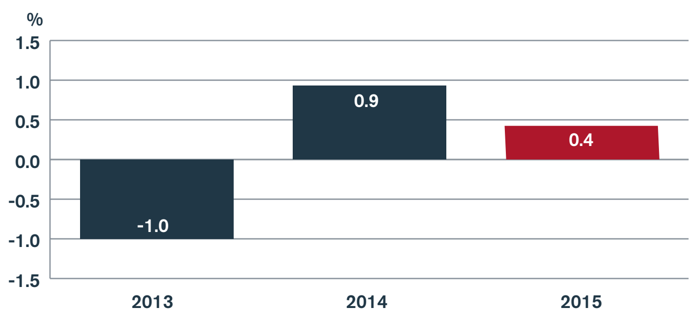
Performance for year to 31 August 2015



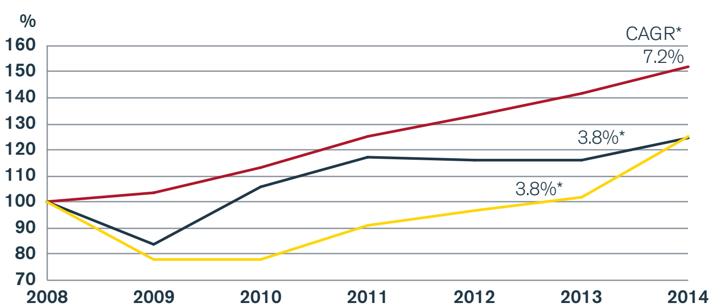
Dividend per share[4]



Premium/(Discount)[6]



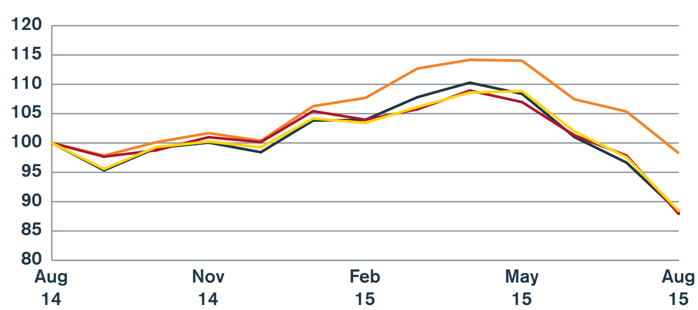
Annual Dividend Growth[5]



*Compound Annual Growth Rate

- Henderson Far East Income Limited
- Index
- FTSE 100 Index

NAV and share price performance versus the Index[7]



- Price
- Index
- NAV
- FTSE All-World Asia Pacific incl Japan Index

Strategic Report: Performance Highlights (continued)

NAV per share at year end

2015 **273.99p**
2014 **328.43p**

Share price at year end

2015 **275.00p**
2014 **331.50p**

Dividend for year

2015 **19.20p**[8]
2014 **18.20p**

Dividend yield[9]

2015 **7.0%**
2014 **5.5%**

Ongoing charge for year at year end[10]

2015 **1.06%**
2014 **1.17%**

Gearing at year end[11]

2015 **5.1%**
2014 **3.4%**

Number of investments

2015 **56**
2014 **56**

Revenue return per share

2015 **20.54p**
2014 **19.32p**

1 Net asset value total return (including dividends reinvested)
2 FTSE All-World Asia Pacific ex Japan Index (sterling adjusted), for comparison purposes (including dividends reinvested)
3 Share price total return (including dividends reinvested)
4 Ordinary dividend per share figures in respect of each financial year 2007-2015
5 Graph shows the annual dividend growth rates of the Company, the Index and the FTSE 100 normalised ordinary dividends calculated by calendar year
6 Graph shows the Company's share price premium/(discount) to NAV (including current year income) at the last three year ends
7 Graph shows the Company's net asset value total return and share price total return (including dividends reinvested) compared to the total return of the Index over the year to 31 August 2015
8 This represents ordinary dividends recommended or paid in respect of the financial year. See page 41 for more details
9 Based on the share price at the year end and the dividends in respect of the financial year
10 Ongoing charge for the year. See page 19 for more details
11 Gearing is defined on page 18
Sources: Morningstar for the AIC, Henderson, Datastream

Strategic Report: Business Model

Strategy

The Company's strategy is to meet its investment objective. This is achieved through the appointment of external management which operates in accordance with the Company's investment policy.

Investment objective and policy

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

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

The Company does not have a fixed life.

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

Diversification

Investments are made in a diversified portfolio of securities (including debt securities) issued by companies listed on stock exchanges in, or which are based in or whose business activities are concentrated on, the Asia Pacific region or by governments in the Asia Pacific region.

Asset allocation

Investment is primarily in listed equities, but also includes preference shares, debt, convertible securities, warrants and other equity related securities including unlisted securities which are expected to list, and investment in collective investment schemes. The Company may invest in derivatives and other instruments to enhance income and to protect the value of the portfolio and to reduce costs. The portfolio is constructed without reference to the composition of any stockmarket index or benchmark.

Gearing

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

Management

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

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

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

The management fee payable to Henderson is 0.9% per annum of net assets, calculated as 0.225% of the total value of net assets under management on 31 March, 30 June, 30 September and 31 December in each year (equivalent to 0.9% of net assets p.a.). There is no performance fee.

Strategic Report: Chairman's Statement

The Chairman of the Company, John Russell, reports on the year to 31 August 2015

To say that Asian markets were volatile during the period under review would be a gross understatement. For part of the year investors enjoyed a useful tailwind and the outlook appeared rosy only to run into a savage headwind initiated by the collapse of the Chinese stock market bubble. We have experienced bubbles in western markets, the most recent being in technology, but nothing on this scale.

Encouraged by State media and expectations of further monetary easing from Beijing, private investors in China began to enter the market, often with borrowed money, in the fourth quarter of last year. The subsequent rise encouraged further investment and even more aggressive borrowing by 90 million private investors. The rapid rise did not reflect the outlook for the underlying economy but rather the supportive government policy and the naivety of private investors simply gambling that whatever they bought today somebody would pay a higher price tomorrow. Cracks began to appear in the market by the middle of this year as the share prices of a few high profile companies were badly affected by significant profit downgrades. Margin calls began to be made and the vulnerability of investors to loss became apparent causing panic and the bubble burst.

The Government intervened both on the way up, trying to moderate the rate of the rise, and on the way down trying to mitigate loss. It failed on both counts and a degree of political damage ensued.

It is important to note, however, that these events are not a re-run of the Asian financial crisis of 1997. China still offers some of the most attractive long term structural growth opportunities.

The slowdown in China has had a mixed impact on the rest of the region. The fall in oil and other commodity prices has been detrimental to Australia and Malaysia but beneficial to most other countries which are net importers of energy and resources. The weakness in intra-regional trade has impacted most countries around the region but ongoing reforms in markets such as India, Korea and Indonesia have, to a degree, mitigated this impact. The strong underlying income growth being generated from your Company's investment portfolio is testament to the progress that is being made in shareholder friendly reforms.

Performance

Your Company was not immune to these developments although the impact was much less severe than the decline in the China market would suggest. The substantial downturn in commodity markets was not beneficial either. The Australian market is an important source of income for the Company but the dramatic fall in the A$ exchange rate impacted on sterling returns.

The net asset value total return was – 11.5% over the period and the share price total return was – 12.0%. By comparison the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) total return was – 11.8%. More positively, income from investments rose 6.2% over the year and would have been much higher had the sterling exchange rate not appreciated by 4.2% against Asia Pacific currencies. Notwithstanding this, your Company enjoyed an increase in total income of 10.2%.

Over the period, portfolio turnover, as indicated on page 12, increased to 121.5% which is higher than in previous years. The majority of the change was down to the calculation being based on year end asset values rather than on monthly averages. Additional trading to enhance revenue in an environment of weak Asian currencies and strong sterling, increased share issuance and high levels of volatility also partly explain the rise.

Dividend

The overall income performance gave the Board confidence to declare a 4th interim dividend of 4.90p making a total of 19.20p for the year, an increase of 5.5%.

Following the increased volatility in markets and currencies in the last few months of the Company's financial year the Board has decided to give the fund manager more flexibility in terms of revenue generation during periods of unforeseen disruption. The Board remains positive on the outlook for dividends in the Asia Pacific region and is committed to growing the Company's dividend over time but understands that this may involve the use of revenue reserves should the income from the portfolio be impacted by exchange rate fluctuation or significant market events. The emphasis on greater flexibility should ensure that capital returns are not compromised for the sake of income generation and is in keeping with the Company's total return objective.

Strategic Report: Chairman's Statement (continued)

The Board

As part of the Board's succession plan, Richard Povey is stepping down from the Board at the AGM. Richard has served on the Board since the Company moved to Jersey in 2007. He has served the Board and shareholders diligently and his business experience in the Asia region, where he lived and worked for many years, has been most useful. We shall miss his guidance. Earlier in the year, Julia Chapman joined the Board. Julia is a Jersey resident and a lawyer with a great deal of experience in both UK and Jersey financial services. In this age of rapidly expanding regulation, her presence on the Board will be most welcome.

Outlook

China remains the key. Much is written about the slow down there but GDP growth, now referred to as the "new norm", is still robust in global terms. China is going through another transition phase as important and far reaching as the reforms introduced by President Deng Xiaoping. For him, the reform policy had to accommodate the severe economic damage and substantial social disruption caused by Mao Zedong's policies. To gain political traction President Deng Xiaoping adopted a consensus policy to help bind various factions together and he was successful. However, President Xi Jinping is faced with a different challenge.

He knows and has stated publicly that the transition to a more open consumer led economy is now imperative if growth is to continue and jobs created. Deregulation was the most important reform proposed at the 3rd Plenum in 2013. It is estimated that, relative to the "no reform" scenario, deregulation will boost average annual real output growth of the private sector by 3 percentage points. However, he is battling against entrenched interests created during the President Deng Xiaoping consensus period who opposed change and he appears to believe it is necessary to centralise control once again.

A further measure proposed by President Xi Jinping in 2013 to restore strong growth was the introduction of the "Belt and Road" infrastructure project. The aim will be to link, in a coordinated way, existing infrastructure and create 6 separate corridors from China across Asia to Europe. There will be roads, high speed rail, energy pipelines and sea ports. For China the benefits are clear. The project will reduce China's dependence on eastern seaboard trade routes for both imports and exports, avoid the long sea route through the Straits of Malacca, open up opportunities for central and western China to develop new industries creating jobs and economic prosperity in this neglected region. It will also open up new markets for Chinese goods and involve over 60 countries when complete. Of course this will not happen overnight but it is a key plank in the President's strategy. The potential benefits are so strong that it is reasonable to assume that the project will proceed quite quickly.

The outlook for China will continue to dominate Asian markets. The transition is necessary and has every prospect of being successful in the medium to long term. The stock market in China will remain unsettled for some time to come as the effects of the bursting bubble work their way through but valuations are attractive giving rise to improved yield opportunities giving your Board confidence that the current dividend can be at least maintained in the year ahead.

Annual General Meeting

The Company's AGM will be held at 12.00 noon on 16 December 2015 at Liberté House, 19-23 La Motte Street, Jersey, JE2 4SY and full details of the proposed resolutions are set out in the separate Notice of Meeting which has been issued with this report. As usual an open presentation to shareholders will be held at Henderson's offices in London the following day, 17 December 2015 when Mike Kerley will make an investment presentation and he and I will be happy to answer questions. If you would like to attend please complete and return the invitation card enclosed with this report. For the first time, this year, the Shareholder event will be live streamed so that shareholders who are unable to attend in person can view the meeting online at **www.henderson.com/trustslive**

John Russell
Chairman
5 November 2015

Strategic Report: Fund Manager's Report

The Fund Manager, Mike Kerley, reports on the year to 31 August 2015

Market

The financial year to the end of August 2015 was a particularly volatile period for Asia Pacific markets. The boom and bust in Chinese equities, a significant increase in volatility in the currency markets and the overhang of a potential rate rise in the US resulted in an 11.8% decline in the FTSE All World Asia Pacific ex Japan index in sterling total return terms.

