

HENDERSON FAR EAST INCOME LIMITED

Annual Report 2016



MANAGED BY

Henderson
GLOBAL INVESTORS

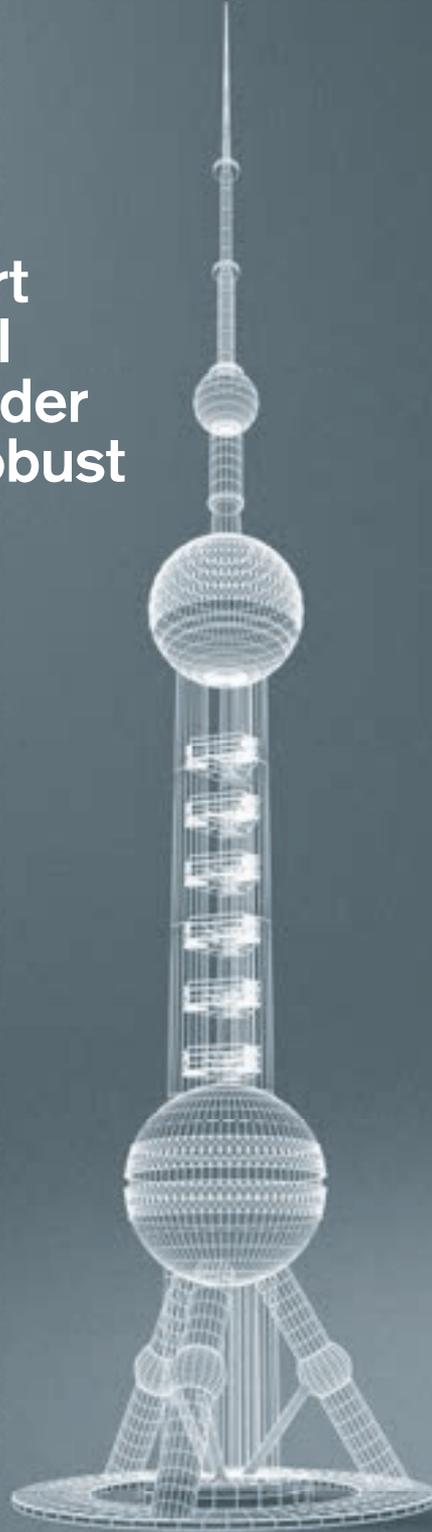
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Strategic Report

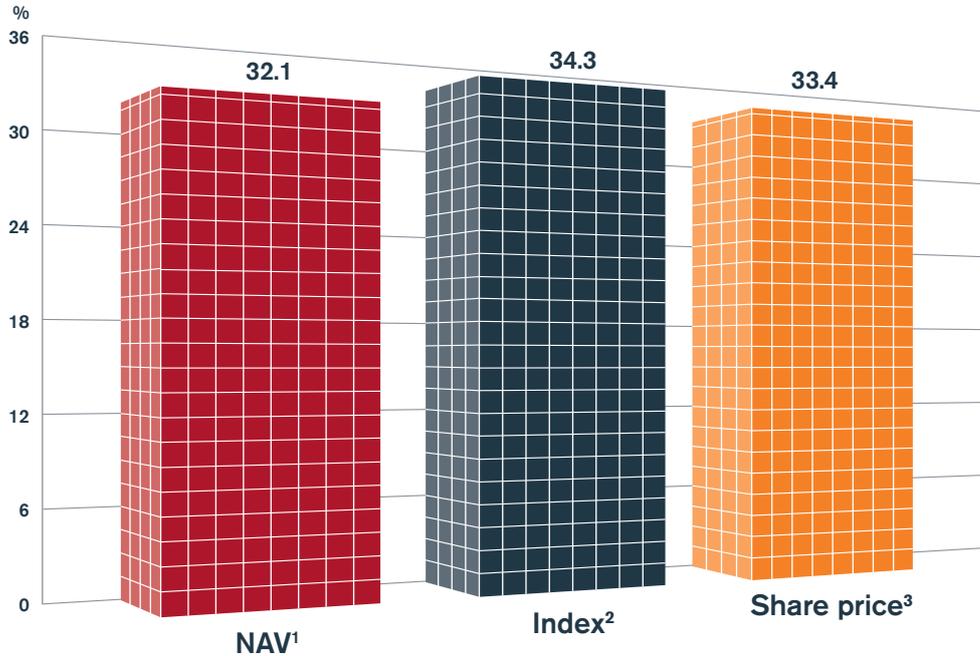
“I am pleased to report a strong positive total return for the year under review as well as a robust revenue account.”

John Russell, Chairman

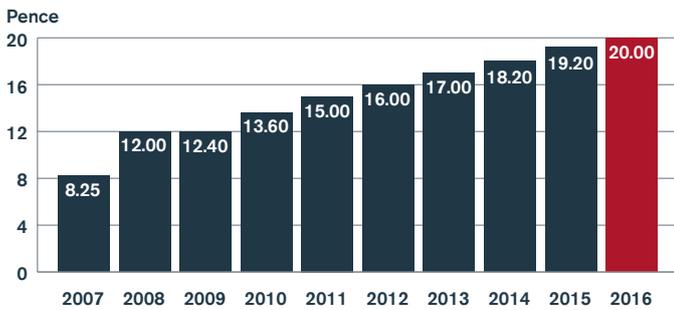


Strategic Report: Performance Highlights

Performance for year to 31 August 2016



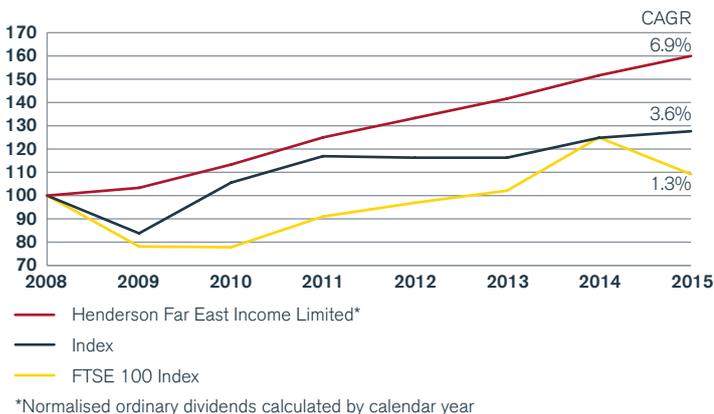
Dividend per share⁴



Premium/(discount)⁶



Annual dividend growth⁵



NAV and share price performance versus the Index⁷



Strategic Report: Performance Highlights (continued)

NAV per share at year end



2016 **337.76p**
2015 **273.99p**

Share price at year end



2016 **343.00p**
2015 **275.00p**

Dividend for year



2016 **20.00p**⁸
2015 **19.20p**

Dividend yield⁹



2016 **5.8%**
2015 **7.0%**

Ongoing charge for year¹⁰



2016 **1.17%**
2015 **1.06%**

Gearing at year end¹¹



2016 **4.6%**
2015 **5.1%**

Number of investments at year end



2016 **54**
2015 **56**

Revenue return per share



2016 **21.13p**
2015 **20.54p**

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 2007-2016

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 2016

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 See page 18 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. The portfolio is constructed without reference to the composition of any stock market 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 £35 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.

Fund management

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

Fees

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 per annum). There is no performance fee.

Strategic Report: Chairman's Statement



The Chairman of the Company, John Russell, reports on the year to 31 August 2016

Introduction

I am pleased to report a strong positive total return for the year under review as well as a robust revenue account which was assisted by the devaluation of sterling following the result of the EU referendum on 23 June 2016. Your Board was able to raise the annual dividend by 4.2% which maintains the significant yield advantage that your Company achieves over other Asian income investment companies. That said, global macro uncertainties continue to unsettle global stock markets which means that the volatility which has been a feature of the last two years looks set to continue.

Performance

In the year under review, the net asset value total return was 32.1% whilst the share price total return was 33.4% reflecting the small uplift in your Company's discount/premium rating. The FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) returned 34.3%.

Dividends

A fourth interim dividend of 5.10p has been declared making a total of 20.00p for the year. This total was fully covered by revenue for the year which also allowed for a modest addition to our revenue reserve, which will underpin dividends in future years. Your Board is confident that it will be able to at least maintain the level of total dividend in the current year.

Capital

During the year there was consistent demand for the Company's shares. In view of this and the opportunities to expand the portfolio, the Company issued further shares at a premium to asset value thereby enhancing the net asset value per share for existing shareholders.

In total, 2,190,000 shares were issued in the year for total proceeds (net of commission) of £6,269,000 and a further 350,000 shares have been issued since 31 August 2016 for total proceeds (net of commissions) of £1,192,000.

Gearing

The Company has continued to utilise its borrowing facility throughout the year to capitalise on specific stock opportunities. During the year, the £45 million facility with National Australia Bank was replaced by a two year £35 million facility with Commonwealth Bank of Australia. At 31 August 2016 the amount drawn down stood at £25.3 million and net gearing was 4.6%. The maximum amount drawn down under the facility during the year was £35.5 million (including exchange rate movements since draw down).

Board composition

As reported in the half year statement, Richard Povey and Simon Meredith Hardy retired as directors on 16 December 2015 and 28 January 2016 respectively and Nicholas George was appointed as a director on 20 April 2016. Richard and Simon made a significant contribution over their years as directors and we wish them well for the future. Nicholas has extensive business connections in Asia and is already adding significantly to your Board's deliberations.

Outlook

Trying to predict the future is a most hazardous task. Who in 2015 would have predicted the events of 2016?

It is, however, possible to identify regional trends across the globe and examine what this might mean for investors. There is a striking difference between developments in America and Europe. Voters there are increasingly embracing populist leaders who by and large promote policies that are inward looking and isolationist. Britain has rejected the European model of economic cooperation. Both Presidential candidates reject the Trans Pacific Partnership proposed by President Obama linking east Asia (excluding China) with the US, South America, Canada and Australasia in a wide ranging trade agreement. Anti globalisation is a strong movement encouraging the "we are better off on our own sentiment." This trend, however, is confined to Europe and North America.

