



Henderson Far East Income Limited

Annual Review 2011



Managed by

Henderson
GLOBAL INVESTORS

Henderson Far East Income Limited



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 (the '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.

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

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

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

Website

Details of the Company's share price and daily net asset value, together with copies of monthly factsheets, the Annual Report and Financial Statements, the Notice of Meetings and all other reports and announcements made by the Company can be found at www.hendersonfareastincome.com

This Review contains material extracted from the audited Annual Report and Financial Statements of the Company for the year ended 31 August 2011 but it does not constitute a summary financial statement nor a summary of the full contents of the Report.

Furthermore, it does not contain sufficient information to allow for as full an understanding of the results of the Company, or the state of affairs of the Company or the principal risks and uncertainties facing the Company as is offered in full Annual Report and Financial Statements.

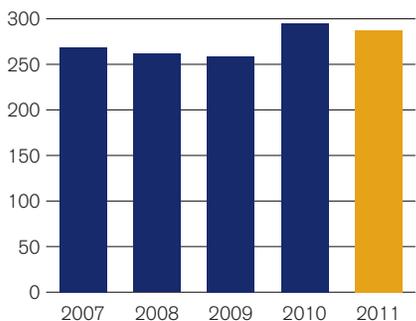
These are available on the website or an application to the Company Secretary, at the registered office.

Financial highlights

for the year ended 31 August 2011

Net asset value

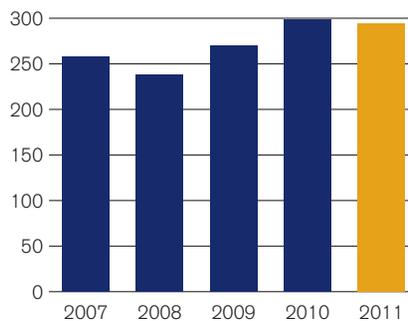
(pence per share)



▼ 2.7% at **287.09p**

Share price

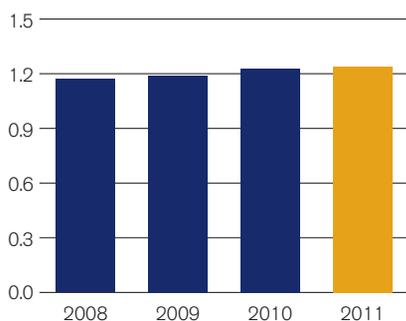
(pence per share)



▼ 1.3% at **294.50p**

Total Expense Ratio

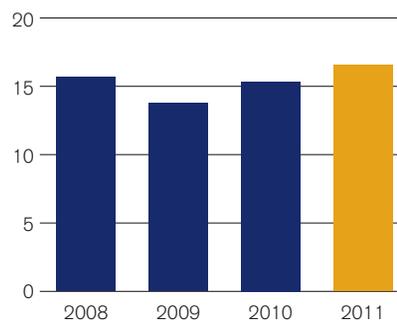
(%)



▲ 0.8% at **1.24%**

Revenue Earnings

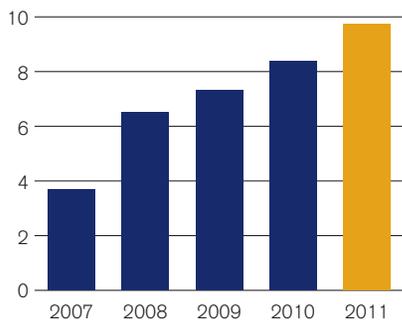
(pence per share)



▲ 7.4% at **16.49p**

Revenue reserve*

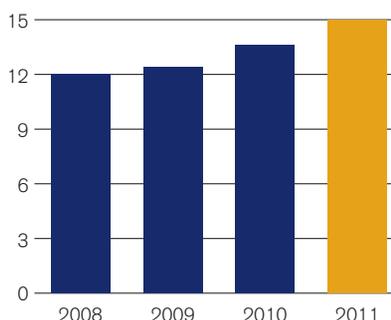
(£million)



▲ 16.3% at **£9,741,000***

Dividend (paid and payable for the year)

(pence per share)



▲ 10.3% at **15.00p**

*excluding last interim dividend payable for each year, and which is always paid after the year end.

A more detailed chart of dividends paid over a longer period may be found on page 15.

Chairman's Statement



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

Performance

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

Dividends

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

Capital and gearing

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

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

Share price total return rose by

3.4%

Net asset value total return rose by

2.1%

Total dividend for the year rose by

10.3%

Shareholder Communication

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



Counterparty Risk

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

Regional Perspective

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

revolution? Tens of millions of people have moved from the countryside to the cities and this process will continue for many years to come. The impact on global economics, politics and demographics will be both significant and long lasting.