The year started poorly as the withdrawal of the US Federal Reserve's bond buy-back programme, geopolitical risks in the Middle East and economic weakness in Europe conspired to send markets lower. Sentiment turned positive in December 2014 as comments from the European Central Bank about quantitative easing combined with lower commodity prices and a 50% decline in oil prices, improved investors' growth expectations. This more positive backdrop continued until the middle of June 2015 when a clampdown on margin trading halted the meteoric rise of Chinese mainland shares and slowing regional and global growth extended the weakness to global emerging markets and the world beyond.

Of all the headlines which hit the news wires over the period the performance of Chinese shares and the policy responses designed to contain it were the most notable. The 'party' started in November 2014 when The People's Bank of China unexpectedly cut interest rates for the first time since 2012 spurring a surge in equity investment on expectations of the commencement of a prolonged period of government easing. At its peak the number of new trading accounts being opened by retail investors hit 3.3m a week with the volumes in Shanghai exceeding those on Wall Street. Between 20 November 2014 and 12 June 2015 the Shanghai Composite Index rose 111% in local currency terms. The market was buoyed not only by interest rate cuts but also by continuing state owned enterprise reform, headline grabbing infrastructure projects and implicit government support. The correction came in mid June following the clampdown on margin trading which had grown to an estimated 8% of total market transactions from virtually nothing nine months earlier.

The change in sentiment combined with forced selling of stocks to meet margin calls resulted in an almost 40% decline in the Shanghai Composite Index between 12 June and 31 August while the government's use of public funds to shore up the market was clumsy and mistimed and did little to improve sentiment or confidence.

With equity markets still unnerved by the increased volatility, the surprise decision by The People's Bank of China to increase the flexibility of the Renminbi peg to the US dollar came as an unwelcome surprise. With the IMF's decision pending on whether to grant the Chinese Renminbi reserve currency status, the decision was designed to adhere to the IMF'S mantra of increased flexibility. However following on from an extremely weak export number, fears of a competitive devaluation were readily aired. The subsequent devaluation of 2% was modest, but, the impact on commodity and energy prices, regional and emerging currencies and world equity markets contributed to the belief that this was only the start of a significant move lower for the Chinese currency.

Elsewhere in the region slowing growth, falling energy and materials pricing together with weak currencies dictated returns. Australia and Malaysia, the only net commodity and energy exporters in the region, were the hardest hit as their equity markets fell by 21% and 29% in sterling terms respectively, with the majority of the fall coming from currency decline. Unsurprisingly, energy and materials were the worst performing sectors although the inclusion of consumer discretionary in the bottom three reflects the slowdown prevailing across the region. Healthcare, telecoms and utilities proved most resilient while, at the country level, The Philippines, India and China ended the period close to parity from a year earlier.

With GDP growth falling across the region, looser monetary policy was evident in many countries. Interest rates were cut in China, India, Australia, Taiwan, Korea and Thailand over the period, reflective of weaker demand but also of lower levels of inflation as weaker energy, commodity and food pricing impacted CPI baskets.

At the corporate level earnings have been resilient in this period of increased volatility, reflecting that the recent turmoil is a macro rather than a micro event. Earnings forecasts have been revised lower, but only modestly, with the concentration of downgrades being in the cyclical resource and technology sectors. The same dynamic is true of dividend forecasts which have been revised down slightly on average but less so than earnings, and again in the areas most impacted by the cyclical downturn. Encouragingly, sectors such as diversified financials, real estate, transport and utilities have actually seen dividend upgrades in calendar 2015 which bodes well for dividend sustainability for the rest of 2015 and into 2016.

Performance

The NAV total return was -11.5%, slightly outperforming the FTSE All World Asia Pacific ex Japan Index (total return) which was -11.8% in sterling terms. With this magnitude of decline we would normally expect the portfolio to be more resilient than it has proved to be. This, we believe, is a function of the indiscriminate nature of the sell-off dominated by fund flows, rather than fundamentals in a period where weaker growth and a possible rise in interest rates impacted growth and yield alike.

Although it was a roller coaster ride, the portfolio benefited from its positions in China where the attractive valuations of the stocks held proved much less volatile than the broader market. Elsewhere, the resilience of Taiwan was beneficial while the heavy weighting in telecommunications also added value on a relative, if not absolute, basis.

Strategic Report: Fund Manager's Report (continued)

At the stock level there were notable performances from some of our Chinese shares such as Beijing Capital Airport, Netease, Bank of China and Zhengzhou Yutong Bus which all posted significant gains over the period. On the negative side, poor returns from Hyundai Motor, Wistron and Sands China offset some of these gains.

Revenue

Despite the headwinds of weak Asian currencies and a strong sterling the full year was a positive one for the income of your Company. Income from investments rose by 6.2% despite a 4.2% increase in sterling against Asian Pacific currencies over the period. Income from the sales of derivatives rose by 73%, reflecting the higher levels of volatility in equity markets resulting in a combined increase in total income of 10.2%.

In local currency terms the portfolio was able to deliver double digit dividend growth over the period which we believe is reflective of the potential for dividend growth in the region. With companies generating high levels of free cash flow and dividend pay-out ratios at record low levels, we believe the potential for dividend growth to outstrip earnings growth in the region is strong over the next five years.

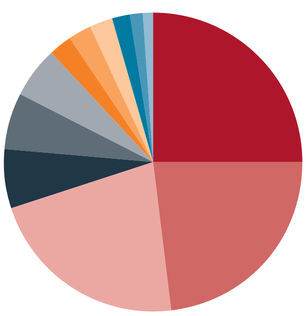
The diversification of income is also an appealing feature. The chart below shows that income can be generated from many different areas and is not reserved to the traditional higher yielding sectors. Technology and property, for example, are responsible for 27% of the revenue generated by the entire portfolio over the financial year– a trait not seen in most developed markets.

Outlook

We remain positive on the outlook for the region in the medium to long term but recognise that market direction will be dictated by macro factors in the short term. The uncertainty surrounding interest rate rises in the US and volatility in the currency markets is likely to persist for the short term but we remain confident that Asian economies and companies are well placed to handle any potential bouts of volatility. Valuations in Asia are attractive relative to their own history and other world markets. Companies are cash rich with tremendous potential to increase dividend pay-outs over time. We will use any market volatility as an opportunity to acquire quality high yielding or high dividend growth companies at attractive prices.

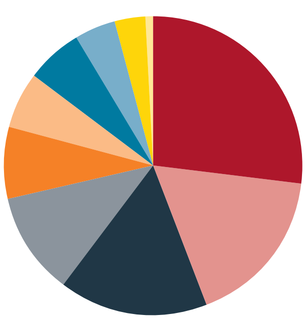
Mike Kerley
Fund Manager
5 November 2015

Geographical Distribution of Income



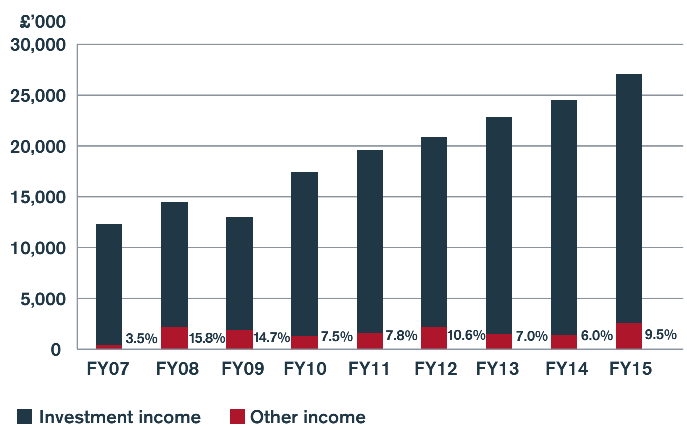
	2015 %
China	25.0
Taiwan	23.3
Australia	21.7
Hong Kong	6.5
Singapore	6.1
South Korea	5.5
Thailand	2.7
India	2.5
New Zealand	2.3
Malaysia	2.0
Indonesia	1.3
Japan	1.1
The Philippines	–

Sector Distribution of Income



	2015 %
Financials	27.1
Telecommunications	17.2
Property	16.2
Technology	11.1
Industrials	7.6
Basic Materials	6.2
Utilities	6.1
Consumer Goods	4.5
Consumer Services	3.2
Oil & Gas	0.8

Financial year revenue breakdown



Source: Henderson Global Investors, as at 31 August 2015

Strategic Report: Investment Portfolio as at 31 August 2015

Ten largest investments at 31 August 2015

Ranking 2015	Ranking 2014	Company	Principal activities	Country of incorporation	Sector	Value 2015 £'000	% of portfolio
1	20	**HKT Trust & HKT ("HKT")**	HKT is Hong Kong's premier telecommunications service provider with a leading market share in fixed line, broadband and mobile communications services.	Hong Kong	Telecommunications	9,307	2.88
2	–	**Korea Electric Power ("KEPCO")**	KEPCO is Korea's leading power company with responsibility for nationwide generation, transmission, transformation and distribution of power to commercial and residential customers.	South Korea	Utilities	9,219	2.85
3	35	**Intouch Holdings**	A holding company in Thailand focusing on telecommunications with three main business areas in mobile telephony, satellite and international businesses and media.	Thailand	Telecommunications	8,739	2.70
4	–	**Spark Infrastructure**	Spark Infrastructure invests in regulated utility infrastructure in Australia and overseas including electricity and gas distribution and transmission and water and sewage assets.	Australia	Utilities	8,633	2.67
5	47	**Macquarie Korea Infrastructure Fund ("MKIF")**	A listed private sector infrastructure fund investing in toll roads, bridges and tunnels in Korea. MKIF has the largest portfolio of infrastructure assets in Korea.	South Korea	Financials	8,329	2.58
6	40	**Spark New Zealand**	New Zealand's largest telecommunications company providing fixed line, mobile, broadband and digital services to corporate and retail customers across New Zealand.	New Zealand	Telecommunications	8,317	2.57
7	15	**Coal India[1]**	Coal India is a state owned mining company and the worlds single largest producer of coal spread over numerous mines across 8 Indian states.	India	Basic Materials	8,021	2.48
8	37	**Mizuho Financial ("Mizuho")**	Mizuho is a bank holding company providing comprehensive financial services through its subsidiaries in general banking, securities brokerage, trust banking and asset management.	Japan	Financials	7,999	2.47
9	–	**Bharti Infratel[1]**	One of the worlds largest telecom tower infrastructure providers, that deploys, owns and manages telecom towers and communications structures for all wireless operators across India.	India	Telecommunications	7,969	2.46
10	1	**SK Telecom[2]**	Telecommunication services and products in South Korea. The company has the largest market share in mobile phone services and derives revenue from voice, data and value added services.	South Korea	Telecommunications	7,896	2.44
						84,429	**26.10**

The Top Ten Investments by value account for 26.10% of the total investments (2014: £92,283,000 or 25.13%)

1 Participation Notes

2 American Depositary Receipts

Strategic Report: Investment Portfolio as at 31 August 2015 (continued)