In Asia the trend is reversed. Since the end of the Second World War Asia has been on a roller coaster ride while countries competed with each other often to mutual disadvantage. In the last decade or so, things have changed and the 650 million people living there have experienced a dramatic turnaround in their standard of living and

Strategic Report: Chairman's Statement (continued)

opportunities. Recently the Association of South East Asian Nations (10 Member States) ratified the ASEAN Economic Community with free labour mobility and free trade. The Nations of South East Asia have decided they will enjoy much better economic outcomes by growing together than apart.

China is a key player here invigorating economic development across Asia including India, Pakistan and across Eurasia all the way to Iran. By helping to bind these countries together China hopes to create strong economies with which it can trade. The Asia Infrastructure Investment Bank ("AIIB") has been established by China to promote this objective and more than 70 countries, including the United Kingdom and Australia, have agreed to join. It has access to an enormous pool of funds. The World Bank too has agreed to co-invest.

This is in stark contrast to events and moods in America and Europe. Of course China will experience difficulties and disappointments and will make mistakes but it has the funds, the motivation to succeed and offer hope of a better life to an enormous number of people across the region.

The Board attended a 3 day conference on China in Chengdu in May followed by 2 days in Beijing. The conference was attended by a large number of Chinese companies and commentators from China and elsewhere. In Beijing we met a number of people with experience of China's economic, social and political policy development. While, as expected, there was a range of opinions, overall our views and expectations on China were confirmed.

While the world remains volatile and uncertain, portfolio diversification is an important part of any investment strategy for savers taking a longer term view. Asia remains a very strong candidate for consideration.

Annual General Meeting

The Company's AGM will be held at 12.00 noon on 13 December 2016 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 on 15 December 2016 at 11.00 am when Michael Kerley will make an investment presentation and he and I will be happy to answer questions. If you would like to attend please complete and return the invitation card enclosed with this report.

John Russell
Chairman
10 November 2016

Strategic Report: Fund Manager's Report



The Fund Manager, Michael Kerley, reports on the year to 31 August 2016

Market

Despite a period of heightened volatility, I am pleased to report that the net asset value ("NAV") total return of your Company was 32.1% over the twelve months to 31 August 2016 bolstered by improved performance from the Asia Pacific stock markets and the weakness of sterling. In local currency terms, the markets returned 11.3% highlighting the significance of the weakness of sterling pre and post the UK's vote to leave the European Union.

The first half of the Company's financial year started where the previous year left off. The announcement by the Peoples Bank of China in August 2015 to fix the renminbi to a basket of currencies rather than just the US dollar was communicated poorly, prompting speculation of a competitive devaluation. With the US Federal Reserve deliberating its first interest rate rise in 8 years and oil and commodity prices tumbling, it was an uncertain period for investors everywhere. The heightened risk aversion prompted a sell down in risk assets globally. Equity markets in the US, Europe and the UK came under pressure as did high yield corporate and sovereign credit markets. Emerging markets experienced significant outflows through this period as investors withdrew funds in expectation of heightened volatility and possible default especially in some of the more highly levered and commodity dependent economies of Latin America and Emerging Europe.

Although markets stabilised in the fourth quarter, the start of 2016 was met with a further wave of uncertainty. The 25 basis point rise in US interest rates in December, geopolitical risks in the Middle East, solvency worries over European banks and the potential for default in the US high yield market conspired to send markets into a tailspin. Further expansion of quantitative easing from the European Central Bank helped to stabilise markets towards the end of January although the volatility in global currencies remained elevated.

The second half of the financial year was no less eventful. The Bank of Japan's latest attempt to revive its flagging economy followed the European Union down the path of negative interest rates. The result was not as intended as the yen strengthened to below 100 to the US dollar, unwinding the positive earnings momentum derived from the previously weak currency and undermining the already flaccid economic recovery. In addition, there was further contraction in sovereign bond and credit yields. The uncertainty of the first quarter of 2016 was quickly forgotten as bond prices made new highs and yields record lows with even US high yield, which had been the

epicentre of uncertainty earlier in the year, rallying strongly. The contraction of sovereign yields was most notable with large swathes of the developed world experiencing negative yields even out as far as 10 years. Only in recent months have yield curves started to steepen as growth expectations are modestly upgraded and the expectation of a further rate rise in the US draws closer.

In Asia the trajectory of economic growth continued to slow. Unlike their western peers Asian policymakers do have some flexibility as witnessed by the interest rate cuts in India, China, South Korea, Thailand and Indonesia over the period. With inflation benign, further cuts in interest rates are expected over the coming months. Reform also remains high on the agenda with significant changes taking place in India, China, South Korea and Indonesia although at times the pace is not as fast as many commentators would like. Corporate earnings for most of the reporting period have been subject to downgrades, concentrated mainly in energy, materials and semiconductors. More recently, we have seen some stabilisation as energy and commodity prices have staged a recovery, albeit from a low base. The more domestically orientated sectors have proved more resilient and there are signs that the earnings downgrade cycle which has been one of the main causes of Asian underperformance versus the developed world could be turning. The outlook for dividends is more robust. Capital expenditure remains benign, debt levels are extremely low and cash flow is booming allowing the potential for dividends to rise from levels well below developed market peers given the higher levels of cover. We continue to expect dividend growth to exceed earnings growth in Asia Pacific over the next 5 years.

The best performing markets were New Zealand, Indonesia and South Korea. The first two were aided by improved economic conditions and strong currencies while the latter was the biggest beneficiary of the strong Japanese yen. South Korea has also been leading the region in earnings upgrades, partially helped by improved sentiment towards index heavyweight Samsung Electronics, while dividend growth has surpassed most expectations as the government has become more forceful in demanding higher pay outs from the corporate sector. The laggards were Singapore, India and China. Despite being a net importer of energy and commodities the Singapore economy is highly exposed to oil services and shipbuilding which are highly correlated to energy and bulk commodity prices and world trade. India continues to see positive portfolio flows but has underperformed more recently following some disappointingly high inflation numbers and the surprising move to change the Central Bank Governor who was well respected by the market. The outlook for China continues to divide opinion. The economy appears to have stabilised with Purchasing Managers' Index ('PMIs') of both manufacturing and services above 50 (suggesting expansion) but sceptics still hold the upper hand with concerns over sustainability, the pace of reform and the high levels of debt at the forefront of most investors' minds.

At the sector level the recent rally in oil and commodities saved the energy and materials sectors with the latter actually posting above market returns for the year to 31 August 2016. The best performing sector was technology helped by the performance of Samsung Electronics, Taiwan Semiconductor and Tencent. Consumer goods were also well supported with the auto companies a standout while the laggards were telecommunications and financials.

Strategic Report: Fund Manager's Report (continued)

Performance

The NAV return of 32.1% was behind the FTSE All-World Asia Pacific ex Japan Index return of 34.3% in sterling terms. The outperformance at the interim stage was negated by the underperformance of high yielding equities in the second half of the year as momentum shifted towards growth and cyclical. The strong performance of the technology sector and in particular stocks which do not fit the Company's mandate together with the disappointing returns from the telecom sector were also not beneficial. On a more positive note there was some very strong performance at the stock level with Netease rising 127%, Telkom Indonesia rising 80% and Kepco, Scentre Group, Spark Infrastructure, Spark NZ and Mapletree Greater China Trust all seeing gains of over 50% in sterling terms.

The weakness of sterling was not only positive for capital returns but it also provided a significant boost to revenue. Total revenue rose by 5.4% with dividend income rising 6.3% and the contribution from option premium falling by 3%. The 4% rise in the dividend announced at the third interim stage to 5.1p is reflective of the strong underlying revenue growth but also of the fact that the boost from weak sterling is something that should not be relied on going forward.

Despite lower turnover some important changes were made to the portfolio over the year. In China, we reduced our exposure to the financial sector selling property and insurance and reducing our position in banks. These were replaced with strong cash flow generative domestic businesses such as toll road operator Jiangsu Expressway, water management company Guangdong Investment, hydro power producer China Yangtze Power, sportswear retailer Anta Sports and auto parts manufacturer Huayu Automotive.

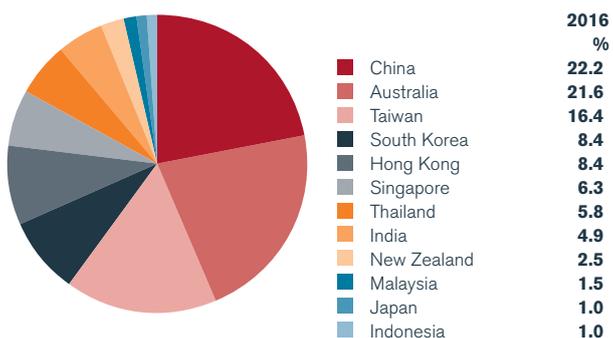
In Korea, we added positions in KB Financial and South Korea Electric Power on the expectation of higher dividends and took a more positive view on the oil refining sector by adding SK Innovation from South Korea and Star Petroleum from Thailand to the portfolio. Other notable acquisitions were Fairfax Media in Australia, which we believe has plenty of upside from its online real estate business, and Hon Hai Precision in Taiwan, which is benefitting from an uptrend in electronic component demand. Positions in Mizuho Financial, Catcher Technology, CK Hutchison and Huaneng Power were used to fund these purchases.

Outlook

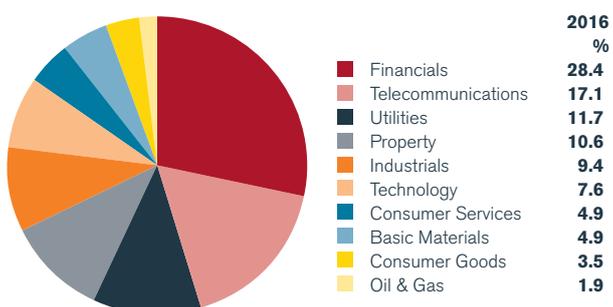
We remain cautiously optimistic on the outlook for Asia Pacific markets although we expect continued volatility as world events around political elections and central bank policy continue to dominate. Valuations, despite the recent rise, are still attractive, especially compared to western alternatives, while economic growth appears to be stabilising. The outlook for dividends is the region's most compelling feature. The strong cash flow generation and low dividend pay-out ratio provide real optimism for strong dividend growth while the cushion this provides gives comfort that dividends are sustainable should unforeseen global events call into question levels of dividend pay-out. This is especially relevant for some developed markets such as the UK where dividend levels are already elevated.