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

Annual General Meeting

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

John Russell
Chairman
11 November 2011

Manager's Report



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

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

Markets pulled back from their highs in early November 2010 as the problems in Greece worsened and threatened to drag in other European countries. A brief rally towards the end of

2010 was curtailed by political disruption in the Middle East and North Africa, while March 2011 was dominated by the horrific earthquake, tsunami and resulting disruption in Japan. The emergency liquidity injected by the Bank of Japan helped markets rally through to the end of April before uncertainty over Eurozone debt and US growth led to a 10.5% decline in the FTSE All-World Asia Pacific ex Japan Index (sterling adjusted) over the next four months up to the company's year end. From an economic stand point Asian economies have fared far better than their western counterparts. Economic growth remains robust with only export sectors being impacted by the slowdown elsewhere. Earnings numbers have exceeded expectations in most economies

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



Sources: Datastream & Fundamental Data

with the only real disappointment being India, due to margin pressure. The performance of the markets has, however, been disappointing with the FTSE All-World Asia Pacific ex Japan Index underperforming both the S&P 500 and the FTSE 100 over the period, in sterling terms. This dynamic was partly due to risk aversion as global investors reduced exposure to more volatile regions but was also down to the inflationary pressure that has been building in Asia over the last year. Unlike the US, EU and UK where economic growth would be most welcome, Asia has been fighting against too much growth and the fear of overheating. As a result, interest rates have risen across the region and various measures have been taken to reduce liquidity and speculation, especially in the property markets. It is this policy uncertainty which has caused investors to focus on the more mature markets where the growth outlook is less impressive but the direction of monetary and fiscal policy is more certain.

Performance

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

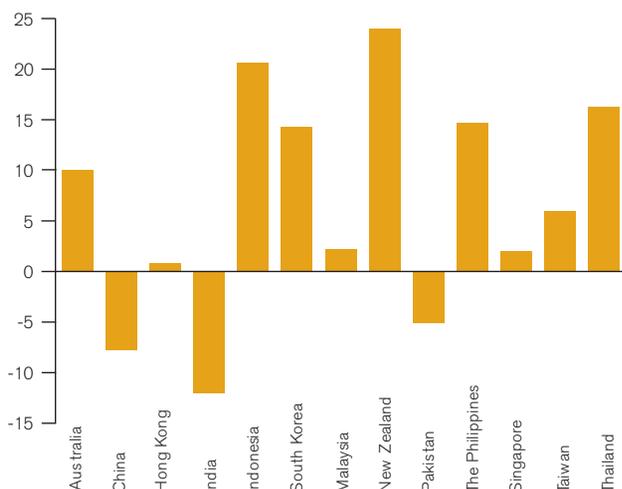
played a major part in bolstering returns, most notably in Australia where a 12% gain in the currency turned a 2% fall in the market into a 10% gain in sterling terms.

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

China

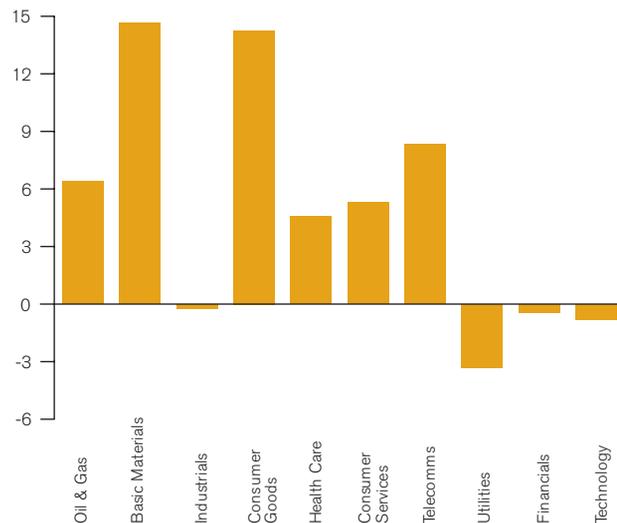
The poor performance of Chinese equities has once again been a drag on portfolio returns and like last year deserves a paragraph to itself. China's importance to the region and the rest of the world cannot be over estimated and along with the trauma impacting the US and EU, it has been the main driver of market sentiment and shareholder return. In the last year the authorities in Beijing have been in tightening mode in order to reign in some of the excess and speculation resulting from the huge fiscal expansion which followed the global financial crisis. Interest rates have been raised,