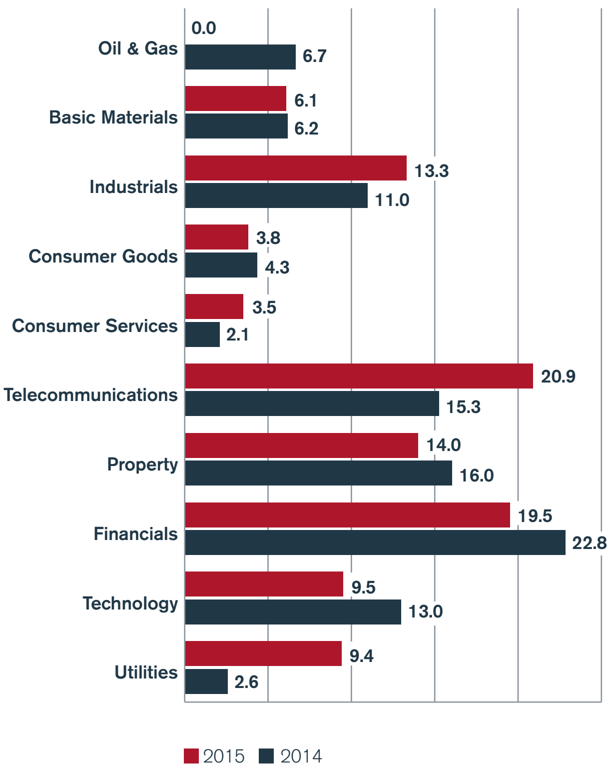
Ranking 2015	Ranking 2014	Company	Country of incorporation	Sector	Valuation 2015 £'000	Percentage of portfolio
11	5	Telstra Corporation	Australia	Telecommunications	7,859	2.43
12	17	CapitaLand Mall Trust REIT	Singapore	Property	7,597	2.35
13	–	Macquarie Group	Australia	Financials	7,569	2.34
14	8	Amcor	Australia	Industrials	7,152	2.21
15	–	CK Hutchison	Hong Kong	Industrials	7,126	2.20
16	29	Casetek Holdings	Taiwan	Technology	6,990	2.16
17	–	AGL Energy	Australia	Utilities	6,949	2.15
18	28	Scentre Group	Australia	Property	6,920	2.14
19	–	China Resources Land	China	Property	6,887	2.13
20	39	Asustek Computer	Taiwan	Technology	6,804	2.10
		Top Twenty Investments			**156,282**	**48.31**
21	32	Rio Tinto	Australia	Basic Materials	6,742	2.08
22	-	HSBC	UK	Financials	6,694	2.07
23	4	Taiwan Semiconductor Manufacturing[2]	Taiwan	Technology	6,654	2.06
24	7	Suncorp	Australia	Financials	6,616	2.05
25	–	Advanced Semiconductor Engineering	Taiwan	Technology	6,605	2.04
26	–	Kangwon Land	South Korea	Consumer Services	6,539	2.02
27	–	Lend Lease	Australia	Property	6,462	2.00
28	6	Bank Of China	China	Financials	6,452	1.99
29	–	Singapore Telecommunications	Singapore	Telecommunications	6,239	1.93
30	42	Mapletree Greater China Commercial Trust	Hong Kong	Property	6,226	1.93
		Top Thirty Investments			**221,511**	**68.48**
31	43	Telekomunikasi Indonesia	Indonesia	Telecommunications	6,173	1.91
32	10	Agricultural Bank Of China	China	Financials	6,126	1.89
33	14	Commonwealth Bank Of Australia	Australia	Financials	6,109	1.89
34	–	Zhengzhou Yutong Bus[1]	China	Industrials	5,914	1.84
35	–	Cheung Kong Property	Hong Kong	Property	5,804	1.79
36	–	CTBC Financial	Taiwan	Financials	5,739	1.77
37	–	Rural Electrification Corporation[1]	India	Financials	5,722	1.77
38	36	Beijing Capital Int. Airport	China	Industrials	5,706	1.76
39	3	Huaneng Power	China	Utilities	5,534	1.71
40	–	Sands China	China	Consumer Services	5,302	1.64
		Top Forty Investments			**279,640**	**86.45**
41	–	China Jinmao	China	Property	5,232	1.62
42	–	Digital Telecommunications	Thailand	Telecommunications	5,220	1.61
43	–	BAIC Motor Corporation	China	Consumer Goods	5,172	1.60
44	–	Gree Electric Appliances[1]	China	Consumer Goods	4,947	1.53
45	21	Asia Cement	Taiwan	Basic Materials	4,882	1.51
46	44	CTCI Corporation	Taiwan	Industrials	4,664	1.44
47	12	Shanghai Industrial	China	Industrials	4,566	1.41
48	46	Netease[2]	China	Technology	3,968	1.23
49	16	Malayan Banking	Malaysia	Financials	3,938	1.22
50	–	Dongfeng Motor Group	China	Consumer Goods	2,245	0.69
		Top Fifty Investments			**324,474**	**100.31**
51	51	China Forestry Holdings	China	Industrials	–	–
52	–	Bank Of China Oct 15 Call 5.3681 (Expiry 02/10/15)	China	Financials	–	–
53	–	Sands China Nov 15 Call 35.6914 (Expiry 13/11/15)	China	Consumer Services	(27)	(0.01)
54	–	Netease Nov 15 Put 102.15 (Expiry 25/11/15)	China	Technology	(193)	(0.06)
55	–	Beijing Capital Int. Airport Nov 15 Call 8.48 (Expiry 02/11/15)	China	Industrials	(368)	(0.11)
56	–	Kangwon Land Nov 15 Call 43100.4095 (Expiry 03/11/15)	South Korea	Consumer Services	(419)	(0.13)
		Total Investments			**323,467**	**100.00**