Michael Kerley
Fund Manager
10 November 2016

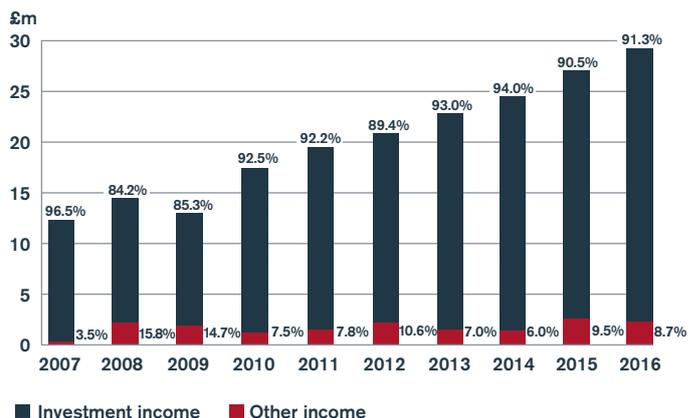
Geographical distribution of income



Sector distribution of income



Financial year revenue breakdown



Source: Henderson Global Investors, as at 31 August 2016

Strategic Report:

Investment Portfolio as at 31 August 2016

Ten largest investments

Ranking 2016	Ranking 2015	Company	Principal activities	Country of incorporation	Sector	Valuation 2016 £'000	% of portfolio
1	48	Netease¹	Internet company providing online services centred on content, community, communications and commerce. Netease develops and operates PC and online games, advertising and email services and e-commerce platforms.	China	Technology	13,422	3.32
2	23	Taiwan Semiconductor Manufacturing¹	The world's leading semiconductor foundry service provider. The company manufactures and markets integrated circuits which are used in computer, communication and consumer electronics industries.	Taiwan	Technology	12,712	3.14
3	5	Macquarie Korea Infrastructure Fund	A listed private sector infrastructure fund investing in toll, roads, bridges and tunnels. MKIF has the largest portfolio of infrastructure assets in Korea.	South Korea	Financials	11,721	2.90
4	31	Telekomunikasi Indonesia	The largest telecom services company in Indonesia providing fixed line and mobile telephony services across all parts of the archipelago.	Indonesia	Telecommunications	10,577	2.61
5	6	Spark New Zealand	The largest telecommunications company providing fixed line, mobile, broadband and digital services to corporate and retail customers across New Zealand.	New Zealand	Telecommunications	10,399	2.57
6	30	Mapletree Greater China Commercial Trust	MGCCT is a Singapore listed real estate investment trust investing in a diversified portfolio of income producing commercial real estate in China, Hong Kong and Taiwan.	Hong Kong	Property	10,382	2.57
7	12	CapitaLand Mall Trust REIT	Singapore listed real estate investment trust investing primarily in retail assets in Singapore. CMT currently operates 16 malls with over 2,900 leases.	Singapore	Property	10,337	2.56
8	–	KB Financial Group	Korea's leading financial institution with the largest customer base and most extensive branch network in the country.	South Korea	Financials	9,844	2.43
9	1	HKT Trust & HKT	Hong Kong's premier telecommunications service provider with a leading market share in fixed line, broadband and mobile communications services.	Hong Kong	Telecommunications	9,536	2.36
10	–	Ascendas REIT	Ascendas is Singapore's first and largest listed business space and industrial real estate investment trust with a portfolio diversified across all major segments of the industrial property market.	Singapore	Property	9,303	2.30
						108,233	26.76

The top ten investments by value account for 26.76% of the total investments (2015: £84,429,000 or 26.10%)

¹ American Depositary Receipts

Strategic Report:

Investment Portfolio as at 31 August 2016 (continued)

Ranking 2016	Ranking 2015	Company	Country of incorporation	Sector	Valuation 2016 £'000	% of portfolio
11	–	Telstra Corporation	Australia	Telecommunications	9,122	2.25
12	7	Coal India ¹	India	Basic Materials	8,955	2.21
13	–	Fairfax Media	Australia	Consumer Services	8,889	2.20
14	34	Zhengzhou Yutong Bus 'A Shares' ¹	China	Industrials	8,747	2.16
15	–	Hon Hai Precision Industry	Taiwan	Technology	8,576	2.12
16	14	Amcor	Australia	Industrials	8,523	2.11
17	–	Jiangsu Expressway	China	Industrials	8,210	2.03
18	–	AMP	Australia	Financials	8,204	2.03
19	–	China Yangtze Power 'A shares' ¹	China	Utilities	8,135	2.01
20	17	AGL Energy	Australia	Utilities	8,111	2.00
Top Twenty Investments					193,705	47.88
21	–	Guangdong Investment	China	Utilities	8,062	1.99
22	42	Digital Telecommunications	Thailand	Telecommunications	7,991	1.98
23	3	Intouch Holdings	Thailand	Telecommunications	7,983	1.97
24	–	SK Innovation	South Korea	Basic Materials	7,972	1.97
25	25	Advanced Semiconductor Engineering	Taiwan	Technology	7,913	1.96
26	–	Duet Group	Australia	Utilities	7,744	1.91
27	–	Samsung Electronics	South Korea	Technology	7,729	1.91
28	–	Taiwan Cement	Taiwan	Industrials	7,670	1.90
29	4	Spark Infrastructure	Australia	Utilities	7,622	1.88
30	24	Suncorp	Australia	Financials	7,603	1.88
Top Thirty Investments					271,994	67.23
31	18	Scentre Group	Australia	Property	7,582	1.87
32	–	Star Petroleum Refining	Thailand	Oil & Gas	7,510	1.86
33	29	Singapore Telecommunications	Singapore	Telecommunications	7,508	1.86
34	–	Huayu Automotive Systems 'A Shares' ¹	China	Consumer Goods	7,508	1.86
35	26	Kangwon Land	South Korea	Consumer Services	7,479	1.85
36	22	HSBC Holdings	UK (Hong Kong)	Financials	7,367	1.82
37	–	Infosys ²	India	Technology	6,975	1.72
38	9	Bharti Infratel ¹	India	Telecommunications	6,857	1.69
39	–	Pegatron	Taiwan	Technology	6,745	1.67
40	27	Lend Lease	Australia	Property	6,720	1.66
Top Forty Investments					344,245	85.09
41	–	Industrial & Commercial Bank of China	China	Financials	6,671	1.65
42	–	Singapore Post	Singapore	Industrials	6,640	1.64
43	2	Korea Electric Power	South Korea	Utilities	6,377	1.58
44	–	Chunghwa Telecommunications	Taiwan	Telecommunications	6,235	1.54
45	–	MTR	Hong Kong	Consumer Services	6,160	1.52
46	13	Macquarie Group	Australia	Financials	6,155	1.52
47	46	CTCI Corporation	Taiwan	Industrials	6,011	1.49
48	44	Gree Electric Appliances 'A Shares' ¹	China	Consumer Goods	5,813	1.44
49	10	SK Telecom ²	South Korea	Telecommunications	5,776	1.43
50	–	Anta Sports Products	China	Consumer Goods	5,048	1.25
Top Fifty Investments					405,131	100.15
51	51	China Forestry Holdings	China	Industrials	–	–
52	–	Anta Sports Products Nov 16 Put 18.0978 (Expiry 11/11/16)	China	Consumer Goods	(177)	(0.04)
53	–	Netease Nov 16 Call 229.898 (Expiry 25/11/16)	China	Technology	(207)	(0.05)
54	–	SK Innovation Nov 16 Call 152744.2506 (Expiry 29/11/16)	South Korea	Basic Materials	(251)	(0.06)
Total Investments					404,496	100.00