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



Source: Factset

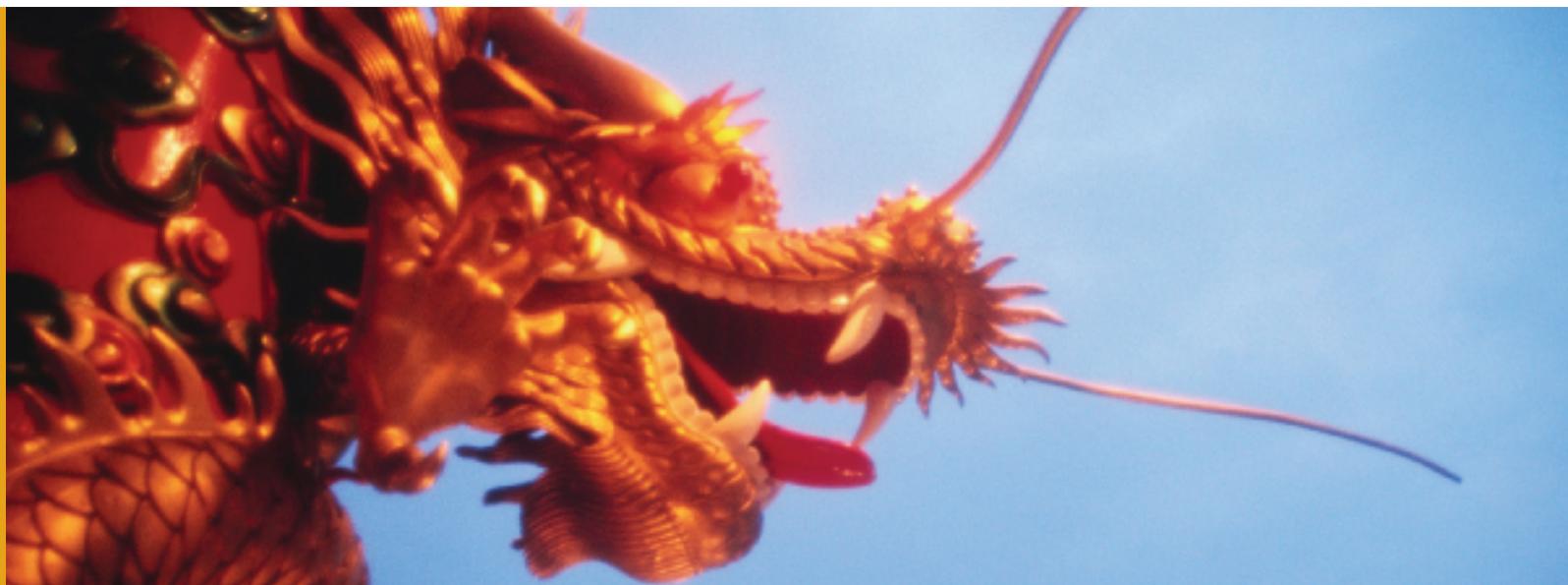
FTSE All-World Asia Pacific ex Japan Index – Sector Performance (£ total return) (%)



Source: Factset

Manager's Report

continued



property anti-speculation measures have been introduced and bank reserve requirements increased to ensure that excess liquidity does not find its way into unproductive areas. This constant tinkering with policy has unsettled investors and resulted in a trading mentality which does not reward long term shareholders. Despite this we continue to believe that China offers the best combination of value and income in the region and are very comfortable with the positions held by the company.

Currently earnings and valuations are not the key drivers of share price performance as macro concerns, whether global or local, dominate. We do believe, however, that the macro headwinds for China will begin to dissipate as the rest of the year progresses. Inflation should have peaked in July and although is likely to remain higher than recent history it should allow some room for more accommodating policies going forward.

Revenue

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

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

Outlook

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

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

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

Michael Kerley
Portfolio Manager
11 November 2011

Investment Portfolio

www.hendersonfareastincome.com

as at 31 August 2011

Rank 2011	Rank 2010	Company	Country	Sector	Value £'000	%
1	21	Korean Reinsurance Korean Reinsurance underwrites life and non life insurance. The company's products include life, fire, marine, auto, casualty, guarantee and pension both in Korea and overseas. Recent restructuring and improving reinsurance rates are driving growth in the short and medium term.	South Korea	Financials	8,715	3.09
2	18	Telstra Corporation Telstra Corporation is a full service domestic and international telecommunications provider for Australia. The company's dominant position and superior network quality is driving market share gains and improving profitability especially in the area of data and value added services. High and growing cash flow supports a high and sustainable dividend yield.	Australia	Telecommunications	8,522	3.02
3	10	Philippine Long Distance Telephone Through its three main business groups: fixed line, wireless and information communication technology, the company offers the largest and most diversified telecommunications services across The Philippines.	The Philippines	Telecommunications	8,328	2.95
4	7	Amcor Australian packaging company specialising in plastic containers for beverage applications and flexible packaging for food, tobacco and healthcare products. One of the world's leading packagers with sales of A\$14 billion derived from 43 countries.	Australia	Industrials	7,722	2.74
5	17	Incitec Pivot Incitec Pivot is an integrated supplier of fertilisers and explosives based in Australia. It is one of the lowest cost producers of fertilisers globally and benefits from the trend to improve agricultural yields especially in the developing world. The explosives business services the mining sector mainly in Australia and the US.	Australia	Basic Materials	7,680	2.72
6	5	Link REIT Hong Kong's first and largest real estate investment trust. Link REIT's portfolio consists of approximately 11 million square feet of retail space and 80,000 car park spaces and boasts a large and diverse tenant base.	Hong Kong	Property	7,574	2.68
7	-	Kangwon Land Kangwon Land is a casino and hotel operator in the Kangwon province of South Korea. The resort was built from an abandoned mine and is the monopoly provider of casino services for Korean nationals. The close proximity to the site of the 2018 Winter Olympics will improve transportation links and allow for expansion in the years to come.	South Korea	Consumer Services	7,202	2.55
8	38	QBE Insurance Group QBE Insurance is a world class general insurance company based in Australia. QBE underwrites most forms of commercial and industrial policies as well as providing services to individuals. The company has grown in recent years by successfully acquiring complementary businesses mainly overseas and especially in the US.	Australia	Financials	7,025	2.49
9	40	Jiangsu Expressway Jiangsu Expressway constructs, operates and maintains expressways in Jiangsu province in South East China. The company operates six assets with the most significant being the Shanghai-Nanjing Expressway. Increased penetration of automobiles will provide steady growth in toll revenue supporting a high and sustainable dividend yield.	China	Industrials	6,998	2.48
10	24	Ascendas Real Estate Ascendas REIT is a property trust with a diverse portfolio of income producing business and industrial parks in Singapore. The company has a high quality client base and benefits from rising rents and strong demand due to Singapore's leading position as the trading hub for South East Asia.	Singapore	Property	6,975	2.47
Top Ten Investments					76,741	27.19
The Top Ten Investments by value account for 27.19% of the total investments (2010: £75,558,000 or 26.9%).						