1 Participation Notes
2 American Depositary Receipts

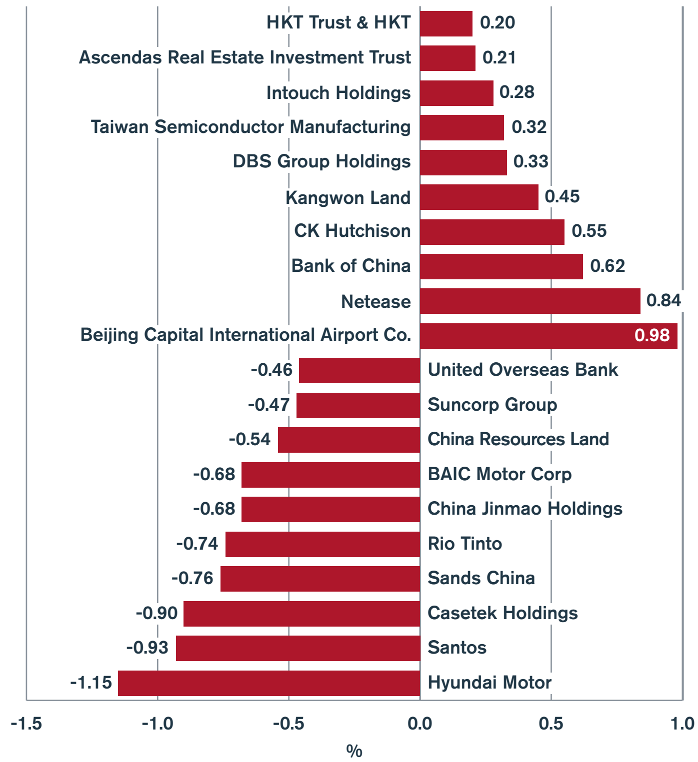
Strategic Report: Portfolio Information

Sector exposure

As a percentage of the investment portfolio excluding cash

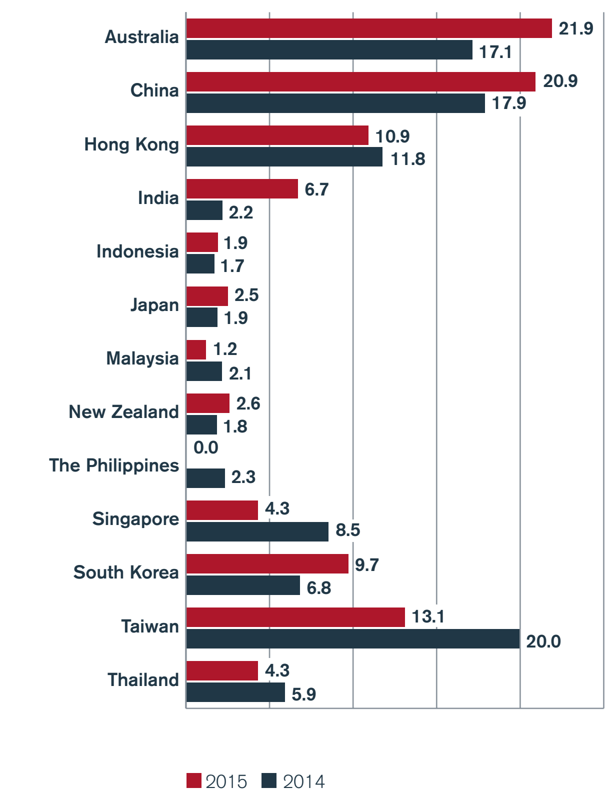


Top ten contributors to and bottom ten detractors from return

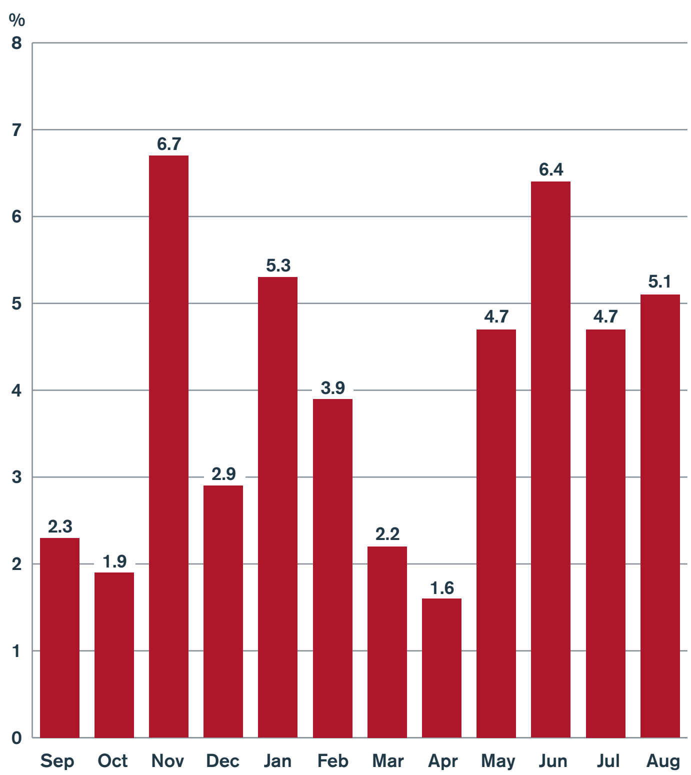


Geographic focus

As a percentage of the investment portfolio excluding cash



Gearing levels over the year*

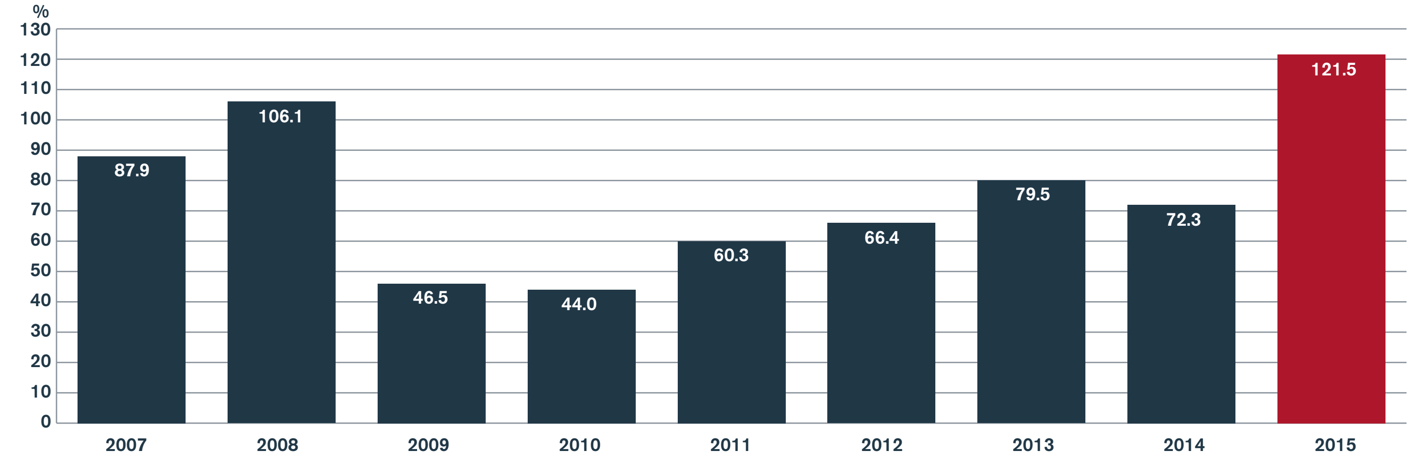


*Gearing is defined on page 18

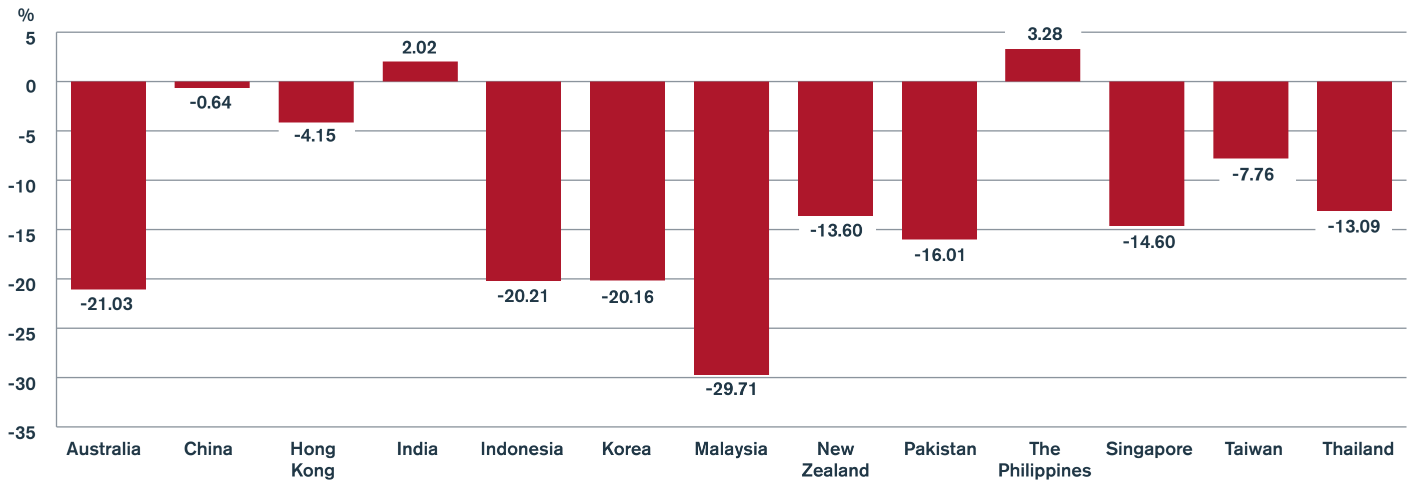
Source: Henderson

Strategic Report: Portfolio Information (continued)

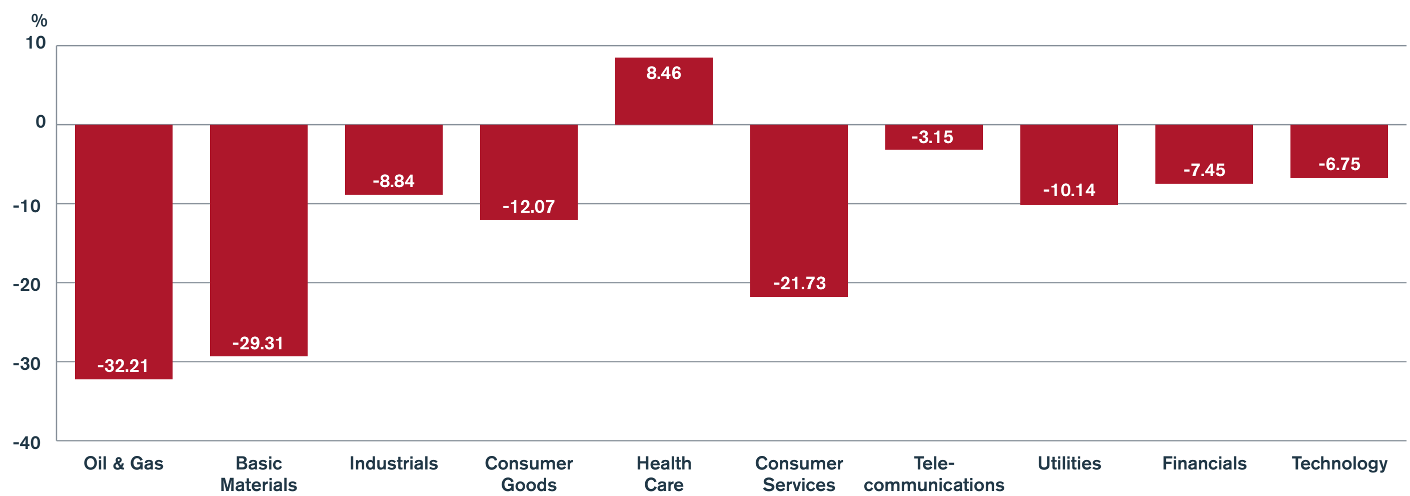
Portfolio Turnover[1]



Country performance (% total return)[2]



Sector performance (% total return)[3]



Source: Henderson

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

2 FTSE All-World Country Indices (sterling adjusted) total return including dividends reinvested

3 FTSE All-World Asia ex Japan Index (sterling adjusted) total return including dividends reinvested

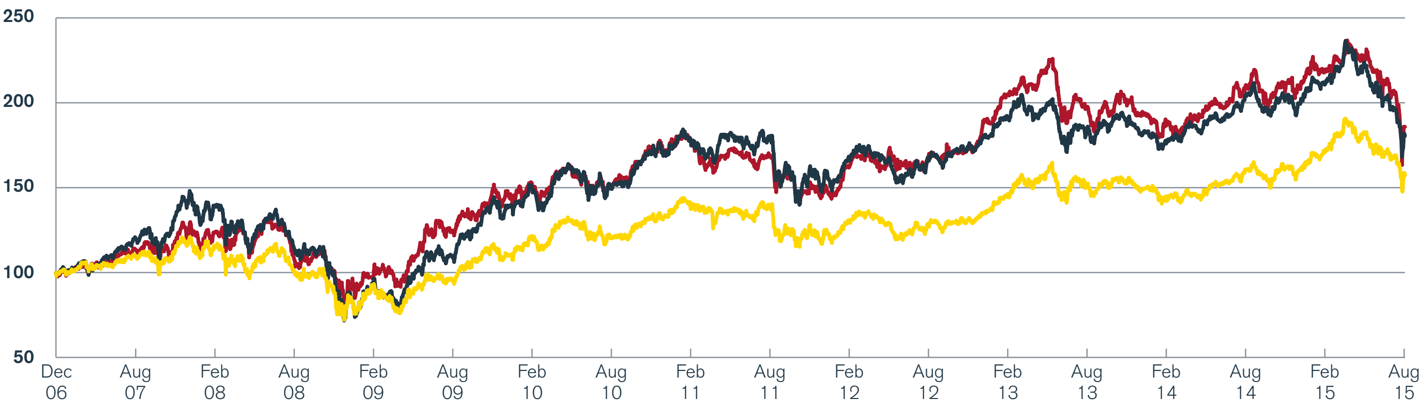
Strategic Report: Historical Performance and Financial Information

Total return performance (including dividends reinvested)

	1 year %	3 years %	5 years %
Net Asset Value per ordinary share[1]	-11.5	9.1	21.3
AIC Asia Pacific (excluding Japan) Sector (Peer Group) Average [2]	-9.5	12.9	28.5
FTSE All-World Asia Pacific ex Japan Index (sterling adjusted)	-11.8	9.9	18.3
FTSE All-World Asia Pacific including Japan Index (sterling adjusted)	-1.8	24.7	28.7

1 Source: Morningstar for the AIC including income fair value NAV for one, three and five years
2 Size weighted average (shareholders' funds)

Share price movement against indices since launch



Financial information

At 31 August	Net assets £'000	NAV p	Mid-market price per ordinary share p	(Discount)/ premium %	Profit/(loss) for year £'000	Revenue return p	Capital return p	Total return p	Dividend p	Expenses %
2007[1]	208,737	268.91	257.75	(4.2)	32,536	12.98	28.94	41.92	8.25	–
2008	203,134	261.69	238.25	(8.9)	3,519	15.68	(11.14)	4.53	12.00	–
2009	215,496	258.52	269.50	4.2	7,732	13.76	(3.97)	9.79	12.40	–
2010	284,916	295.00	295.25	0.1	43,782	15.35	32.43	47.78	13.60	1.23
2011	287,389	287.09	294.50	2.6	5,676	16.49	(10.75)	5.74	15.00	1.21
2012	300,500	295.82	290.13	(1.9)	24,767	17.31	7.19	24.50	16.00	1.21
2013	325,798	312.23	309.00	(1.0)	32,765	18.05	13.78	31.83	17.00	1.29
2014	355,021	328.43	331.50	0.9	36,550	19.32	15.23	34.55	18.20	1.17
2015	**307,821**	**273.99**	**275.00**	**0.4**	**(40,246)**	**20.54**	**(57.00)**	**(36.46)**	**19.20**	**1.06**

1 Incorporated 6 November 2006

Sources: Henderson, Morningstar for the AIC, Datastream

Strategic Report: Key Information

Directors

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

John Russell (Chairman)

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

David Mashiter

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

Simon Meredith Hardy

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

Richard Povey

Richard has occupied a number of senior positions in Asia with the Swire Pacific Group, most recently being managing director of the Swire Pacific trading operations in Taiwan. He also sat on the board of the Jersey Competition Regulatory Authority from 2005 to 2013. He has been a non-executive director of a number of offshore investment companies.

David Staples

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

Julia Chapman

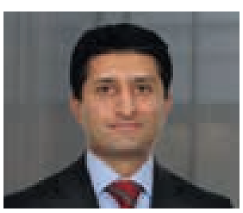
Julia is a lawyer qualified in England & Wales and in Jersey with over 25 years experience in the investment fund and capital markets sector. After working at Simmons & Simmons in London, she moved to Jersey and became a partner of Mourant du Feu & Jeune (now Mourant Ozannes) in 1999. She was then appointed general counsel to Mourant International Finance Administration (the firm's fund administration division). Following its acquisition by State Street in April 2010, Julia was appointed European Senior Counsel for State Street's alternative investment business. In July 2012, Julia left State Street to focus on the independent provision of directorship and governance services to a small number of investment fund vehicles. She is a non-executive Director of GCP Infrastructure Investments Limited

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

Fund Manager

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

Mike Kerley



Sat Duhra

All Directors were appointed in 2006 at the commencement of the Company with the exception of David Staples who was appointed in January 2011 and Julia Chapman who was appointed in January 2015.