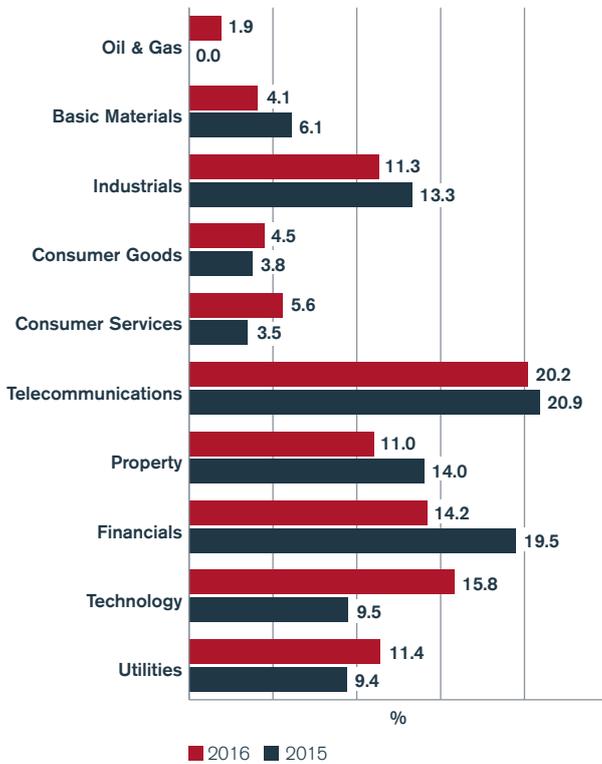
1 Participation Notes

2 American Depositary Receipts

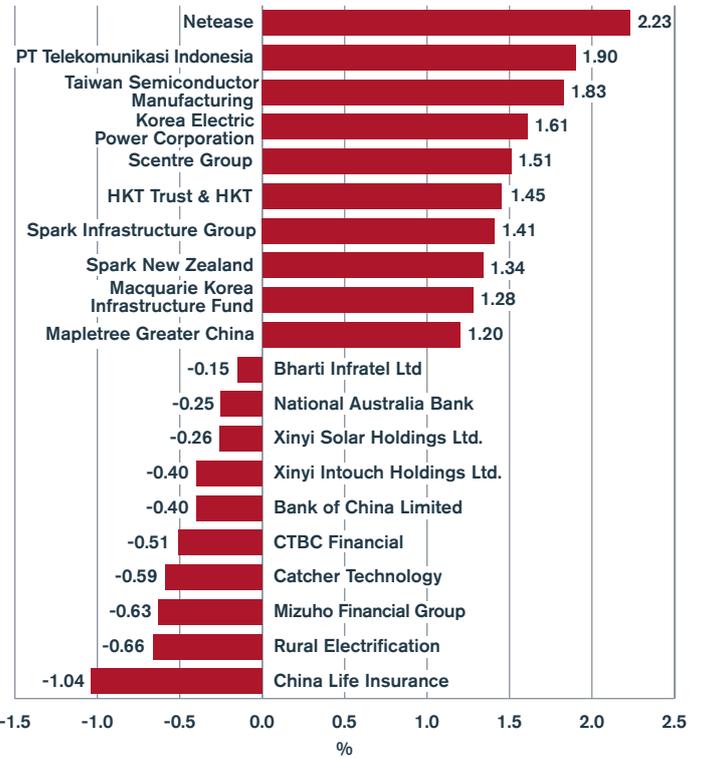
Strategic Report: Portfolio Information

Sector exposure

As a percentage of the investment portfolio excluding cash

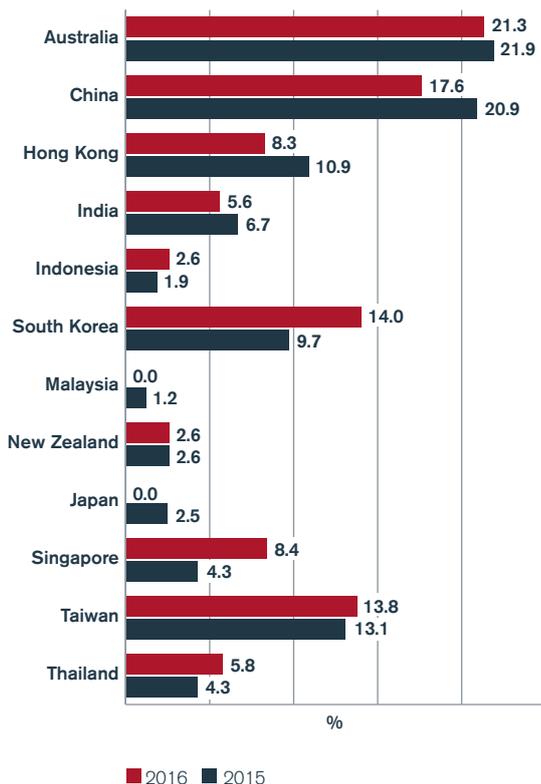


Top ten contributors to and bottom ten detractors from return

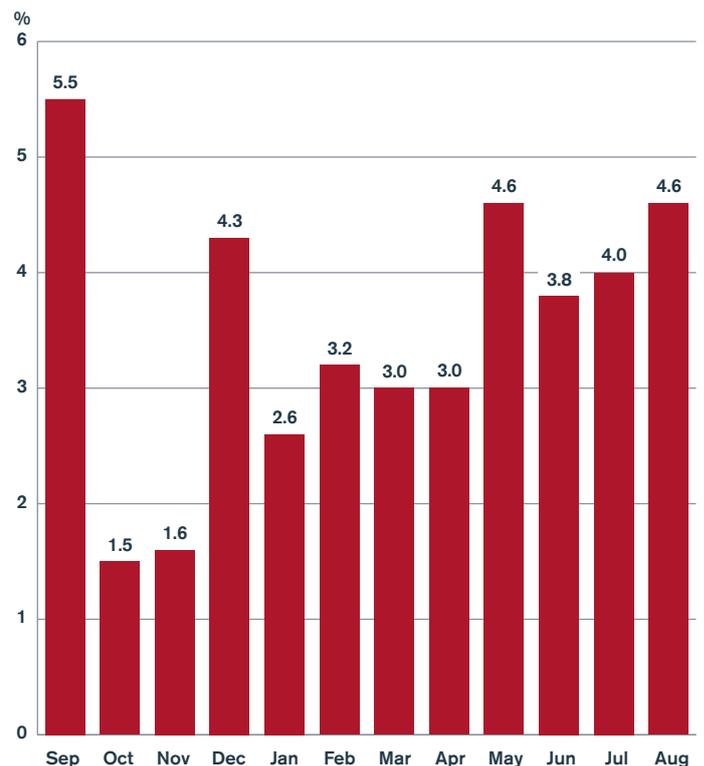


Geographic focus

As a percentage of the investment portfolio excluding cash



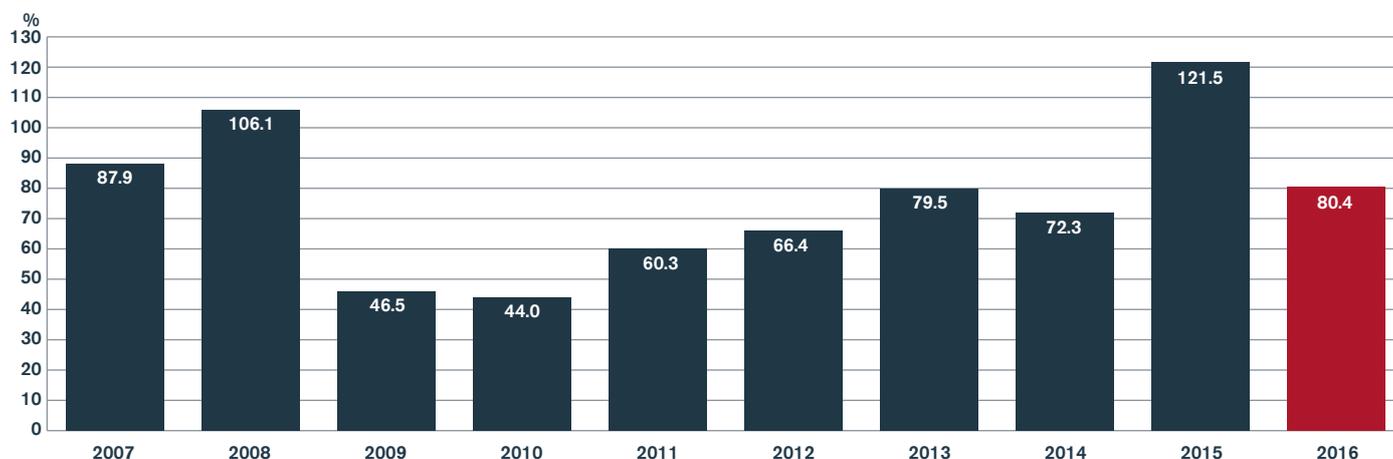
Gearing levels over the year*



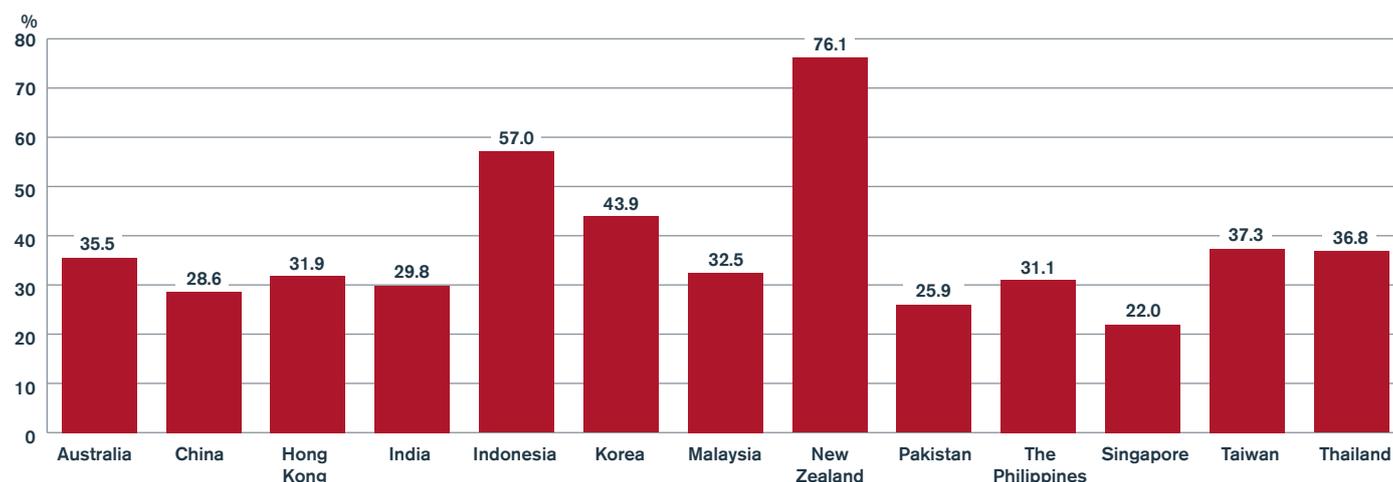
*Gearing is defined on page 18
Source: Henderson

Strategic Report: Portfolio Information (continued)