Investment Portfolio

continued

Rank 2011	Company	Country	Sector	Value £'000	%
11	Yuanta Financial	Taiwan	Financials	6,934	2.45
12	Advanced Information Services	Thailand	Telecommunications	6,889	2.44
13	CTCI Corporation	Taiwan	Industrials	6,848	2.43
14	Singapore Telecommunications	Singapore	Telecommunications	6,758	2.39
15	Tabcorp Holdings	Australia	Consumer Services	6,685	2.37
16	Fraser & Neave	Singapore	Industrials	6,674	2.36
17	Television Broadcasts	Hong Kong	Consumer Services	6,632	2.35
18	Taiwan Semiconductor Manufacturing	Taiwan	Technology	6,486	2.30
19	Capitamall Trust REIT	Singapore	Property	6,483	2.30
20	China Construction Bank	China	Financials	6,471	2.29
Top 20 Investments				143,601	50.87
21	Chunghwa Telecom	Taiwan	Telecommunications	6,446	2.28
22	Santos	Australia	Oil & Gas	6,425	2.28
23	Kasikornbank	Thailand	Financials	6,385	2.26
24	Industrial & Commercial Bank Of China	China	Financials	6,374	2.26
25	Skyworth Digital Holdings	China	Consumer Goods	6,357	2.25
26	Digital China Holdings	China	Technology	6,336	2.25
27	Petronas Chemicals	Malaysia	Basic Materials	6,171	2.19
28	DBS Group	Singapore	Financials	5,963	2.11
29	NWS Holdings	Hong Kong	Industrials	5,893	2.09
30	UMW Holdings	Malaysia	Consumer Goods	5,769	2.04
Top 30 Investments				205,720	72.88
31	PTT Public Company	Thailand	Oil & Gas	5,727	2.03
32	Krung Thai Bank	Thailand	Financials	5,692	2.02
33	Perusahaan Gas Negara	Indonesia	Utilities	5,650	2.00
34	Mizuho Financial Group	Japan	Financials	5,635	2.00
35	Shanghai Industrial	China	Industrials	5,629	1.99
36	KT Corporation	South Korea	Telecommunications	5,455	1.93
37	Petrochina	China	Oil & Gas	5,447	1.93
38	Wistron Corporation	Taiwan	Technology	4,966	1.76
39	Lonking Holdings	China	Industrials	4,519	1.60
40	Guangzhou R&F Properties	China	Property	4,423	1.57
Top 40 Investments				258,863	91.71

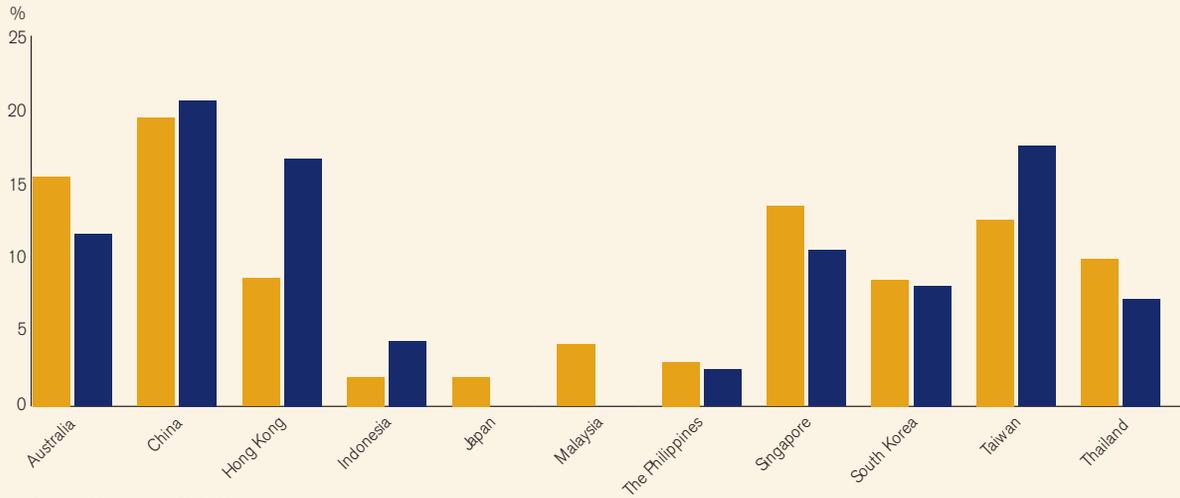
Rank 2011	Company	Country	Sector	Value £'000	%
41	Coretronics Corporation	Taiwan	Technology	4,400	1.56
42	HSBC Holdings	Hong Kong	Financials	4,393	1.55
43	LPN Development	Thailand	Property	3,630	1.29
44	China Forestry Holdings*	China	Basic Materials	3,284	1.16
45	Macquarie Korea Infrastructure Fund	South Korea	Financials	3,063	1.09
46	Venture Corp	Singapore	Technology	2,961	1.05
47	Dongyue Group	China	Basic Materials	2,483	0.88
48	Oriental Union Chemical Nov 11 Put 40 (Expiry 24/11/2011)	Taiwan	Derivatives	(81)	(0.03)
49	Santos Oct11 Put10.88197 (Expiry 27/10/2011)	Australia	Derivatives	(84)	(0.03)
50	Shanghai Industrial Sep11 Put 25.9559 (Expiry 29/9/2011)	China	Derivatives	(185)	(0.07)
Top 50 Investments				282,727	100.16
51	Dongyue Group Nov11 Put 5.8 (Expiry 24/11/2011)	China	Derivatives	(195)	(0.07)
52	KB Financial Group Nov11 Put 43075.85 (Expiry 10/11/2011)	South Korea	Derivatives	(268)	(0.09)
Total Investments				282,264	100.00