Strategic Report: Key Information (continued)

Registered Office

Liberté House
19-23 La Motte Street
St. Helier
Jersey JE2 4SY

Other service providers

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

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

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

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

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

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

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

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

Telephone: 0370 707 4040
info@computershare.co.je

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

Telephone: (0064) 9 488 8777

There is a range of shareholder information online.

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

Financial calendar

Financial period end	31 August 2015
Annual General Meeting[1]	16 December 2015
Shareholder Event[2]	17 December 2015
4th Interim dividend 2015	30 November 2015
Ex dividend date	5 November 2015
Record date	6 November 2015
1st Interim dividend 2016	29 February 2016
2nd Interim dividend 2016	31 May 2016
3rd Interim dividend 2016	31 August 2016

Website

www.hendersonfareastincome.com

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holdings shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 08457 22 5525, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

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

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

Strategic Report: Corporate Information

Status

The Company is registered with limited liability in Jersey as a closed-end investment company under the Companies (Jersey) Law 1991 with registered number 95064. In addition, the Company constitutes and is certified as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988 ("the Jersey Funds law"). The Company has obtained a Fund Certificate under Article 7 of the Jersey Funds Law from the Jersey Financial Services Commission to operate as a Certified Fund within the Island of Jersey. The Company has a premium listing on the main market of the London Stock Exchange and is subject to the UK Listing Authority's Listing Rules and also the listing rules of the New Zealand Stock Exchange. It is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

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

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an Individual Savings Account ("ISA").

Principal risk and uncertainties

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

Investment and Strategy

An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in under performance against the companies in the peer group, and also in the Company's shares trading on a wider discount. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Fund 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 Henderson confirms adherence to them every month. Henderson 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 Fund Manager at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.

Market

Market risk arises from uncertainty about the future prices of the Company's investments. This is commented on in Note 13 on pages 43 to 50.

Accounting, legal and regulatory

The Company is regulated by the Jersey Financial Services Commission and complies with the regulatory requirements in Jersey. The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules.

The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA and New Zealand Stock Exchange Rules.

Operational

Disruption to, or the failure of, Henderson's or the Administrator's accounting, dealing, or payment systems or the Custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Administrator, BNPP, sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Securities Services. Details of how the Board monitors the services provided by Henderson 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.

Financial

The financial risks faced by the Company include market risk (market price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Company does not employ financial instruments to mitigate risk. Further details are disclosed in Note 13 on pages 43 to 50. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

Borrowing

The Company has a two year £45 million revolving multi-currency loan facility. The maximum amount drawn down under the period was £38,815,000, with borrowing costs including interest for the year totalling £331,000. Net gearing (defined as the difference between investments including written call options and equity shareholders' funds divided by equity shareholders' funds) at 31 August 2015 was 5.1% of net asset value (2014: 3.4%).

Future developments

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

Key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Fund 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 of the Company. The Company does not have a formal benchmark. It uses the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) for comparison purposes only.

Strategic Report: Corporate Information (continued)

Discount/premium to net asset value ("NAV")
At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and includes current financial year revenue; on the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical comparison.

Yield
At each Board meeting, the Directors examine the revenue forecast and consider the yield on the portfolio and the amount of revenue available for distribution.

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

The charts and tables on pages 2, 3 and 11 to 13 show how the Company has performed against these KPI's.

Corporate responsibility

Responsible investment
Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ("SEE") issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ("ESG") issues into mainstream investment decision-making and ownership practices. The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is considered by the Henderson risk team but investments are not necessarily ruled out on social and environmental grounds only.

Voting policy and the UK stewardship code
Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund Manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefore are fed back to the investee company prior to voting.

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

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

Employees, social, community, human rights and environmental matters
The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues here, Henderson's policies are included in its annual report which can be found on its website **www.henderson.com**.

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

The Company's annual report is printed on paper produced using 50% recycled post consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council, the printing company used is certified as Carbon Neutral®.

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

Board diversity
Currently, five of the Company's Directors are male and one is female. The Directors consider diversity when making appointments to the Board, taking into account relevant skills, experience, knowledge and gender. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

John Russell
Director
5 November 2015

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Association of Investment Companies ("AIC")

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

Index

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

Custodian

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

Depositary

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

Derivative

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

Dividend dates

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

Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market and is calculated by taking the difference between total investments and equity shareholders' funds, dividing this by equity shareholders' funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Leverage

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

Investment Companies

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

Liquidity

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

Strategic Report: Glossary (continued)

Market capitalisation (market cap)

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

Net asset value ("NAV") per ordinary share

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

Ongoing charge

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

Premium/discount

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

Total return performance

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

Yield

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

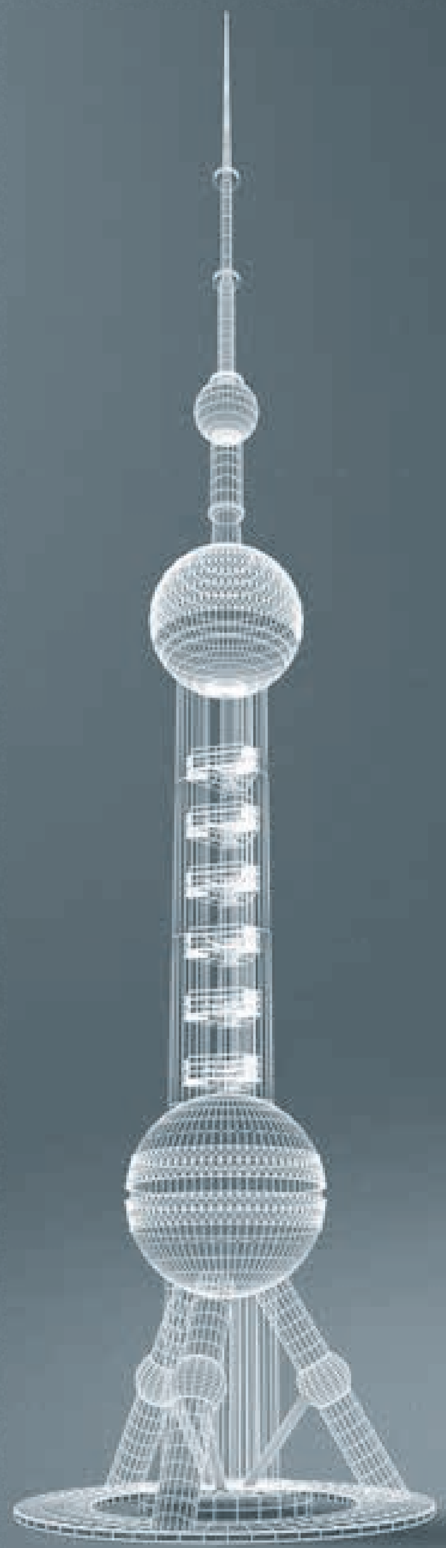
Warning to shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the number provided on page 15.

Corporate Report



Report of The Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 September 2014 to 31 August 2015. Henderson Far East Income Limited ("the Company"), is registered in Jersey with registered number 95064.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 24 and 25 provides information on the remuneration and share interests of the Directors.

Directors' conflicts of interest

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

Related party transactions

The Company's current related parties are its Directors and Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 24.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 19 on page 51.

Stated share capital

As at 31 August 2015 the Company's stated share capital consisted of 112,345,564 ordinary shares of no par value. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no restrictions on voting, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. The holders of ordinary shares are entitled to all capital growth in the Company and all the income from the Company that is resolved by the Directors to be distributed. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

The holders of the Company's ordinary shares are entitled to one vote for every share held. Therefore, as at 31 August 2015 the voting rights were 112,345,564 votes. During the year, 4,250,000 shares (representing 3.8% of the number of shares in issue at the beginning of the year) were issued to Cenkos Securities (the Company's broker) at a price range of 310p to 360.5p for total proceeds (net of commissions) of £14,058,665.

Since 31 August 2015 and up to the date of this report a further 715,000 ordinary shares have been issued for a total consideration of £2,073,975. The number of shares in issue at the date of this report is 113,060,564. All new shares are issued at a premium to net asset value.

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

Subject to annual shareholder approval, the Company may purchase its own ordinary shares at a discount to net asset value ("NAV") per share. At the Annual General Meeting ("AGM") on 17 December 2014 shareholders gave the Board authority to buy back 14.99% of the ordinary shares in issue at that date during the following 15 months for cancellation. To date this authority has not been used.

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

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 August 2015 in accordance with the disclosure and transparency rules were as follows:

	% of voting rights
Rathbone Brothers plc	7.80

No changes have been notified in the period 1 September 2015 to 2 November 2015.

At 31 August 2015, 7.0% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is part of Lloyds Banking Group and 0.3% by participants in Henderson products.

In accordance with the arrangements made between HSDL and Henderson, the participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Report of The Directors (continued)

The Company is also aware of the following top five holdings on the share register as at 31 August 2015:

Holder	% of ordinary shares in issue
Speirs and Jeffrey	9.38
Rathbones	7.39
Halifax Share Dealing	7.04
Hargreaves Lansdown	5.29
Alliance Trust Savings	4.46

Global greenhouse gas emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 August 2015 (2014: same), nor does it have responsibility for any other emissions producing sources.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 21 under Stated Share Capital.

Going concern

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

Corporate governance

The corporate governance disclosures in this report are contained in the Corporate Governance Statement on pages 26 to 29 which forms part of the Report of the Directors.

Annual General Meeting

The AGM will be held on 16 December 2015 at 12.00p.m. at the Company's registered office. The Notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

Shareholder event

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

Henderson has therefore arranged a Shareholder Event to be held at Henderson's offices at 201 Bishopsgate, London EC2M 3AE on Thursday 17 December 2015 at 11.00a.m. The event will provide the opportunity for the Fund Manager, Mike 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. For the first time this year the event will be live streamed so Shareholders who cannot attend in person can view the meeting live as it happens online at **www.henderson.com/trustslive**

Directors' statement as to disclosure of information to auditors

Each of the Directors who were members of the Board at the date of approval of this report confirms that to the best of their knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's auditors are unaware and they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware.

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

For and on behalf of the Board

Richard Povey
Director
5 November 2015

Statement of Directors' Responsibilities

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

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

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

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

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

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 14, confirms that, to the best of his or her knowledge:

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

For and on behalf of the Board of Directors.

Richard Povey
Director
5 November 2015

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

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

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

Directors' Remuneration Report

Introduction

This report is submitted on the same basis as would be required by Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). The report also meets the relevant requirements of the Companies (Jersey) Law 1991 ('Jersey Law') and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. An ordinary resolution to approve the report will be proposed at the Annual General Meeting on 16 December 2015. The Company's remuneration policy was approved at the AGM in 2014. No further changes to the current policy are proposed.

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

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

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £200,000 per annum. Subject to this overall limit, the Board's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to promote the long term success of the Company. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

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

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

Annual statement

As Chairman, John Russell reports that there have been no decisions on Directors' remuneration in the year under review.

Annual report on remuneration

Directors' interests in shares (audited)

	Ordinary shares of no par value	
	31 August 2015	**1 September 2014**
John Russell	60,306	50,306
David Mashiter	5,000	5,000
Simon Meredith Hardy	15,000	15,000
Richard Povey	5,000	5,000
David Staples	21,000	16,000
Julia Chapman	0	0

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 September 2015 to 2 November 2015.