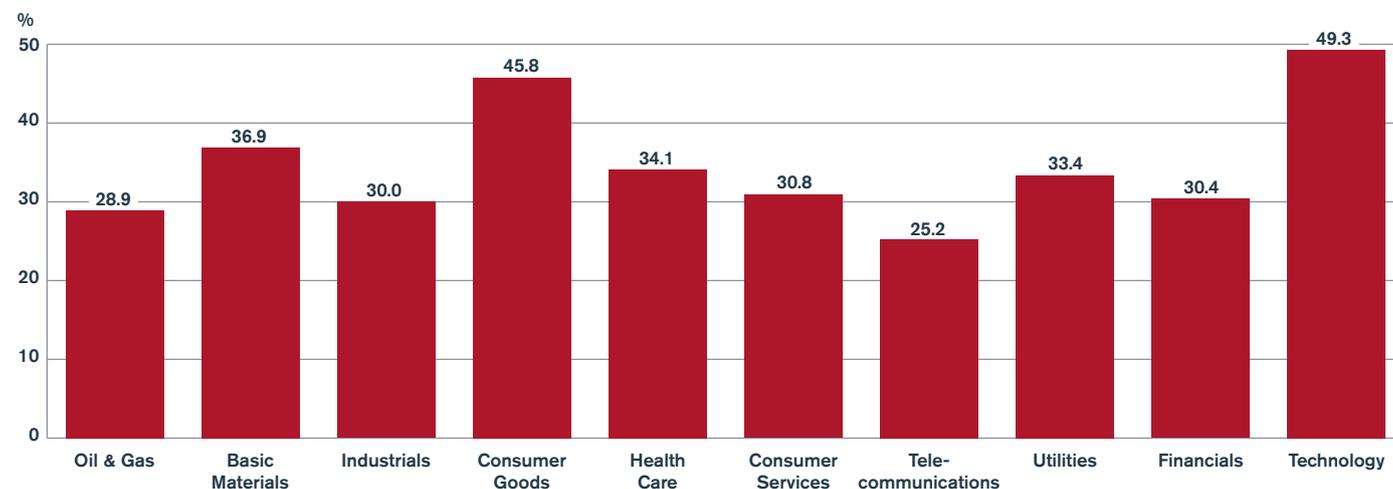
Portfolio turnover¹



Country index performance²



Sector index performance²



Source: Henderson

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

² FTSE All-World Asia Pacific 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	32.1	30.0	56.9
AIC Asia Pacific (excluding Japan) Sector (Peer Group) Average ²	33.1	35.0	59.5
FTSE All-World Asia Pacific ex Japan Index (sterling adjusted)	34.3	34.3	48.9
FTSE All-World Asia Pacific incl Japan Index (sterling adjusted)	28.4	37.4	59.4

¹ Source: Morningstar for the AIC including income fair value NAV

² Size weighted average (shareholders' funds)

Share price movement against indices since launch



Financial information

At 31 August	Net assets £'000	NAV per share p	Mid-market price per ordinary share p	(Discount)/ premium %	Profit/(loss) for year £'000	Revenue return per share p	Capital return per share p	Capital total return per share p	Dividend per share 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
2016	386,859	337.76	343.00	1.6	95,375	21.13	62.41	83.54	20.00	1.17

¹ Incorporated 6 November 2006

Strategic Report: Corporate Information

Directors

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

John Russell

Position: Chairman of the Board, Nominations and Management Engagement Committees

Date of appointment: 6 November 2006

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

Position: Director

Date of appointment: 6 November 2006

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.

David Staples

Position: Director, Audit Committee Chairman

Date of appointment: 18 January 2011

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

Position: Director

Date of appointment: 30 January 2015

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.

Nicholas George

Position: Director

Date of appointment: 20 April 2016

Nicholas, who is a Fellow of the Institute of Chartered Accountants, has worked in various aspects of investment banking and fund management specialising in the Asian markets.

Currently, he is a director of London listed Millennium and Copthorne Hotels and Singapore listed GK Goh Holdings Ltd. He is also a director of the online investment management company, Nutmeg Saving and Investment Limited and of a bandwidth infrastructure company euNetworks. He was formerly a managing director of JP Morgan in Hong Kong.

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

Fund Management

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



Mike Kerley



Sat Duhra

Strategic Report: Corporate 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

Depository

J.P. Morgan Trust Company (Jersey) Limited
Forum 4, 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

Financial calendar

Financial period end	31 August 2016
Annual General Meeting ¹	13 December 2016
Shareholder Event ²	15 December 2016
4th Interim dividend 2016	30 November 2016
1st Interim dividend 2017	28 February 2017
2nd Interim dividend 2017	31 May 2017
3rd Interim dividend 2017	31 August 2017

Information sources

For more information about Henderson Far East Income Limited, visit the website at www.hendersonfareastincome.com.

HGi

HGi is a content platform provided by Henderson that offers 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.

Scan the QR code or use this short URL to register for HGi.
<http://HGico.rb>



Follow Henderson Investment Trusts on Twitter, YouTube and Facebook



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 holding 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.

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 via Halifax Share Dealing receive all shareholder communications and a voting instruction form is provided to facilitate voting at general meetings of the Company.

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 (continued)

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 a secondary listing on the New Zealand Stock Exchange. It 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 risks and uncertainties

The Board, with the assistance of Henderson, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. In carrying out this assessment, the Board considered the market uncertainty arising from the result of the UK referendum on leaving the European Union.

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 49.

Accounting, legal and regulatory

The Company is regulated by the Jersey Financial Services Commission and complies with the regulatory requirements in Jersey. The Company must comply with the provisions of the Companies (Jersey) Law 1991 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. The Company must also ensure compliance with the listing rules of the New Zealand Stock Exchange. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in the suspension of the Company's shares.

The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA and New Zealand Stock Exchange Rules.

Operational

Disruption to, or the failure of, 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, BNP Paribas Securities Services S.C.A. (Jersey), 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 49. Additional disclosures are provided in accordance with IFRS 7: Financial Instruments: Disclosures.

Borrowing

The Company has a two year £35 million revolving multi-currency loan facility with Commonwealth Bank of Australia. This replaced the previous £45 million facility with National Australia Bank (see Note 13.2). The maximum amount drawn down under the period was £35.5 million (including exchange rate movements since draw down) with borrowing costs including interest for the year totalling £344,000 (2015: £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 2016 was 4.6% of net asset value (2015: 5.1%).

Viability statement

The Company is a medium to longer term investor and, as such, the Directors believe it is appropriate to assess the Company's viability over a five year period in recognition of the Company's investment horizon and what the Directors believe to be investors' horizons.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular investment strategy and performance absolutely and against certain indices and other funds with a similar mandate, whether from asset allocation, the level of gearing, and market risk in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the liquidity of the portfolio. Nearly all of the Company's investments are in listed companies which are frequently traded on recognised markets. The portfolio is spread over approximately 50 companies in a wide spread of sectors and geographical areas and hence there is little concentration. The Directors also considered the borrowing facility the Company has in terms of its duration, the headroom available under any covenants and how a breach of any of those covenants could impact on the Company's net asset value and share price.

Based on their assessment and the fact that the Company's financial commitments are small in relation to the current value of the portfolio, which is highly liquid, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

The Directors' view is that only a cataclysmic financial crisis affecting the global economy could have an impact on this assessment. Whilst there is currently uncertainty in the markets following the UK referendum result to leave the European Union, the Directors do not believe that this will have a long term impact on the viability of the Company and its ability to continue in operation.

Strategic Report: Corporate Information (continued)

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.

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.

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 investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments and performance fees. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charge and monitors the expenses incurred by the Company. Ongoing charge at 31 August 2016 was 1.17% (2015: 1.06%) of net asset value.

The charts and tables on pages 2, 3, 8 and 11-13 show how the Company has performed against these KPIs.

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 2018.

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, four 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
Chairman
10 November 2016

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 AIFs 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.

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.

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.

Strategic Report: Glossary (continued)

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.

Revenue earnings per ordinary share

The revenue profit divided by the weighted average number of ordinary shares in issue during the year.

Share price and NAV total return

This is the return on the share price and includes reinvesting dividends in the month that the share price goes ex-dividend. NAV total return is the return on the NAV and assumes reinvesting the same dividends in the NAV of the Company in the month that the shares go ex-dividend. For performance statistics, dividend reinvestment is deemed to be at the end of the month when the shares go ex-dividend in line with the AIC methodology, although graphical data assumes reinvestment on the ex-dividend date.

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 2015 to 31 August 2016. 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.

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 2016 the Company's stated share capital consisted of 114,535,564 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 2016 the voting rights were 114,535,564 votes. During the year, 2,190,000 shares (representing 1.9% 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 268p to 294p for total proceeds (net of commissions) of £6,269,000.

Since 31 August 2016 and up to the date of this report a further 350,000 ordinary shares have been issued for a total proceeds (net of commissions) of £1,192,000. The number of shares in issue at the date of this report are 114,885,564. All new shares are issued at a premium to net asset value.

The Directors have a 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 16 December 2015 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 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 2016 in accordance with the disclosure and transparency rules were as follows:

	% of voting rights
Rathbone Brothers plc	7.63

No changes have been notified in the period 1 September 2016 to the date of this report.

At 31 August 2016, 7.43% 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. 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 four holdings on the share register as at 31 August 2016:

	% of voting rights
Speirs and Jeffrey	8.36
Halifax Share Dealing	7.43
Hargreaves Lansdown	7.26
Alliance Trust Savings	5.59

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 2016 (2015: 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.

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 13 December 2016 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 members 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 15 December 2016 at 11.00a.m. The event will provide the opportunity for the Fund Manager, Michael Kerley, to give a presentation on the investment strategy and performance. The event will include light refreshments. If you wish to attend, please return the yellow card which is enclosed with this Report. 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 position and performance, business model and strategy.

For and on behalf of the Board

Julia Chapman
Director
10 November 2016

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 position and 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, 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.

Julia Chapman
Director
10 November 2016

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 13 December 2016. The Company's remuneration policy was approved at the AGM in 2014. No further changes to the current policy are proposed.

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. Please see page 25 for further information on Directors' fees.

Annual report on remuneration

Directors' interests in shares

	Ordinary shares of no par value	
	31 August 2016	1 September 2015
John Russell	60,306	60,306
David Mashiter	5,000	5,000
David Staples	21,000	21,000
Julia Chapman	2,616	–
Nicholas George ¹	8,750	–
Richard Povey ²	N/A	5,000
Simon Meredith Hardy ³	N/A	15,000

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 2016 to the date of this report.