*On 7 October 2011 the investment in China Forestry Holdings was written down from HK\$1.95 per share to HK\$0.52 per share; thereby decreasing the value of the investment by £2,600,000 (or 0.9% of the net asset value as at 31 August 2011).

Investment Portfolio

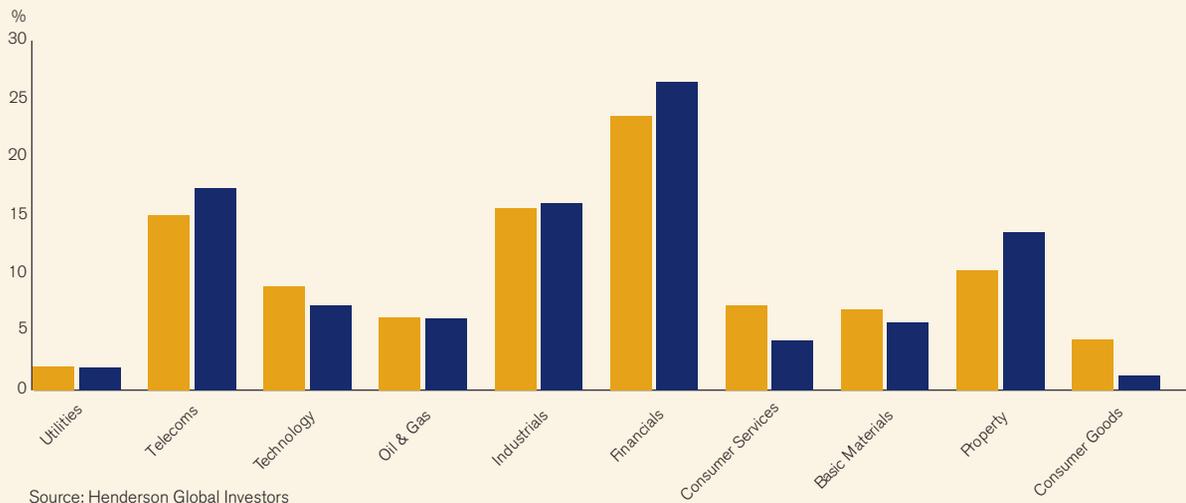
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Geographical analysis



Source: Henderson Global Investors

Sector analysis



Source: Henderson Global Investors

■ Portfolio as at 31 August 2011 (%)
■ Portfolio as at 31 August 2010 (%)

John Russell (Chairman)



John has over 30 years' experience in investment banking. He was a member of the Australian Stock Exchange and a partner at Bain & Company. He has had 20 years' experience in London and New York as head of Bain's branches in those cities. In 1992 Bain

was acquired by Deutsche Bank AG and John continued as senior director of Deutsche Bank Australia in Europe until the end of 1999. John was previously a director of Henderson Far East Income Trust plc.

Shareholding: 30,000 shares

Remuneration for the year - £27,500

David Mashiter



David is currently managing director of Meridian Asset Management (C.I.) Limited. He is also a director of Northcross Capital Management Limited, Northcross Holdings Limited, RBC Regent Strategy Fund Limited and Broadwalk Select Services Fund Limited. He was formerly head of

investment management with the Royal Trust Company of Canada in Jersey.

Shareholding: 5,000 shares

Remuneration for the year - £18,500

Simon Meredith Hardy



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

chairman of Framlington Income & Capital Trust plc.

Shareholding: 15,000 shares

Remuneration for the year - £18,500

Richard Povey



Richard has occupied a number of senior positions in Asia with the Swire Pacific Group, most recently being managing director of the Swire Pacific trading operations in Taiwan.

He currently sits on the board of the Jersey Competition Regulatory Authority and Opsec Security Group plc.

He has been a non-executive director of a number of offshore investment companies.