Directors' Remuneration Report (continued)

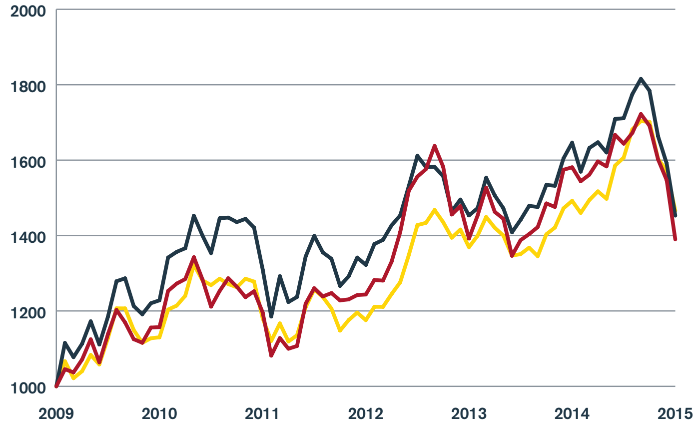
Performance

The graph compares the total return of the Company's ordinary shares over the six year period ended 31 August 2015 with the return from the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) and the FTSE All-World Asia Pacific including Japan Index (sterling adjusted) over the same period.

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

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

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



Directors' fees (audited)

The fees paid to the Directors who served during the years ended 31 August 2015 and 31 August 2014 were as follows:

	Year ended 31 August 2015 Total £	Year ended 31 August 2014 Total £
John Russell[1]	37,500	37,500
David Mashiter	24,000	24,000
Simon Meredith Hardy	24,000	24,000
Richard Povey	24,000	24,000
David Staples[2]	28,000	28,000
Julia Chapman	14,067	–
Total	**151,567**	**137,500**

Notes:

The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made

1 Chairman and highest paid Director

2 Chairman of the Audit Committee

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

The fees paid to the Directors are: Chairman £37,500, Audit Committee Chairman £28,000 and other Directors £24,000.

Relative importance of spend on pay

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

	2015	2014	Change
Total remuneration paid to Directors*	£151,567	£137,500	£14,067
Ordinary dividend paid during the year	£21,013,132	£18,958,806	£2,054,326
Number of ordinary shares issued	4,250,000	3,750,000	500,000

*The Company usually has five directors. As at the date of this report, the Company has six directors. Julia Chapman was appointed to the Board in January 2015 as part of the Company's succession plan for when Richard Povey steps down from the Board in late 2015.

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

At the 2014 AGM 23,101,063 votes (97.8%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 346,925 (1.5%) were against, 156,359 (0.7%) were discretionary and 474,075 were withheld; the percentage of votes excludes votes withheld.

For and on behalf of the Board

Richard Povey
Director
5 November 2015

Corporate Governance Statement

Applicable corporate governance codes

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

The Board has noted that the FRC and AIC have issued revised codes against which the Company will be required to report under next year. Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

Statement of compliance

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

The UK Code includes provisions relating to:

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

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

Directors

Directors' appointment and retirement

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

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

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

Richard Povey is retiring from the Board at the AGM in 2015 and therefore will not be seeking re-election. The Board would like to thank Mr Povey for his considerable contribution to the Company during his time on the Board. Julia Chapman was appointed to the Board in January 2015 and will stand for election at the forthcoming AGM.

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

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

Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in January 2015, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. The Board believes that length of service does not compromise the effectiveness or independence of a Director as experience and knowledge of the Company is a positive factor and can be of significant benefit to the Company and to its shareholders. It believes that longer serving Directors are less likely to take a short-term view, which belief is supported by the AIC Code. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

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

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Corporate Governance Statement (continued)

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

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

The Board

Board composition
The Board currently consists of six non-executive Directors and the biographies of those holding office at the date of this report are included on page 14. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year with the exception of Julia Chapman who was appointed in January 2015.

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

The Board is responsible for the approval of annual and half year results, interim management statements and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 August 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

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

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

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the remuneration policy set out on page 24, which is subject to periodic shareholder approval.

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

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

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

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

The Committee met in January 2015 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed on page 28.

Corporate Governance Statement (continued)

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

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

The Committee met in July 2015 to carry out its annual review of Henderson, the results of which are detailed on page 29.

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

	Board	AC	MEC	NC
Number of meetings	**4**	**3**	**1**	**3**
John Russell	4	3	1	3
David Mashiter	4	3	1	3
Richard Povey	4	3	1	3
Simon Meredith Hardy[1]	3	3	1	2
David Staples	4	3	1	3
Julia Chapman[2]	3	2	1	2

1 Mr Meredith Hardy missed one Board meeting due to personal reasons
2 Appointed in January 2015
AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee

The Directors and Committees of the Board also met during the year to undertake business of a routine nature and the approval of the Company's results and dividends. The Annual General Meeting was held in December 2014

Performance evaluation
The performance of the Company is considered in detail at each Board meeting. In the year under review the Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by the Chairman having a private discussion with each Director. The Directors also meet without the Chairman present in order to review his performance. It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and the Chairman continues to display effective leadership. The Director seeking re-election at the Company's AGM this year is John Russell. The Board considers that he merits re-election by shareholders. Julia Chapman was appointed to the Board in January 2015 and will stand for election at the forthcoming AGM in line with the Company's Articles of Association.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2015. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

Henderson has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Henderson's compliance, internal audit and risk departments on a continuing basis. The Board receives a formal reports on a quarterly basis which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. The Board receives a report on Henderson's internal controls each year which includes a report from Henderson's auditors on the control policies and procedures in operation.

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

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 23, the Independent Auditor's Report on page 32 and the statement of going concern on page 22.

The Board has delegated contractually to external third parties, including Henderson and BNPP, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depositary as explained on page 18), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

Corporate Governance Statement (continued)

The Board receives and considers regular reports from Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson and BNPP also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through BNPP which is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board, Henderson and BNPP operate in a supportive, co-operative and open environment.

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

Continued appointment of Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson are contained on page 4.

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

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

Stated share capital

Please see the Report of the Directors on page 21.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Annual Report and the Half Year Update Statements which aim to provide shareholders with a clear and informative understanding of the Company's activities and its results. This information is supplemented by the daily publication at the London Stock Exchange and New Zealand Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet, the Annual Report and the Half Year Report. All documents issued by the Company can be viewed on the Company's website **www.hendersonfareastincome.com**

It is the intention of the Board that the Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the registered office address on page 15. At other times the Company responds to letters from shareholders on a range of issues.

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

The Board recognises that few shareholders are able to travel to Jersey to attend the AGM so a shareholder event will be held in London on Thursday 17 December 2015 to give shareholders the chance to meet the Chairman and to view a presentation from the Fund Manager. Full details are set out on page 22. The shareholder event will be live streamed so that shareholders who are unable to attend in person can view the meeting online at **www.henderson.com/trustslive**.

New Zealand listing

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

For and on behalf of the Board

Richard Povey
Director
5 November 2015

Report of The Audit Committee

Meetings

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

Role and responsibilities

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

- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson.
- consideration of the valuation of the Company's unquoted investments;
- consideration of the internal controls in place at Henderson and BNPP as administrator on page 28, and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- consideration of the nature and scope of the external audit and the findings therefrom;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board, as described on page 28;
- consideration of the appointment of the auditors, and their performance and remuneration;
- consideration of the auditor's independence, effectiveness and objectivity and the provision of any non-audit services (as explained further on page 31); and
- consideration of the whistleblowing policy that Henderson and BNPP have put in place for their staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action.

Audit for the year ended 31 August 2015

In relation to the Annual Report for the year ended 31 August 2015 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both Henderson's fair value pricing committee and by the Directors at least twice each year. Ownership of listed investments are verified by reconciliation to the custodian's records; for unquoted investments, verification is via reconciliation to the records of the investee entities.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 38) and is reviewed by the Committee at each meeting.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and BNPP and has access to the relevant personnel of Henderson and BNPP who have a responsibility for risk management and internal audit.

Report of The Audit Committee (continued)

Policy on non-audit services

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

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

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

Auditor's appointment

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

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

Fees paid or payable to the auditors are detailed in note 5 on page 40.

For and on behalf of the Board

David Staples
Audit Committee Chairman
5 November 2015

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

Report on the financial statements

We have audited the accompanying financial statements of Henderson Far East Income Limited (the "Company"), which comprise the Balance Sheet as at 31 August 2015, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 August 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and,

- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report of Other Legal and Regulatory Requirements

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

- adequate accounting records have not been kept by the company; or

- the financial statements are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following:

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

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

5 November 2015
37 Esplanade
St Helier
Jersey
JE4 8WQ

Notes:

- The maintenance and integrity of Henderson Far East Income Limited's website is the responsibility of the directors; the work carried out by 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 or audit report 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. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Statement of Comprehensive Income

for the year ended 31 August

Notes		Year ended 31 August 2015 Revenue return £'000	Year ended 31 August 2015 Capital return £'000	Year ended 31 August 2015 Total £'000	Year ended 31 August 2014 Revenue return £'000	Year ended 31 August 2014 Capital return £'000	Year ended 31 August 2014 Total £'000
3	Investment income	24,451	–	24,451	23,021	–	23,021
4	Other income	2,554	–	2,554	1,474	–	1,474
10	(Losses)/gains on investments held at fair value through profit or loss	–	(60,887)	(60,887)	–	18,228	18,228
	Total income/(loss)	**27,005**	**(60,887)**	**(33,882)**	**24,495**	**18,228**	**42,723**
	Expenses						
	Management fees	(1,472)	(1,472)	(2,944)	(1,581)	(1,581)	(3,162)
5	Other expenses	(417)	(418)	(835)	(416)	(416)	(832)
	Profit/(loss) before finance costs and taxation	**25,116**	**(62,777)**	**(37,661)**	**22,498**	**16,231**	**38,729**
6	Finance costs	(135)	(136)	(271)	(114)	(114)	(228)
	Profit/(loss) before taxation	**24,981**	**(62,913)**	**(37,932)**	**22,384**	**16,117**	**38,501**
7	Taxation	(2,314)	–	(2,314)	(1,951)	–	(1,951)
	Profit/(loss) for the year and total comprehensive income	**22,667**	**(62,913)**	**(40,246)**	**20,433**	**16,117**	**36,550**
8	Earnings per ordinary share – basic and diluted	20.54p	(57.00p)	(36.46p)	19.32p	15.23p	34.55p

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

The notes on pages 37 to 51 form part of these financial statements

Statement of Changes in Equity

for the year ended 31 August

Notes		Year ended 31 August 2015 Stated share capital £'000	Distributable reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2014	89,143	180,471	67,422	17,985	355,021
	Total comprehensive income:					
	(Loss)/profit for the year	–	–	(62,913)	22,667	(40,246)
	Transactions with owners, recorded directly to equity:					
9	Dividends paid	–	–	–	(21,013)	(21,013)
14	Shares issued	14,115	–	–	–	14,115
14	Share issue costs	(56)	–	–	–	(56)
	Total equity at 31 August 2015	**103,202**	**180,471**	**4,509**	**19,639**	**307,821**

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

The notes on pages 37 to 51 form part of these financial statements

Balance Sheet

at 31 August

Notes		2015 £'000	2014 £'000
	Non current assets		
10	Investments held at fair value through profit or loss	324,474	367,396
	Current assets		
11	Other receivables	7,584	8,278
	Cash and cash equivalents	11,681	7,445
		19,265	**15,723**
	Total assets	**343,739**	**383,119**
	Current liabilities		
10	Written options	(1,007)	(136)
12(a)	Other payables	(432)	(823)
12(b) & (c)	Bank loans and overdrafts	(34,479)	(27,139)
		(35,918)	**(28,098)**
	Net assets	**307,821**	**355,021**
	Equity attributable to equity shareholders		
14	Stated share capital	103,202	89,143
15	Distributable reserve	180,471	180,471
	Retained earnings:		
16	Other capital reserves	4,509	67,422
	Revenue reserve	19,639	17,985
	Total equity	**307,821**	**355,021**
17	Net asset value per ordinary share	273.99p	328.43p

These financial statements on pages 33 to 51 were approved by the Board of Directors on 5 November 2015 and were signed on its behalf by:

Richard Thomas Povey
Director

The notes on pages 37 to 51 form part of these financial statements

Statement of Cash Flows

for the year ended 31 August

Notes		2015 £'000	2014 £'000
	Operating activities		
	(Loss)/profit before taxation	(37,932)	38,501
	Add back interest payable	271	228
10	Losses/(gains) on investments held at fair value through profit or loss	60,887	(18,228)
10	Sales of investments	373,902	256,680
10	Purchases of investments	(390,007)	(259,147)
	Decrease/(increase) in prepayments and accrued income	474	(723)
	Decrease in amounts due from brokers	422	719
	Decrease in amounts due to brokers	–	(3,078)
	(Decrease)/increase in other payables	(577)	17
	Stock dividends included in investment income	(284)	(199)
	Net cash inflow from operating activities before interest and taxation	**7,156**	**14,770**
	Interest paid	(294)	(226)
	Withholding tax on investment income	(2,307)	(1,929)
	Net cash inflow from operating activities	**4,555**	**12,615**
	Financing activities		
	Net loan drawdown/(repayment)	4,899	(2,509)
9	Equity dividends paid	(21,013)	(18,959)
14	Share issue proceeds	14,115	11,679
14	Share issue costs	(56)	(47)
	Net cash outflow from financing	**(2,055)**	**(9,836)**
	Increase in cash and cash equivalents	**2,500**	**2,779**
	Cash and cash equivalents at the start of the year	7,424	4,256
	Exchange movements	1,757	389
	Cash and cash equivalents at the end of the year (including bank overdrafts of £nil (2014: £21,000))	**11,681**	**7,424**

The notes on pages 37 to 51 form part of these financial statements

Notes to the Financial Statements

1 General information

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

The company was incorporated on 6 November 2006.

2 Accounting policies

a) Basis of preparation

These financial statements for the year ended 31 August 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted.

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

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

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

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

New and amended standards adopted by the Company

The following amendments to existing standards are applicable to the Company and have been adopted although have had no impact on the financial statements.

- IAS 39, 'Financial instruments: Recognition and measurement' (effective for annual periods beginning on or after 1 January 2014) – narrow scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- IAS 32, 'Financial instruments: Presentation' (effective for financial periods beginning on or after 1 January 2014) – updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company

- IAS 1, 'Presentation of financial statements' (effective for financial periods beginning on or after 1 January 2015) – These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports and are effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement.

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

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

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

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

b) Investments held at fair value through profit or loss

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

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

Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions.

The Company's holdings in Participation Notes are valued at £32,573,000 (2014: £7,964,000). These are valued by reference to the underlying stock. The obligations relating to the options valued at £1,007,000 (2014: £136,000) are valued by reference to the Black-Scholes model. The position in China Forestry was written down to zero value following a missed coupon payment, delayed publication of the annual report and accounts and resignation of chief financial officer and company secretary in June 2014.

c) Income

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

d) Expenses

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

e) Taxation

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

f) Foreign currency

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

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

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

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

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

i) Segmental reporting
Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker ("CODM") (the Fund Manager, with oversight from the Board) in deciding how to allocate resources and in assessing performance. The financial information reported to the CODM is based on IFRS. Therefore no reconciliation between the financial statements and operating segment financial information has been presented. The Directors meet regularly to consider investment strategy and to monitor the Company's performance. The Fund Manager, who has been appointed to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The Directors consider that the Company is organised into one operating segment which invests in equity securities, debt instruments and related derivatives. All of the Company's activities are interrelated and each activity is dependent on the others.

The business is not managed on a geographical basis, however, for the convenience of investors, disclosure by geographical segment has been provided in note 3 and in the Strategic report on page 11. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

The Company is not exposed to a single investment that generates revenue greater than 10% of total revenue (2014: nil).

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

k) Contingent liability
Provisions are recognised when:

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

Notes to the Financial Statements (continued)

3 Investment income

	2015 £'000	2014 £'000
Overseas dividends	22,921	21,630
Outperformance Participation Note income	1,246	1,192
Stock dividends	284	199
	24,451	**23,021**
Analysis of investment income by geography:		
Australia	5,291	4,159
China	6,117	4,814
Hong Kong	1,594	2,894
India	618	915
Indonesia	305	237
Japan	254	124
Malaysia	491	421
New Zealand	568	681
The Philippines	(5)	417
Singapore	1,499	1,651
South Korea	1,349	1,340
Taiwan	5,702	4,146
Thailand	668	1,222
	24,451	**23,021**

All of the above income is derived from equity investments. Income from the Philippines is negative in the current year due to an over accrual in the prior year.

4 Other income

	2015 £'000	2014 £'000
Bank and other interest	3	2
Option premium income	2,551	1,472
	2,554	**1,474**

5 Other expenses

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Directors' fees (see the Directors' Remuneration Report on page 25)	76	76	152	69	69	138
Auditors' remuneration						
– statutory audit	16	16	32	15	15	30
– interim accounts review	3	3	6	3	3	6
Bank and custody charges	97	97	194	103	103	206
Loan arrangement and non-utilisation fees	30	30	60	56	57	113
Marketing fees[1]	48	47	95	48	47	95
Registrar's fees	22	22	44	17	18	35
Depositary fees	8	9	17	2	2	4
Printing and stationery	14	14	28	11	11	22
Asia Board visit	12	12	24	14	14	28
Broker fees	19	19	38	18	18	36
AIC	10	10	20	10	9	19
Stock exchange fees	31	31	62	17	18	35
Other expenses	31	32	63	33	32	65
	417	**418**	**835**	**416**	**416**	**832**

1 Payable to Henderson

Notes to the Financial Statements (continued)

6 Finance costs

	2015 £'000	2014 £'000
On bank loans and overdrafts payable: within one year	271	228
Amount allocated to capital	(136)	(114)
Total allocated to revenue	**135**	**114**

7 Taxation

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
The taxation charge for the period comprises:						
Foreign withholding tax suffered	2,314	–	2,314	1,951	–	1,951
	2,314	**–**	**2,314**	**1,951**	**–**	**1,951**

Profits arising in the Company for the year ended 31 August 2015 are subject to Jersey income tax at the rate of 0% (2014: 0%).

8 Earnings per ordinary share

The earnings per ordinary share figure is based on the net losses for the year of £40,246,000 (2014: gain of £36,550,000) and on the weighted average number of ordinary shares in issue during the year of 110,366,043 (2014: 105,783,168).

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

	2015 £'000	2014 £'000
Net revenue profit	22,667	20,433
Net capital (loss)/profit	(62,913)	16,117
Net total (loss)/profit	**(40,246)**	**36,550**
Weighted average number of ordinary shares in issue during the year	110,366,043	105,783,168

	2015 Pence	2014 Pence
Revenue earnings per ordinary share	20.54	19.32
Capital (loss)/earnings per ordinary share	(57.00)	15.23
Total (loss)/earnings per ordinary share	**(36.46)**	**34.55**

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

9 Dividends

Dividends	Record Date	Pay Date	2015 £'000	2014 £'000
Fourth interim dividend 4.40p for the year ended 2013	8 November 2013	29 November 2013	–	4,601
First interim dividend 4.40p for the year ended 2014	7 February 2014	28 February 2014	–	4,601
Second interim dividend 4.40p for the year ended 2014	9 May 2014	30 May 2014	–	4,690
Third interim dividend 4.70p for the year ended 2014	8 August 2014	29 August 2014	–	5,067
Fourth interim dividend 4.70p for the year ended 2014	7 November 2014	28 November 2014	5,112	–
First interim dividend 4.70p for the year ended 2015	13 February 2015	27 February 2015	5,189	–
Second interim dividend 4.70p for the year ended 2015	8 May 2015	29 May 2015	5,207	–
Third interim dividend 4.90p for the year ended 2015	7 August 2015	28 August 2015	5,505	–
			21,013	**18,959**

Notes to the Financial Statements (continued)

9 Dividends (continued)

The fourth interim dividend for the year ended 31 August 2015 has not been included as a liability in these financial statements as it was announced and will be paid after the year end. The table which follows sets out the total dividends paid and to be paid in respect of the financial year and the previous year. The revenue available for distribution by way of dividend for the year is £22,667,000 (2014: 20,433,000).

	2015 £'000	2014 £'000
First interim dividend for 2015 – 4.70p (2014: 4.40p)	5,189	4,601
Second interim dividend for 2015 – 4.70p (2014: 4.40p)	5,207	4,690
Third interim dividend for 2015 – 4.90p (2014: 4.70p)	5,505	5,067
Fourth interim dividend for 2015 – 4.90p (2014: 4.70p) (payable 30 November 2015 based on 113,060,564 shares in issue at 2 November 2015)	5,540	5,112
	21,441	**19,470**

10 Investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Cost at beginning of year	332,766	329,069
Investment holding gains at the beginning of the year	34,494	19,278
Valuation of investments and options written at the beginning of the year	**367,260**	**348,347**
Movements in the year:		
Purchases at cost	390,291	259,346
Sales – proceeds	(373,902)	(256,680)
– realised (losses)/gains on sales	(4,908)	1,031
(Decrease)/increase in investment holding gains	(55,274)	15,216
Closing value of investments and options written at the end of the year	**323,467**	**367,260**
Cost at the end of the year	344,247	332,766
Investment holding (losses)/gains	(20,780)	34,494
Closing value of investments and options written at the end of the year	**323,467**	**367,260**

At 31 August 2015 the market value included options written of £(1,007,000) (2014: £(136,000)).

There is one unquoted investment, China Forestry, which was written down to zero value in 2014 and has continued to be held at zero value in 2015. The Company holds over-the-counter options and Participation Notes valued at £31,566,000 (2014: £7,828,000), which are included in the value of investments.

	2015 £'000	2014 £'000
(Losses)/gains on investments held at fair value		
Realised (losses)/gains on sales of investments	(4,908)	1,031
(Decrease)/increase in investment holding gains	(55,274)	15,216
Net movement on foreign exchange	(705)	1,981
	(60,887)	**18,228**

Transaction costs

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

The total costs were as follows:

	2015 £'000	2014 £'000
Purchases	599	478
Sales	862	684
	1,461	**1,162**

Notes to the Financial Statements (continued)

11 Other receivables

	2015 £'000	2014 £'000
Prepayments and accrued income	3,320	3,534
Amounts due from brokers	4,264	4,686
Unrealised gains on forward exchange contracts	–	52
Other receivables	–	6
	7,584	**8,278**

12 Other payables

	2015 £'000	2014 £'000
a) Other payables		
Foreign withholding tax payable	–	28
Unrealised losses on forward exchange contracts	208	–
Other payables	224	795
	432	**823**

	2015 £'000	2014 £'000
b) Bank overdrafts	–	21

	2015 £'000	2014 £'000
c) Bank loans (unsecured)	34,479	27,118

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

13 Risk management policies and procedures

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

These financial risks, market risk (comprising currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below:

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

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

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

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

13.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 13.1.1), currency risk (see note 13.1.2) and interest rate risk (see note 13.1.3). The Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

13.1.1 Market price risk

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

Management of the risk

When appropriate, the Company may buy or sell put or call options on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. The Board of Directors manages the risks inherent in the investment portfolio by full and timely review of relevant information from the Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Fund Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

The Company's exposure to changes in market prices at 31 August 2015 on its investments amounted to £324,474,000 (2014: £367,396,000) and £1,007,000 (2014: £136,000) in respect of liabilities on derivatives.