¹ Appointed on 20 April 2016

² Retired on 16 December 2015

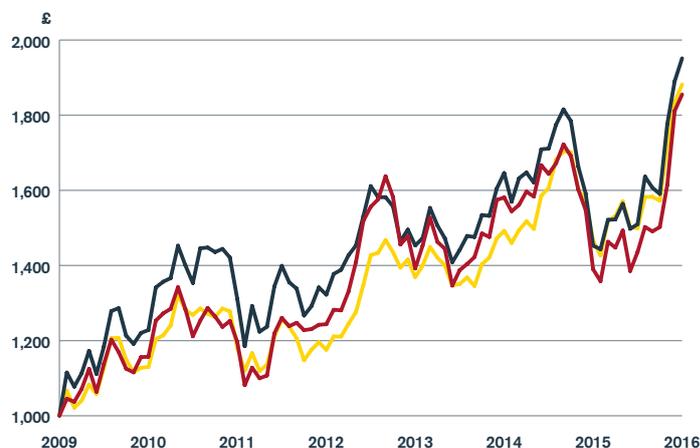
³ Retired on 28 January 2016

Directors' Remuneration Report (continued)

Performance

The graph compares the total return of the Company's ordinary shares over the seven year period ended 31 August 2016 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

The fees and expenses paid to the Directors who served during the years ended 31 August 2016 and 31 August 2015 were as follows:

	Year ended 31 August 2016 Total £	Year ended 31 August 2015 Total £
John Russell ¹	37,500	37,500
David Mashiter	24,000	24,000
Simon Meredith Hardy ²	9,846	24,000
Richard Povey ³	7,022	24,000
David Staples ⁴	28,000	28,000
Julia Chapman ⁵	24,000	14,067
Nicholas George ⁶	8,747	—
Total	139,115	151,567

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

3 Retired on 16 December 2015

5 Appointed on 30 January 2015

2 Retired on 28 January 2016

4 Chairman of the Audit Committee

6 Appointed on 20 April 2016

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 in the year under review were Chairman £37,500, Audit Committee Chairman £28,000 and other Directors £24,000. Following a review of Directors' fees in October 2016, with effect from 1 September 2016, the revised fee structure is: Chairman £39,000, Audit Committee Chairman £34,000 and other Directors £28,000.

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. 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.

	2016	2015	Change
Total remuneration paid to Directors	£139,115	£151,567	(£12,452)
Ordinary dividend paid during the year	£22,605,767	£21,013,132	£1,592,635

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

At the 2015 AGM 18,951,287 votes (99.0%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 117,972 (0.6%) were against, 74,773 (0.4%) were at the discretion of the Chairman and were voted for and 117,731 were withheld; the percentage of votes excludes votes withheld.

For and on behalf of the Board

Julia Chapman
Director
10 November 2016

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") in September 2014 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 2015 and in July 2016 in respect of Jersey domiciled companies ("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 is required to report under.

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. Nicholas George was appointed to the Board on 20 April 2016 and will stand for election at the forthcoming AGM.

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

The AIC Code further 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. Therefore David Mashiter and John Russell will offer themselves for annual re-election at this year's AGM.

The Board would like to thank Mr Povey (retired on 16 December 2015) and Mr Hardy (retired on 28 January 2016) for their considerable contribution to the Company during their time on the Board.

The contribution and performance of each of the Directors seeking re-election was reviewed by the Nominations Committee at its meeting in January 2016, 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 2016, 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.

Corporate Governance Statement (continued)

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

Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by Henderson at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors are also able to attend external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered as part of the annual performance 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 five 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 current Directors served throughout the year under review with the exception of Nicholas George who was appointed on 20 April 2016.

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 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 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and 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 principal Committees: the Audit Committee, the Management Engagement Committee and the Nominations Committee. The Company also has an Insider Committee to deal with the obligations of the Market Abuse Regulations which came into force on 3 July 2016. 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 sufficient range of backgrounds on the Board, 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 Board engaged Fletcher Jones Executive Search who have not provided any other services to the Company, for the recruitment of Nicholas George.

Corporate Governance Statement (continued)

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 2016 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.

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 2016 to carry out its annual review of Henderson, the results of which are detailed on page 29.

Insider Committee

All the Directors are members of the Insider Committee, which is chaired by the Chairman of the Board. The Committee is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations which came into force on 3 July 2016 and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules.

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	2	1	1
John Russell	4	2	1	1
David Mashiter	4	2	1	1
David Staples	4	2	1	1
Julia Chapman	4	2	1	1
Nicholas George ¹	2	–	1	–
Simon Meredith Hardy ²	2	1	–	1
Richard Povey ³	1	1	–	–

¹ Appointed on 20 April 2016

² Retired on 28 January 2016

³ Retired on 16 December 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 2015.

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; the Chairman continues to display effective leadership; and that Directors seeking re-election at the Company's AGM merit re-election by shareholders.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 August 2016. 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.

Corporate Governance Statement (continued)

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 37.

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.

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 15 December 2016 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

Julia Chapman
Director
10 November 2016

Report of The Audit Committee

Meetings

The Audit Committee met two 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, viability, 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 position and 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 investments, including unquoted investments;
- consideration of the internal controls in place at Henderson and BNPP as administrator on pages 28 and 29, 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 2016

In relation to the Annual Report for the year ended 31 August 2016 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 and Participation Notes valued by reference to the underlying stocks. The liabilities relating to options are valued by reference to the Black-Scholes model. 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. The Committee regularly reviews the adequacy and effectiveness of these controls.

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 Statutory Auditors and Third Country Auditors Regulations came into force on 17 June 2016. These regulations, that are applicable in the UK, require companies to rotate their audit firm after a period of 10 years. This period may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Company intends to follow these regulations as best practice. The auditor is required to rotate partners every 5 years. This is the first year that the current partner has been in place.

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
10 November 2016

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 2016, 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 2016, 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 eleven provisions of the UK Corporate Governance Code specified for our review.

Andrew P. Quinn
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditor

10 November 2016
37 Esplanade
St Helier
Jersey
JE4 8WQ

Statement of Comprehensive Income

Notes		Year ended 31 August 2016			Year ended 31 August 2015		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
3	Investment income	25,974	–	25,974	24,451	–	24,451
4	Other income	2,489	–	2,489	2,554	–	2,554
10	Gains/(losses) on investments held at fair value through profit or loss	–	75,636	75,636	–	(60,182)	(60,182)
	Net foreign exchange loss excluding foreign exchange gains/(losses) on investments	–	(2,275)	(2,275)	–	(705)	(705)
	Total income/(loss)	28,463	73,361	101,824	27,005	(60,887)	(33,882)
	Expenses						
19	Management fees	(1,565)	(1,565)	(3,130)	(1,472)	(1,472)	(2,944)
5	Other expenses	(403)	(403)	(806)	(417)	(418)	(835)
	Profit/(loss) before finance costs and taxation	26,495	71,393	97,888	25,116	(62,777)	(37,661)
6	Finance costs	(142)	(143)	(285)	(135)	(136)	(271)
	Profit/(loss) before taxation	26,353	71,250	97,603	24,981	(62,913)	(37,932)
7	Taxation	(2,228)	–	(2,228)	(2,314)	–	(2,314)
	Profit/(loss) for the year and total comprehensive income	24,125	71,250	95,375	22,667	(62,913)	(40,246)
8	Earnings per ordinary share – basic and diluted	21.13p	62.41p	83.54p	20.54p	(57.00p)	(36.46p)

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.

Statement of Changes in Equity

Notes		Year ended 31 August 2016				
		Stated share capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 31 August 2015	103,202	180,471	4,509	19,639	307,821
	Total comprehensive income:					
	Profit for the year	–	–	71,250	24,125	95,375
	Transactions with owners, recorded directly to equity:					
9	Dividends paid	–	–	–	(22,606)	(22,606)
14	Shares issued	6,294	–	–	–	6,294
14	Share issue costs	(25)	–	–	–	(25)
	Total equity at 31 August 2016	109,471	180,471	75,759	21,158	386,859
Notes		Year ended 31 August 2015				
		Stated share capital £'000	Distributable reserve £'000	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

Balance Sheet

Notes		31 August 2016 £'000	31 August 2015 £'000
	Non current assets		
10	Investments held at fair value through profit or loss	405,131	324,474
	Current assets		
11	Other receivables	3,321	7,584
	Cash and cash equivalents	5,944	11,681
		9,265	19,265
	Total assets	414,396	343,739
	Current liabilities		
10	Written options	(635)	(1,007)
12(a)	Other payables	(1,581)	(432)
12(b)	Bank loans	(25,321)	(34,479)
		(27,537)	(35,918)
	Net assets	386,859	307,821
	Equity attributable to equity shareholders		
14	Stated share capital	109,471	103,202
15	Distributable reserve	180,471	180,471
	Retained earnings:		
16	Capital reserves	75,759	4,509
	Revenue reserves	21,158	19,639
	Total equity	386,859	307,821
17	Net asset value per ordinary share	337.76p	273.99p

These financial statements on pages 33 to 51 were approved by the Board of Directors on 10 November 2016 and were signed on its behalf by:

Julia Chapman
Director

Statement of Cash Flows

Notes		31 August 2016 £'000	31 August 2015 £'000
	Operating activities		
	Profit/(loss) before taxation	97,603	(37,932)
	Add back interest payable	285	271
10	(Gains)/losses on investments held at fair value through profit or loss	(75,636)	60,182
	Net foreign exchange loss excluding foreign exchange gains/(losses) on investments	2,275	705
10	Sales of investments	310,929	373,902
10	Purchases of investments	(316,188)	(390,007)
	Decrease in prepayments and accrued income	170	474
	Decrease in amounts due from brokers	4,093	422
	Increase/(decrease) in other payables	1,153	(577)
	Stock dividends included in investment income	(134)	(284)
	Net cash inflow from operating activities before interest and taxation	24,550	7,156
	Interest paid	(289)	(294)
	Withholding tax on investment income	(2,228)	(2,307)
	Net cash inflow from operating activities before interest and taxation	22,033	4,555
	Financing activities		
	Net loan (repayment)/drawdown	(12,231)	4,899
9	Equity dividends paid	(22,606)	(21,013)
14	Share issue proceeds	6,294	14,115
14	Share issue costs	(25)	(56)
	Net cash outflow from financing	(28,568)	(2,055)
	(Decrease)/increase in cash and cash equivalents	(6,535)	2,500
	Cash and cash equivalents at the start of the year	11,681	7,424
	Exchange movements	798	1,757
	Cash and cash equivalents at the end of the year	5,944	11,681

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

The Company's financial statements for the year ended 31 August 2016 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 by the European Union.

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.

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 presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the Association of Investment Companies (the "AIC") in November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

Accounting standards

(i) New and amended standards adopted by the Company

There were no new or amended standards adopted by the Company during the year.