Shareholding: 5,000 shares

Remuneration for the year - £18,500

David Staples



David is a fellow Chartered Accountant and an associate of the Chartered Institute of Taxation, and for thirteen years until 2003 was a partner with PricewaterhouseCoopers. He is currently a non-executive director of HSBC Private Bank (C.I.) Limited, Gottex Fund Management Holdings Limited, a

number of listed investment companies and four private equity funds managed by Apax Partners. He was appointed to the Board on 18 January 2011[†].

Shareholding: 7,000 shares

Remuneration - £13,008[†]

All of the Directors are non-executive and are members of the Management Engagement Committee and the Nominations Committee, both of which are chaired by John Russell and of the Audit Committee, which is chaired by David Staples. The terms of reference of each of these Committees can be found at www.hendersonfareastincome.com

Financial Summary

Year ended 31 August	2011	2010
Investment income (£'000)	18,023	15,894
Other income, including option premium income	1,532	1,308
(Losses)/gains on investments held at fair value through profit or loss	(8,754)	31,367
Total income and capital return (£'000)	10,801	48,569
Expenses* (£'000)	(3,718)	(3,291)
Finance costs	(28)	(22)
Taxation - foreign withholding tax	(1,379)	(1,474)
Earnings/(loss) per ordinary share:		
Revenue earnings (pence)	16.49	15.35
Capital (losses)/earnings (pence)	(10.75)	32.43
Total earnings/(loss)	5.74	47.78
Investments held at fair value through profit or loss (£'000)	283,077	281,108
Net assets (£'000)	287,389	284,916
Net asset value per share (pence)	287.09	295.00
Share price (pence)	294.50	298.25
Dividends paid and payable (pence)	15.00	13.60

* 50% of the Company's expenses are charged to capital

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

Results for the Year

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

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

At 31 August 2011 there were 52 (2010: 49) separate investments, a full listing of which is shown on pages 7 to 9. The Company holds stocks in 11 countries across the region and no single country represents more than 20% of the portfolio. The Company invested in Japan for the first time during the year, but no investments have yet been made in India.

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

Dividends

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

For the year under review the Company has paid two interim dividends each of 3.60p and one of 3.90p. A fourth interim dividend of 3.90p per share was declared on 20 October 2011 and will be paid on 30 November 2011, to shareholders on the register of members on 4 November 2011. The shares were quoted ex-dividend on 2 November 2011. A calendar of dividend payment dates for the coming financial year is shown on page 16.

Share Issues

The Company has continued to issue shares and an additional 3,525,000 shares were issued during the year for proceeds of £11,349,000 net of costs. A further 375,000 shares have been issued since the year end and up to the date of this report, for proceeds of £1,029,000 (net of costs). All shares are issued at a premium of at least 2%, thereby resulting in an earnings enhancement to shareholders.

Expenses

The Group's main expense was the investment management fee of £3,132,000 (2010: £2,644,000) payable to Henderson.

Management Fee

The management fee is calculated and paid quarterly in arrears at the rate of 0.25% of the total value of the Company's net assets under management on the last day of each of the months of March, June, September and December. The agreement may be terminated by either party but compensation may be payable if less than 12 months' notice is given.

There is no performance fee on the management of the Company.

Total Expense Ratio

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

Information

Fund Manager: Michael Kerley

The portfolio is managed by Michael Kerley, assisted by Andrew Beal. Mike joined the Henderson Pacific equities team in 2004 and has managed Henderson Far East Income since 2007 having been involved with the predecessor Company since 2005. He has 15 years' investment experience in the Asian market and was previously with INVESCO Asset Management and Isis Asset Management where he developed his investment style.

Investment process

Henderson Far East Income invests in some of world's most exciting markets through a value-driven process focusing on management quality, sustainability of business model, earnings, and cash flow. The Company offers exposure to this dynamic region with lower risk and volatility than specialist capital growth funds covering the region.

Benchmark

The Manager does not manage the portfolio by reference to any benchmark and therefore, the composition of the portfolio is not restricted by things such as size or sector; however, for comparison purposes the most appropriate benchmark would be the FTSE All-World Asia Pacific ex Japan Index.

Allowable investments/ Portfolio characteristics

Permitted investments Listed equities, preference shares, debt, convertible securities, warrants, collective investment vehicles, other equity related securities including unlisted securities which are expected to list.

Derivatives 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. These include futures, options, options on swaps, swap agreements, structured products, warrants, over the counter derivatives and forward currency contracts.

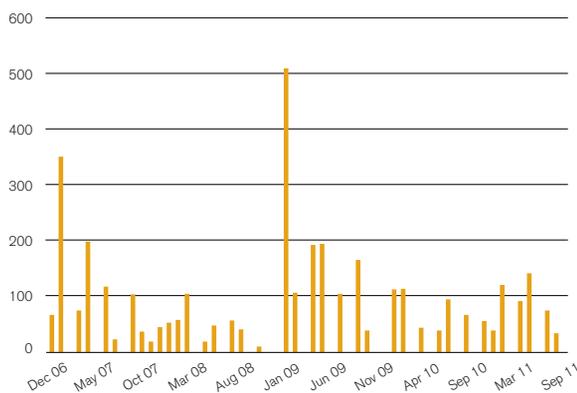
Investment restrictions The company will not invest more than 10% of its gross assets in any single investment at the point of investment. Options may be written up to a total exposure of 20% of gross assets.