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 9 and 10. There is a concentration of exposure to Australia, China, Taiwan and Hong Kong, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the equity to an increase or decrease of 10% (2014: 10%) in the fair values of the Company's investments. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	2015		2014	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(146)	146	(184)	184
Capital return	32,201	(32,201)	36,542	(36,542)
Impact on total return after tax for the year and shareholders' funds	**32,055**	**(32,055)**	**36,358**	**(36,358)**

13.1.2 Currency risk

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

Management of the risk

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

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

Foreign currency exposure

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

2015	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	4,758	2,054	–	267	–	236	245
Cash at bank and on deposit less short term overdrafts	639	–	–	109	96	9,157	–
Payables (due to brokers, accruals and other creditors)	–	–	–	–	–	–	–
Borrowings under multi-currency loan facility	–	–	–	–	–	(34,479)	–
Total foreign currency exposure on net monetary items	**5,397**	**2,054**	**–**	**376**	**96**	**(25,086)**	**245**
Investments at fair value through profit or loss that are equities	71,012	35,685	23,668	81,757	20,062	50,897	40,386
Total net foreign currency exposures	**76,409**	**37,739**	**23,668**	**82,133**	**20,158**	**25,811**	**40,631**

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

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

Foreign currency sensitivity

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

It assumes the following changes in exchange rates:

Sterling/Australian Dollar +/- 10% (2014: 10%). Sterling/Taiwanese Dollar +/- 10% (2014: 10%).

Sterling/Korean Won +/- 10% (2014: 10%). Sterling/Hong Kong Dollar +/- 10% (2014: 10%).

Sterling/Singapore Dollar +/- 10% (2014: 10%). Sterling/US Dollar +/- 10% (2014: 10%).

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

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

	2015						
	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income – return after tax							
Capital return	7,852	3,944	2,617	9,041	2,218	(237)	4,465
Revenue return	550	580	97	280	201	284	576
Total return after tax for the year	**8,402**	**4,524**	**2,714**	**9,321**	**2,419**	**47**	**5,041**

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

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

	2015						
	AUS$ £'000	TW$ £'000	KRW £'000	HK$ £'000	S$ £'000	US$ £'000	Other £'000
Statement of Comprehensive Income – return after tax							
Revenue return	(450)	(475)	(80)	(229)	(165)	(233)	(470)
Capital return	(6,425)	(3,227)	(2,142)	(7,397)	(1,815)	194	(3,652)
Total return after tax for the year	**(6,875)**	**(3,702)**	**(2,222)**	**(7,626)**	**(1,980)**	**(39)**	**(4,122)**

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

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

13.1.3 Interest rate risk

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

Management of the risk

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

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

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

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 31 August 2015 of financial assets can be found on the Balance Sheet under the heading 'Cash and cash equivalents' and the financial liabilities exposure to interest rate risk to floating interest rates is shown under notes 12(b) and 12(c).

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank overdrafts and loans, is at a margin over LIBOR or its foreign currency equivalent (2014: same).

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

Interest rate sensitivity

Based on the Company's financial instruments at each balance sheet date, an increase or decrease of 100 basis points in interest rates would decrease or increase revenue return after tax by £56,000 (2014: £62,000), capital return after tax by £172,000 (2014: £135,000), total profit after tax and shareholders' funds £228,000 (2014: £197,000).

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

13.2 Liquidity risk

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

Management of the risk

Liquidity risk is monitored by the Manager on a daily basis to ensure that financial liabilities can be paid as they fall due. The majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has an overdraft facility with a sub custodian the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facility is subject to regular review.

The Company has a two year multi-currency loan facility of £45,000,000 (2014: £45,000,000) of which £34,479,000 (2014: £27,118,000) was drawn down at the year end. This facility is under regular review and unless renewed will expire on 26 February 2016.

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

Liquidity risk exposure

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

	2015		2014	
	Due within 3 months £'000	Due between 3 months and one year £'000	Due within 3 months £'000	Due between 3 months and one year £'000
Bank loans and overdrafts[1]	34,505	–	27,209	–
Written put options at fair value	1,007	–	136	–
Amounts to brokers and accruals	406	–	823	–
	35,918	**–**	**28,168**	**–**

1 Includes interest on loans payable to maturity date

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. Details of the portfolio are shown on pages 9 and 10.

Management of the risk

Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker; and
- cash at banks is held only with reputable banks with high quality external credit ratings and which are reviewed regularly by the Manager's Credit Risk Committee.

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

The Company has not been materially exposed to credit risk throughout the year. In summary, the exposure to credit risk at 31 August 2015 was to cash and cash equivalents of £11,681,000 (2014: £7,445,000) and to other receivables of £7,584,000 (2014: £8,278,000).

Amounts due from brokers and accrued income of £7,584,000 has been received since the year end.

The Company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The Company's cash balances are held by Custodian J.P. Morgan Chase bank, and loan balances held with National Australia Bank. The Directors believe these counterparties to be of high quality (credit rating at 31 August 2015: J.P. Morgan Chase Bank A- rated (2014: A-). National Australia Bank AA- (2014: AA-)); therefore the Company has minimal exposure to credit risk.

13.4 Fair values of financial assets and financial liabilities

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

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures

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

Financial assets and liabilities at fair value through profit or loss at 31 August 2015	Level 1 £'000	Level 2 £'000	Level 3[1] £'000	Total £'000
Equity investments	291,901	32,573	–	324,474
OTC derivatives (put options)	–	(1,007)	–	(1,007)
Forward exchange contracts	–	(208)	–	(208)
	291,901	**31,358**	**–**	**323,259**

If the discount rate applied in valuing the level 3 investment changed by +/-10%, the impact would be an increase or decrease in revenue after tax of £nil (2014: £nil), capital return after tax of £nil (2014: £nil), and total return after tax of £nil (2014: £nil).

Level 3 investments at fair value through profit or loss	2015 £'000	2014 £'000
Opening balance	–	516
Transferred into Level 3	–	–
Capital distribution	–	–
Closing value of investments and options written at the end of the year	**–**	**516**
Total losses included in gains on investments in the Statement of Comprehensive Income – on assets held at year end	–	(516)
Closing balance	**–**	**–**

1 Level 3 investments related to one holding of China Forestry, transferred into level 3 in 2012, written to zero market value during 2014 following a missed coupon payment, delayed publication of annual report and accounts and resignation of chief financial officer and company secretary. This investment has continued to be held at zero value throughout 2015.

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

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

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

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

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices in Level 1. The Company's holdings in over-the-counter options and Participation Notes are included within Level 2. Also included are forward exchange contracts including a Japanese Yen contract which resulted in an unrealised loss of £208,000 (2014: unrealised gain £52,000).

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

The valuation techniques used by the Company are explained in the accounting policies note on page 38.

Premium income from written options during the year was £2,551,000 (2014: £1,472,000).

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The portfolio includes one unquoted investment, which was written down to zero fair value in 2014 and continued to be held at zero fair value in 2015. The company writes over-the-counter options and holds Participation Notes with a value of £31,566,000 (2014: £7,828,000).

The Company's capital at 31 August 2015 comprises its equity share capital, reserves and bank debt that are shown in the balance sheet as a total of £342,300,000 (2014: £382,160,000).

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

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares; and
- the extent to which revenue should be retained.
- the level of gearing.

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

14 Stated share capital

		2015		2014	
	Authorised	Issued and fully paid	£'000	Issued and fully paid	£'000
Opening balance at 1 September					
Ordinary shares of no par value	Unlimited	108,095,564	89,143	104,345,564	77,511
Issued during the year		4,250,000	14,115	3,750,000	11,679
Share issue costs		–	(56)	–	(47)
Closing balance at 31 August		**112,345,564**	**103,202**	**108,095,564**	**89,143**

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

During the year, the Company issued 4,250,000 (2014: 3,750,000) shares for the proceeds of £14,059,000 (2014: £11,632,000) net of costs.

15 Distributable reserve

	2015 £'000	2014 £'000
At 31 August	180,471	180,471

The Royal Court of Jersey confirmed the reduction of the Capital account in the Company by an amount of £180,983,000 less issue costs of £512,000 on 23 January 2007 being the issue proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006.

Notes to the Financial Statements (continued)

16 Other capital reserves

	2015			2014		
	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Total capital reserves £'000
At 1 September	32,876	34,546	67,422	32,027	19,278	51,305
Foreign exchange (losses)/gains	(445)	(260)	(705)	1,929	52	1,981
Movement in investment holding (losses)/gains	–	(55,274)	(55,274)	–	15,216	15,216
(Losses)/gains on investments	(4,908)	–	(4,908)	1,031	–	1,031
Costs charged to capital	(2,026)	–	(2,026)	(2,111)	–	(2,111)
At 31 August	**25,497**	**(20,988)**	**4,509**	**32,876**	**34,546**	**67,422**

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

17 Net asset value per share

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

	2015		2014	
	Net asset value per share pence	Net asset value attributable £'000	Net asset value per share pence	Net asset value attributable £'000
Ordinary shares	273.99p	307,821	328.43p	355,021

The basic net asset value per ordinary share is based on 112,345,564 (2014: 108,095,564) ordinary shares, being the number of ordinary shares in issue.

18 Contingent liabilities

There were no contingent liabilities as at 31 August 2015 (2014: £nil).

19 Transactions with the Manager and Directors

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

Details of the fee arrangements for these services are given in the Strategic Report on page 4. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 August 2015 was £2,944,000 (2014: £3,162,000) of which £63,000 was outstanding at 31 August 2015 (2014: £572,000).

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 2015 amounted to £95,000 (2014: £95,000), of which £16,000 was outstanding at 31 August 2015 (2014: £58,000).

The related party transactions with the Directors are set out in the Directors' Report on page 21 and in the Directors' Remuneration Report on page 25.

20 Subsequent events

Since the year end the Company has issued 715,000 shares for net proceeds of £2,065,679. The Directors have evaluated the period since the year end and have not noted any other subsequent adjustments.

General Shareholder Information

BACS

Dividends and interest can be paid to shareholders and stockholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 15) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Disability Act

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

You can contact the Registrar, Computershare Investor Services (Jersey) Limited, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

Non-mainstream pooled investments (NMPI) status

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

ISA

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

Share Price Listings

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

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

New Zealand listing

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

Performance Details/Share Price Information

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

Shareholder Details

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

Nominee Share Code

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

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

Alternative Investment Fund Managers Directive Disclosures

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

The periodic disclosures to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A full list of portfolio holdings is included on pages 9 and 10.

- None of the Company's assets are subject to special arrangements arising from their illiquid nature.

- The Strategic Report and note 13 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.

- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson.

Alternative Investment Fund Managers Directive

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

Leverage

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

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

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

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

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;

- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;

- derivative instruments are converted into the equivalent position in their underlying assets;

- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and

- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

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

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

	As a percentage of net assets	
	Gross method	Commitment method
Maximum level of leverage	200%	200%
Actual level as at 31 August 2015	115%	114%

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

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

Keeping up to date with Henderson Far East Income Limited

For more information about the Company, visit the website at **www.hendersonfareastincome.com**.

HGi

HGi is a content platform provided by Henderson that offers a new level of online personalisation where you can "follow" investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

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Henderson Far East Income Limited
Registered as an investment company in Jersey with registration number 95064
Registered office: Liberté House. 19-23 La Motte Street. St Helier. Jersey. JE2 4SY.

Regulated by the Jersey Financial Services Commission.

SEDOL/ISIN number: Ordinary Shares: B1GXH751/JE00B1GXH751
London Stock Exchange (EPIC) Code: HFEL
Global Intermediary Identification Number (GIIN): NTTIYP.99999.SL.832
Legal Entity Identifier (LEI): 213800801QRE00380596

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Henderson
GLOBAL INVESTORS

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The Association of
Investment Companies

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Typeset by 2112 Communications, London.

Printed by Leycol, London

HGI36557/0915