(ii) 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 annual periods beginning on or after 1 January 2016) – These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports, effective for annual periods beginning on or after 1 January 2016. The Company does not expect the amendments to IAS 1 to have a significant impact on the financial statements.
- IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018) – addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company holds its financial instruments at fair value through profit or loss so does not anticipate a significant impact on implementation. The Company will carry out a detailed assessment of IFRS 9's full impact in the coming year and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018, subject to endorsement by the EU.
- IAS 7, 'Statement of cash flows' (effective for annual periods beginning on or after 1 January 2017) – introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, subject to endorsement by the EU. The Company is yet to assess the full impact of the amendments to IAS 7 on the financial statements but does not expect these to be significant.

(iii) New standards, amendments and interpretations issued but not effective for the current financial year and not relevant to the Company's operations.

A number of new standards, amendments and interpretations have been issued that are not effective for the current financial year end and not relevant to the Company's operations. They will therefore have no impact on the Company's financial statements when they become effective.

In addition, there are changes to a number of standards under the Annual Improvements to IFRSs 2012-2014 Cycle which are effective for annual periods beginning on or after 1 January 2016.

b) Going concern

The assets of the Company consist almost entirely of securities that are listed and regularly traded and, accordingly, the Directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the Viability Statement, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

c) Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. 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. Participation notes are fair valued by reference to underlying stocks. The fair value of option contracts is determined by reference to the Black-Scholes model. 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, including exchange gains and losses, are recognised in the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss', including exchange gains and losses. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

d) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment company, and in accordance with guidance issued by the Association of Investment Companies ("the AIC"), supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

e) Income

Dividends receivable on equity shares and participation notes 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.

f) Expenses

All administration expenses, including the management fee and interest payable are accounted for on an accruals basis. 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. 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.

g) 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.

h) 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. Exchange gains and losses on investments held at fair value through profit or loss are included in "Gains or losses on investments held at fair value through profit or loss". Exchange gains and losses on other balances are disclosed separately in the Statement of Comprehensive Income.

i) 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.

j) Bank loans

Interest-bearing bank loans 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.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

k) 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 (2015: nil).

l) Share issue costs

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

m) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends are recorded in the Statement of Changes in Equity. Dividends can be paid from the distributable reserve, the capital reserve arising on investments sold, the capital reserve arising on revaluation of investments held and the revenue reserve.

n) Capital and reserves

Capital reserve

The following are accounted for in this reserve:

- gains and losses on the disposals of investments;
- expenses and finance costs allocated to capital;
- realised and unrealised foreign exchange differences of a capital nature; and
- increases and decreases in the valuation of investments held at the year end.

Revenue reserve

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

Distributable reserve

The distributable reserve represents the net proceeds from the issue of 77,622,619 shares in the Company on 15 December 2006 and was established following the confirmation by the Royal Court of Jersey of the reduction of the Company's Capital account on 23 January 2007. Further detail is set out in note 15.

Stated share capital

The stated share capital represents the net proceeds from the issue of ordinary shares.

o) 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 were valued at £46,015,000 (2015: £32,573,000). These were valued by reference to the underlying stock. The liabilities relating to obligations in respect of the options were valued at £635,000 (2015: £1,007,000) by reference to the Black-Scholes model. The position in China Forestry was written down to zero value (cost: £5,507,000) 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.

Notes to the Financial Statements (continued)

3 Investment income

	2016 £'000	2015 £'000
Overseas dividends	23,485	22,921
Outperformance Participation Note income	2,355	1,246
Stock dividends	134	284
	25,974	24,451
Analysis of investment income by geography:		
Australia	5,615	5,291
China	5,779	6,117
Hong Kong	2,173	1,594
India	1,265	618
Indonesia	254	305
Japan	262	254
Malaysia	394	491
New Zealand	660	568
The Philippines	–	(5)
Singapore	1,628	1,499
South Korea	2,173	1,349
Taiwan	4,255	5,702
Thailand	1,516	668
	25,974	24,451

All of the above income is derived from equity investments. Income from the Philippines is negative in the prior year due to an over accrual in 2014.

4 Other income

	2016 £'000	2015 £'000
Bank and other interest	14	3
Option premium income	2,475	2,551
	2,489	2,554

5 Other expenses

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Directors' fees (see the Directors' Remuneration Report on page 25)	70	69	139	76	76	152
Auditors' remuneration						
– statutory audit	17	17	34	16	16	32
– interim accounts review	3	3	6	3	3	6
Bank and custody charges	97	96	193	97	97	194
Loan arrangement and non-utilisation fees	30	29	59	30	30	60
Marketing fees ¹	39	39	78	48	47	95
Registrar's fees	25	25	50	22	22	44
Depository fees	9	11	20	8	9	17
Printing and stationery	12	12	24	14	14	28
Board visit to Asia	13	13	26	12	12	24
Broker fees	18	18	36	19	19	38
AIC	10	10	20	10	10	20
Stock Exchange fees	20	20	40	31	31	62
Other expenses	40	41	81	31	32	63
	403	403	806	417	418	835

¹ Payable to Henderson

Notes to the Financial Statements (continued)

6 Finance costs

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Bank loans payable: within one year	142	143	285	135	136	271
	142	143	285	135	136	271

7 Taxation

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
The taxation charge for the year comprises:						
Foreign withholding tax suffered	2,228	–	2,228	2,314	–	2,314
	2,228	–	2,228	2,314	–	2,314

Profits arising in the Company for the year ended 31 August 2016 are subject to Jersey income tax at the rate of 0% (2015: 0%).

8 Earnings per ordinary share

The earnings per ordinary share figure is based on the profit for the year and total comprehensive income of £95,375,000 (2015: losses of £40,246,000) and on the weighted average number of ordinary shares in issue during the year of 114,161,274 (2015: 110,366,043).

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

	2016 £'000	2015 £'000
Net revenue profit	24,125	22,667
Net capital profit/(loss)	71,250	(62,913)
Net total profit/(loss)	95,375	(40,246)
Weighted average number of ordinary shares in issue during the year	114,161,274	110,366,043

	2016 Pence	2015 Pence
Revenue earnings per ordinary share	21.13p	20.54p
Capital earnings/(loss) per ordinary share	62.41p	(57.00p)
Total earnings/(loss) per ordinary share	83.54p	(36.46p)

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

9 Dividends

Dividends	Record Date	Pay Date	2016 £'000	2015 £'000
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
Fourth interim dividend 4.90p for the year ended 2015	6 November 2015	30 November 2015	5,540	–
First interim dividend 4.90p for the year ended 2016	5 February 2016	29 February 2016	5,612	–
Second interim dividend 4.90p for the year ended 2016	6 May 2016	31 May 2016	5,612	–
Third interim dividend 5.10p for the year ended 2016	5 August 2016	31 August 2016	5,842	–
			22,606	21,013

Notes to the Financial Statements (continued)

9 Dividends (continued)

The fourth interim dividend for the year ended 31 August 2016 has not been included as a liability in these financial statements as it was announced and is payable 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 £24,125,000 (2015: 22,667,000). All dividends have been paid or will be paid out of revenue profits.

	2016 £'000	2015 £'000
First interim dividend for 2016 – 4.90p (2015: 4.70p)	5,612	5,189
Second interim dividend for 2016 – 4.90p (2015: 4.70p)	5,612	5,207
Third interim dividend for 2016 – 5.10p (2015: 4.90p)	5,842	5,505
Fourth interim dividend for 2016 – 5.10p (2015: 4.90p) (payable 30 November 2016 based on 114,885,564 shares in issue at 4 November 2016)	5,859	5,540
	22,925	21,441

10 Investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Cost at beginning of year	344,247	332,766
Investment holding (loss)/gain at the beginning of the year	(20,780)	34,494
Valuation of investments and options written at the beginning of the year	323,467	367,260
Movements in the year:		
Purchases at cost	316,322	390,291
Sales – proceeds	(310,929)	(373,902)
– realised losses on sales	(27,146)	(4,908)
Increase/(Decrease) in investment holding gains	102,782	(55,274)
Closing value of investments and options written at the end of the year	404,496	323,467
Cost at the end of the year	322,494	344,247
Investment holding gain/(loss)	82,002	(20,780)
Closing value of investments and options written at the end of the year	404,496	323,467

Total investments:

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	405,131	324,474
Written options	(635)	(1,007)
	404,496	323,467

There is one unquoted investment, China Forestry, which was written down to zero value in 2014. The Company holds Participation Notes valued at £46,015,000 (2015: £32,573,000), which are included in the value of investments.

	2016 £'000	2015 £'000
Gains/(losses) on investments held at fair value		
Realised losses on sales of investments	(27,146)	(4,908)
Increase/(Decrease) in investment holding gains	102,782	(55,274)
	75,636	(60,182)

Transaction costs

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

	2016 £'000	2015 £'000
Purchases	597	599
Sales	795	862
	1,392	1,461

Notes to the Financial Statements (continued)

11 Other receivables

	2016 £'000	2015 £'000
Prepayments and accrued income	3,150	3,320
Amounts due from brokers	171	4,264
	3,321	7,584

12 Other payables

	2016 £'000	2015 £'000
a) other payables		
Unrealised losses on forward exchange contracts	–	208
Other payables	1,581	224
	1,581	432

	2016 £'000	2015 £'000
b) bank loans (unsecured)	25,321	34,479

The interest rates applicable to the loan is at a margin of 0.85% pa over LIBOR (2015: 0.90% pa over LIBOR). Further detail on the bank loan is provided in note 13.2.

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 market price risk, 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.

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.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

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 2016 on its investments amounted to £405,131,000 (2015: £324,474,000) and £635,000 (2015: 1,007,000) 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, South Korea, 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. Further detail on exposure is shown on page 11.

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% (2015: 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.

	2016		2015	
	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	(182)	182	(146)	146
Capital return	40,268	(40,268)	32,201	(32,201)
Impact on total profit/(loss) after tax for the year and shareholders' funds	40,086	(40,086)	32,055	(32,055)

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.

Investment income denominated in foreign currencies is converted into US Dollars 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.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

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.

2016	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	1,208	698	–	278	193	321	604
Cash at bank and on deposit	173	–	–	–	73	5,698	–
Borrowings under multi-currency loan facility	–	–	–	–	–	(25,321)	–
Total foreign currency exposure on net monetary items	1,381	698	–	278	266	(19,302)	604
Investments at fair value through profit or loss	86,275	43,149	51,122	50,877	44,171	84,442	44,460
Total net foreign currency exposures	87,656	43,847	51,122	51,155	44,437	65,140	45,064
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	639	–	–	109	96	9,157	–
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	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

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 profit/(loss) 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 +/- 20% (2015: 10%). Sterling/Taiwanese Dollar +/- 20% (2015: 10%).