From time to time the Company writes put and call options over certain stocks in the portfolio and the premiums paid are recognised as income in the financial statements.

Source: Henderson Global Investors

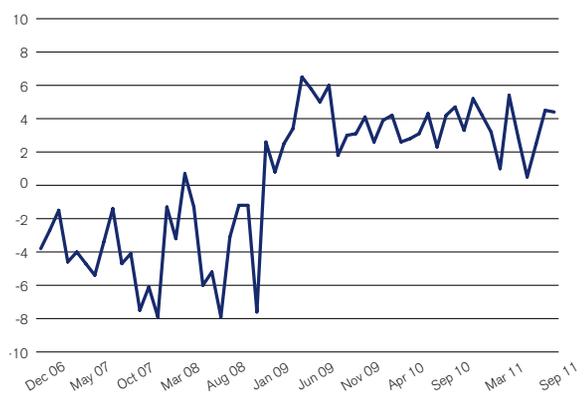
Discount/Premium (Debt at Fair Value) and Shares Traded

Number of shares traded (000's)



Source: Henderson Global Investors

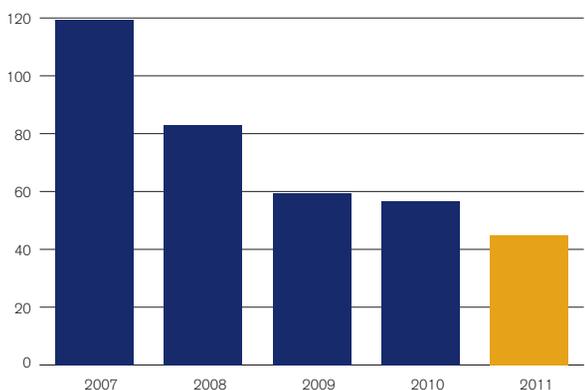
Discount/Premium



Source: Henderson Global Investors

Portfolio turnover (%)

Absolute value of the lesser of total daily purchases or sales as at 31 August



Source: Henderson Global Investors

Dividends

Dividends are paid quarterly in late February, May, August and November each year. Dividends are paid gross.

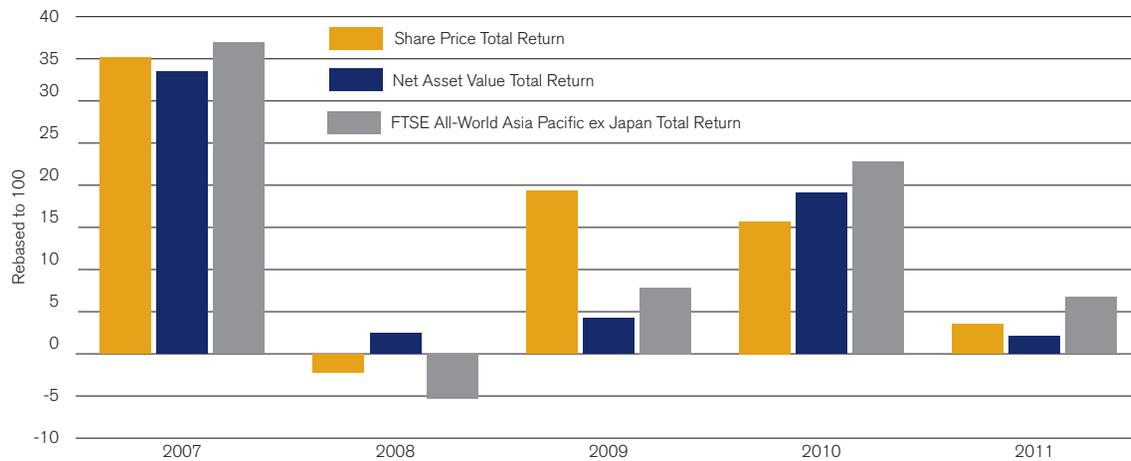
Discount control

The Directors seek annual authority from the shareholders to buy back shares for cancellation or to be held in Treasury. The Board has no formal policy or discount target and there is no provision in place to offer shareholders a continuation vote.

Gearing

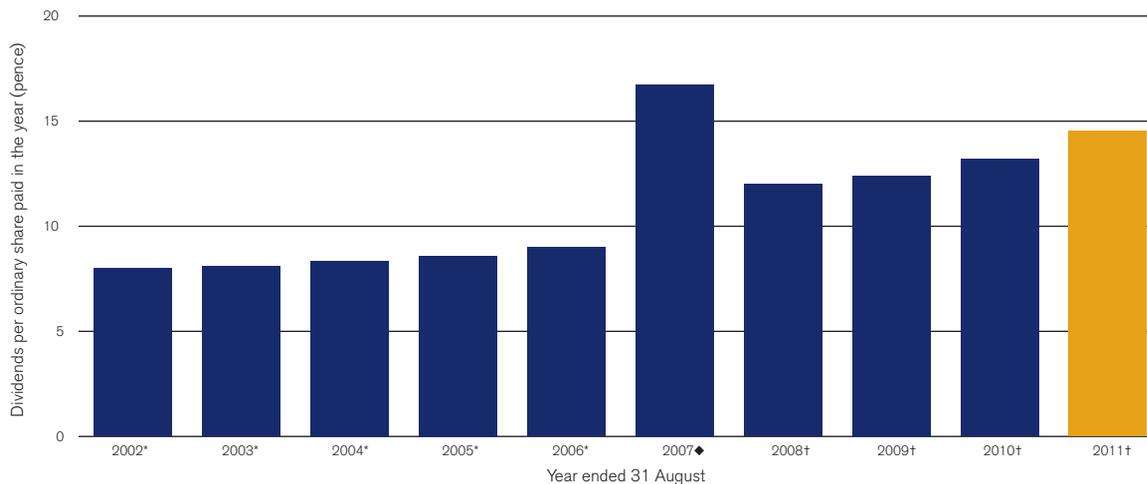
The Company has the power to borrow up to 30% of its gross assets to employ gearing. The income of the Company is not reliant on gearing; however, gearing may be used opportunistically to enhance returns.

NAV, Price and Benchmark Total Return Discrete Performance to 31 August



Source: Henderson Global Investors

Dividend history



* Dividends paid by Henderson Far East Income Trust plc, the predecessor company.

◆ Dividends paid by both companies in the year to 31 August 2007, including three interim dividends of 2.75p declared in the period 18 December 2006 to 31 August 2007 and a special dividend paid by the predecessor company.

† Dividends paid by the Company.

Source: Henderson Global Investors

Information

History

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

- 1930** CLRP Investment Trust Limited was incorporated by the City of London Real Property Co. Ltd having made a loan to it to cover the initial purchase of investments. Its chairman was appointed as CLRP chairman.
- Until 1948** The company pursued a general investment policy but from this point on it invested significantly in Australian equities and maintained an above average exposure to that market.
- 1982** Company formally decided to target an 80% exposure in that area with the balance predominantly in UK companies with Australian interests and changed its name to TR Australia Investment Trust PLC.
- 1989** Investment policy was changed to allow investment in Asia and later that year company was renamed TR Far East Income Trust PLC.
- 1997** Name changed to Henderson Far East Income Trust plc.
- 2006** Assets of this company were transferred to create Henderson Far East Income Limited (see above).

Status

The Company is registered with limited liability in Jersey as a closed-end investment company and is certified as a collective investment fund and as a Certified Fund under the requirements of the Jersey Financial Services Commission.

The Company does not have a fixed life.

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

Financial calendar

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

Website

Details of the Company's share price and net asset value, together with other information about the Company, can be found at www.hendersonfareastincome.com

Shareholder events

All General Meetings of the Company are held in Jersey. As many shareholders are unable to travel to Jersey, Henderson arranges a Shareholder Event to be held at its offices at 201 Bishopsgate, London EC2M 3AE. Shortly after General Meetings. These events, which are open to all shareholders provide the opportunity for the Portfolio Manager, Michael Kerley, to give a presentation on the investment strategy and performance.

New Zealand listing

The Company's ordinary shares are also listed on the New Zealand Stock Exchange so that New Zealand shareholders can trade their shares more easily and, in addition, receive dividends in New Zealand Dollars. A New Zealand shareholder may transfer shares to the NZ register by contacting the registrars, Computershare Investor Services Limited, in Auckland. New Zealand holders may view details of the Company's performance on the New Zealand Stock Exchange website, www.nzx.com, using the mnemonic HFL.

Pages 14 to 16 are issued and approved by Henderson Global Investors. Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. All data relating to company performance is provided by Henderson and is correct as at 31 August 2011 unless otherwise stated.

Directors

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

Investment Manager

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

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

Secretary

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

BNP Paribas Securities Services Fund Administration Limited is regulated by the Jersey Financial Services Commission.

Registered Office

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

Registered Number

Registered in Jersey, number 95064

Share Identification Codes

SEDOL: B1GXH751
ISIN: JE00B1GXH751
EPIC: HFEL
NZX: HFL

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Registrar

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New Zealand Registrars

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New Zealand Stockbrokers

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10th Floor, Caltex Tower
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PO Box 3394
Wellington
New Zealand

The Company is a member of



Availability of shareholder information

This Review contains material extracted from the Annual Report and Financial Statements for the year ended 31 August 2011 but does not constitute a summary financial statement or a summary of the full contents of the Report. It does not contain sufficient information to allow for as full an understanding of the results of the Company, the state of affairs of the Group and the principal risks and uncertainties facing the Company as is offered in the full Annual Report and Financial Statements.

Copies of all documents issued by the Company, including the full Annual Report and Financial Statements and Notice of Meeting may be found on the website, www.hendersonfareastincome.com. Printed copies of this Review and other shareholder documents are also available on application from the Company Secretary at the registered office address.

Henderson Far East Income Limited is a Jersey fund, registered at Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY and is regulated by the Jersey Financial Services Commission.

Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE), Gartmore Investment Limited (reg. no. 1508030), Gartmore Fund Managers Limited (reg. no. 1137353), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Services Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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