Sterling/Korean Won +/- 20% (2015: 10%). Sterling/Hong Kong Dollar +/- 20% (2015: 10%).

Sterling/Singapore Dollar +/- 20% (2015: 10%). Sterling/US Dollar +/- 20% (2015: 10%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in recent years. The sensitivity analysis is based on the Company's financial assets and financial liabilities held at each balance sheet date. Whilst some exchange rates may have been more volatile in the twelve months prior to the balance sheet date, a 20% movement is deemed reasonable based on longer term volatility and market conditions at the balance sheet date. Higher sensitivity levels for each currency can be extrapolated from the 20% level that is shown on the next page.

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.2 Currency risk (continued)

If Sterling had depreciated by 20% (2015: 10%) against the currencies shown, the impact on total profit/(loss) and net assets would have been as follows:

	2016						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	1,300	911	387	574	478	1,066	1,320
Capital return	21,465	10,734	12,720	12,659	10,991	14,708	11,060
Total profit/(loss) after tax for the year	22,765	11,645	13,107	13,233	11,469	15,774	12,380
	2015						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	550	580	97	280	201	284	576
Capital return	7,852	3,944	2,617	9,041	2,218	(237)	4,465
Total profit/(loss) after tax for the year	8,402	4,524	2,714	9,321	2,419	47	5,041

If Sterling had appreciated by 20% (2015: 10%) against the currencies shown, the impact on total return and net assets would have been as follows:

	2016						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
Revenue return	(867)	(607)	(258)	(383)	(318)	(710)	(880)
Capital return	(14,310)	(7,156)	(8,480)	(8,440)	(7,327)	(9,805)	(7,372)
Total profit/(loss) after tax for the year	(15,177)	(7,763)	(8,738)	(8,823)	(7,645)	(10,515)	(8,252)
	2015						
	AUS\$ £'000	TW\$ £'000	KRW £'000	HK\$ £'000	S\$ £'000	US\$ £'000	Other £'000
Statement of Comprehensive Income –							
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 profit/(loss) after tax for the year	(6,875)	(3,702)	(2,222)	(7,626)	(1,980)	(39)	(4,122)

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

13.1.3 Interest rate risk

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

Management of the risk

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

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

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

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

Interest rate exposure

The exposure at 31 August 2016 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).

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.1.3 Interest rate risk (continued)

The Company does not have any fixed interest rate exposure.

Interest received on cash balances, or paid on bank overdrafts and loans, is at a margin over LIBOR or its foreign currency equivalent (2015: same).

The year end amounts detailed on the previous page 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 £68,000 (2015: £56,000), capital return after tax by £126,000 (2015: £172,000), total profit after tax and shareholders' funds £194,000 (2015: £228,000).

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 £35,000,000 (2015: £45,000,000) of which £25,321,000 (2015: £34,479,000) was drawn down at the year end. This facility is under regular review and unless renewed will expire on 27 February 2018.

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 and also to take advantage of specific investment opportunities.

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:

	2016		2015	
	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 ¹	25,341	–	34,505	–
Written options at fair value ²	19,550	–	26,834	–
Amount to brokers and accruals	1,561	–	406	–
	46,452	–	61,745	–

1 Includes interest on loans payable to maturity date

2 Calculated as the contractual maturity value of the options.

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 2016 was to cash and cash equivalents £5,944,000 (2015: £11,681,000) and to other receivables of £3,321,000 (2015: £7,584,000). Amounts due from brokers and accrued income of £3,301,000 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. The Directors believe this counterparty to be of high quality (credit rating at 31 August 2016: J.P. Morgan Chase Bank A- rated (2015: A-); 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 loans).

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 2016	Level 1 £'000	Level 2 £'000	Level 3 ¹ £'000	Total £'000
Equity investments and participation notes	359,116	46,015	–	405,131
OTC derivatives (options)	–	(635)	–	(635)
	359,116	45,380	–	404,496

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 2016.

The table below sets out the OTC derivatives that were unsettled as at 31 August 2016.

Description of open position	Nominal amount	Currency	Strike Price (Currency)
SK Innovation Nov 16 Call Option (Expiry 29/11/16)	80,289	KRW	152,744.25
Netease ADR Nov 16 Call Option (Expiry 25/11/16)	41,465	US\$	229.90
Anta Sports Products Nov 16 Put Option (Exp 11/11/16)	2,174,000	HK\$	18.10

Level 3 investments at fair value through profit or loss	2016 £'000	2015 £'000
Opening balance	–	–
Transferred into Level 3	–	–
Capital distribution	–	–
Closing value of investments and options written at the end of the year	–	–
Total losses included in gains on investments in the Statement of Comprehensive Income – on assets held at year end	–	–
Closing balance	–	–

Notes to the Financial Statements (continued)

13 Risk management policies and procedures (continued)

13.5 Fair value hierarchy disclosures (continued)

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

² 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.

The table below sets out the OTC derivatives and forward exchange contracts that were unsettled as at 31 August 2015.

Description of open position	Nominal amount	Currency	Strike Price (Currency)
Sands China Nov 15 Call Option (Expiry 13/11/15)	1,360,000	HK\$	35.69
Netease Nov 15 Put Option (Expiry 25/11/15)	44,000	US\$	102.15
Beijing Capital Int. Airport Nov 15 Call Option (Expiry 02/11/15)	8,155,000	HK\$	8.48
Kangwon Land Nov 15 Call Option (Expiry 03/11/15)	279,532	KRW	43,100.41
Bank of China Oct 15 Call Option (Expiry 02/10/15)	16,457,000	HK\$	5.37
Forward foreign exchange contract (Yen v GBP)	1,115,521,100	YEN	N/A

There have been no transfers between levels of the fair value hierarchy during the year ended 31 August 2015 and year ended 31 August 2016. 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 – value using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices in Level 1. The Company's holdings in over-the-counter options and Participation Notes are included within Level 2. The figures for 2015 also included a Japanese Yen forward exchange contract for 1,115,521,000 Yen which resulted in an unrealised loss of £208,000.

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 £2,475,000 (2015: £2,551,000)

13.6 Capital management policies and procedures

The Company's capital management objectives are:

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

The portfolio includes one unquoted investment, which was written down to zero fair value in 2014. The company writes over-the-counter options and held Participation Notes with a total value of £45,380,000 (2015: £31,566,000).

The Company's capital at 31 August 2016 comprised its equity share capital, reserves and bank debt that are shown in the balance sheet as a total of £412,180,000 (2015: £342,300,000).

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 desirability of buying 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 opportunity for new issues of equity shares;
- the extent to which revenue should be retained; and
- the level of gearing.

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

Notes to the Financial Statements (continued)

14 Stated share capital

	Authorised	2016		2015	
		Issued and fully paid	£'000	Issued and fully paid	£'000
Opening balance at 1 September					
Ordinary shares of no par value	Unlimited	112,345,564	103,202	108,095,564	89,143
Issued during the year		2,190,000	6,294	4,250,000	14,115
Share issue costs		–	(25)	–	(56)
Closing balance at 31 August		114,535,564	109,471	112,345,564	103,202

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 2,190,000 (2015: 4,250,000) shares for the proceeds of £6,269,000 (2015: £14,059,000) net of share issue costs.

15 Distributable reserve

	2016 £'000	2015 £'000
At 31 August	180,471	180,471

The Royal Court of Jersey confirmed the reduction of Capital account in the Company by an amount of £180,983,000 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.

16 Capital reserves

	2016 £'000	2015 £'000
At 1 September	4,509	67,422
Foreign exchange losses	(2,275)	(705)
Movement in investment holding gains/(losses)	102,782	(55,274)
Realised losses on investments	(27,146)	(4,908)
Costs charged to capital	(2,111)	(2,026)
At 31 August	75,759	4,509

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.

Notes to the Financial Statements (continued)

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:

	2016		2015	
	Net asset value per share pence	Net asset value attributable £'000	Net asset value per share pence	Net asset value attributable £'000
Ordinary shares	337.76p	386,859	273.99p	307,821

The basic net asset value per ordinary share is based on 114,535,564 (2015: 112,345,564) ordinary shares, being the number of ordinary shares in issue.

The movements during the year in net assets attributable to the ordinary shares were as follows:

	2016 £'000	2015 £'000
Net assets attributable to ordinary shares at 1 September	307,821	355,021
Total net profit/(loss) on ordinary activities after taxation	95,375	(40,246)
Dividend paid	(22,606)	(21,013)
Issue of ordinary shares net of issue costs	6,269	14,059
At 31 August	386,859	307,821

18 Contingent liabilities

There were no contingent liabilities as at 31 August 2016 (2015: £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 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 2016 was £3,130,000 (2015: £2,944,000) of which £1,397,000 was outstanding at 31 August 2016 (2015: £63,000) and included in other payables in note 12.

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 2016 amounted to £78,000 (2015: £95,000), of which £31,000 was outstanding at 31 August 2016 (2015: £16,000) and included in other payables in note 12.

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 350,000 shares for net proceeds of £1,192,000. Details on the fourth interim dividend declared subsequent to the year end are in note 9. The Directors have evaluated the period since the year end and have not noted any other subsequent adjustments.

General Shareholder Information

AIFMD disclosures

In accordance with the Alternative Investment Fund managers Directive ('AIFMD'), information in relation to the Company's leverage and remuneration of Henderson, as the Company's Alternative Investment Fund manager ('AIFM') are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a Key Investor Information Document ('KIID') which can be found on the Company's website.

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.

Common reporting standard

With effect from 1 January 2016 new tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information is being introduced. The legislation will require the Company to provide personal information on certain investors who purchase shares in investment companies. This information will have to be provided annually to the local tax authority.

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.

Foreign Account Tax Compliance Act ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. The Company needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to the local tax authority, as required.

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.

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): NTTIYP99999.SL.832
Legal Entity Identifier (LEI): 213800801QRE00380596

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