
**SCHRODER
ORIENTAL
INCOME
FUND LIMITED**



**Report and Accounts
31 August 2007**



Schrodgers



INVESTMENT OBJECTIVE

The Company's investment objective is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields.

Contents**Page**

Directors and Advisers	2
Financial Highlights	3
Chairman's Statement	4
Investment Manager's Review	6
Twenty Largest Investments	9
Report of the Directors (including Business Review)	10
Directors' Remuneration Report	17
Corporate Governance	19
Board Committees	24
Statement of Directors' Responsibilities	27
Independent Auditor's Report	28
Income Statement	30
Reconciliation of Movements in Shareholders' Funds	30
Balance Sheet	31
Cash Flow Statement	32
Reconciliation of Net Cash Flow to Movement in Net Debt	32
Notes to the Accounts	33
List of Investments	43
Company Summary and Shareholder Information	46
Notice of Meeting	47

Directors

Robert Sinclair*† (Aged 58) (Chairman)

was appointed as a non-executive Director of the Company on 17 June 2005. Mr Sinclair is the Managing Director of Artemis Trustees Limited. Mr Sinclair has over 37 years experience in finance and accountancy of which 29 years have been spent in the Guernsey Financial Services industry. Mr Sinclair has extensive experience of offshore trusts and corporate entities and financial planning for both individuals and corporations. Mr Sinclair is a director of ING UK Real Estate Investment Trust Limited which is quoted on the London Stock Exchange. Mr Sinclair is also a director of several fund management companies. He is a fellow of the Institute of Chartered Accountants in England and Wales. Mr Sinclair is a resident of Guernsey.

Peter Rigg*† (Aged 59)

was appointed as a non-executive Director of the Company on 17 June 2005. Mr Rigg is a board director of General Enterprise Management Services Limited ("GEMS") and between 1998 and 2005 was a member of the investment committee of GEMS Oriental & General Funds I and II, which together are \$531 million funds investing principally in Asian companies. Between 1989 and 1995, Mr Rigg worked for the CS First Boston Group in Hong Kong, where he held various roles, including acting as board representative of International Investment Trust Co., a leading Taipei-based fund management company (which, amongst other funds, managed the NYSE-listed Taiwan (ROC) Fund); managing director and Hong Kong-based head of Asian equity capital markets; and managing director and head of investment banking for CS First Boston (Hong Kong) Limited. Prior to that, Mr Rigg

worked for Credit Suisse First Boston Limited in London as director for Asian investment banking and as a solicitor in banking and private practice. Mr Rigg is a resident of the United Kingdom.

Christopher Sherwell† (Aged 59) was appointed as a non-executive Director of the Company on 17 June 2005. Mr Sherwell is a non-executive director of a number of investment-related companies. He was Managing Director of Schroders (C.I.) Limited from April 2000 until January 2004, and served as a director of various Schroder group companies and investment funds. He remains a non-executive director of Schroders (C.I.) Limited. His other directorships include chairmanship of Consulta (Channel Islands) Limited, a specialist investment management company, and Hermes Absolute Return Fund (Guernsey) Limited, a fund of hedge funds. Before joining Schroders in 1993, Mr Sherwell worked as Far East regional strategist with Smith New Court Securities in London and Hong Kong. Mr Sherwell was previously a journalist, working for the Financial Times. Mr Sherwell is a resident of Guernsey.

* member of the Audit and Management Engagement Committees.

† member of the Nomination Committee.

Mr Rigg is chairman of the Audit and Management Engagement Committees.

Mr Sinclair is chairman of the Nomination Committee.

Advisers

Investment Manager

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Company Secretary and Administrator

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone 020 7658 3206

Registered Office

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Stockbrokers

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Registrar

Northern Trust International Fund
Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Bankers

ING Bank NV

Auditors

Ernst & Young LLP
14 New Street
St Peter Port
Guernsey GY1 4AF

Custodian

JP Morgan Chase Bank

Solicitors

Eversheds LLP
Senator House
85 Queen Victoria Street
London EC4V 4JL

Financial Highlights

	31 August 2007	31 August 2006	% Change
Shareholders' funds	£197.27m	£159.63m	+23.6
Net asset value per ordinary share	125.61p	101.64p	+23.6
Net asset value per ordinary share (excluding undistributed current year revenue)	121.79p	97.68p	+24.7
Share Price	117.75p	95.00p	+23.9
	For the year ended 31 August 2007	For the period 17 June 2005 to 31 August 2006	
Net revenue return per ordinary share	5.84p	6.50p	
Dividends per share	4.95p	4.875p	
Share Price Total Return*	29.3%	–	
NAV Total Return*	27.8%	–	

* Source: Fundamental Data

Chairman's Statement

Performance

I am pleased to report on a positive year for your Company. The Company's net asset value increased substantially during the year under review, producing a total return of 27.8%. The shares produced a total return of 29.3% during the year.

Full details of investment performance, as well as portfolio activity, policy and outlook, may be found in the Investment Manager's Review.

Dividends

I am also pleased to report that the Directors of the Company have declared the payment of a second interim dividend of 2.70 pence per share for the year ended 31 August 2007, following the payment of a first interim dividend of 2.25 pence per share. The second interim dividend will be paid on 30 November 2007 to shareholders on the Register on 9 November 2007.

Total dividends paid in respect of the year ended 31 August 2007 represent an increase of 10.0% when compared to total dividends paid in respect of the first financial year (on an annualised basis).

Premium/discount management

The ordinary shares have traded either at a slight premium or at a slight discount to net asset value during the year under review. In accordance with the Listing Particulars, the Directors have implemented an active discount management policy, which includes consideration of the potential use of share buybacks to seek to maintain the price at which the ordinary shares trade relative to their prevailing net asset value at no greater than a 5% discount. The Company currently has authority to make purchases of shares for cancellation and, while this was not utilised during the year as the discount remained within the guideline parameters, a resolution has been included in the Notice of the Annual General Meeting which, if passed, will renew the authority for a further year.

Should the Company's shares trade at a premium to asset value, we will consider the issue of shares at a premium to net asset value in circumstances where we believe such issuance to be in the interests of our shareholders.

Gearing

At the beginning of the year the Company had in place a revolving multicurrency credit facility of £37 million. At the end of September 2007 this was increased to £45 million. Drawings under the facility during the year represented 15.31% of net assets at the beginning of the year under review and 15.27% at the end of the year.

As stated in the Listing Particulars, the Company's policy is to permit borrowings of up to 25% of the Company's net asset value. During the year, the average borrowings (based on month-end net asset value) employed by the Company were 14.85%.

Chairman's Statement continued

Outlook

Asian markets have shown both relative and absolute strength since the end of the financial year and our Manager shares a measure of the evident optimism on the prospects for Asian markets.

Our Manager also believes that the portfolio's exposure to domestically oriented sectors and companies, such as financials, real estate, and telecommunications are likely to be beneficial in the current environment, while exporters may suffer pressures from slowing external growth and rising exchange rates.

Against this background, we remain optimistic on the prospects for your Company.

Annual General Meeting

The Annual General Meeting will be held in Guernsey at 12.00 noon on Monday 17 December 2007 and shareholders are invited to attend.

Robert Sinclair
Chairman
1 November 2007

Investment Manager's Review

The net asset value of the Company recorded a total return of 27.8% over the year. A second interim dividend of 2.70p per share is proposed, making 4.95p for the year.

Performance of the MSCI AC Pacific ex Japan Index Year to 31 August 2007



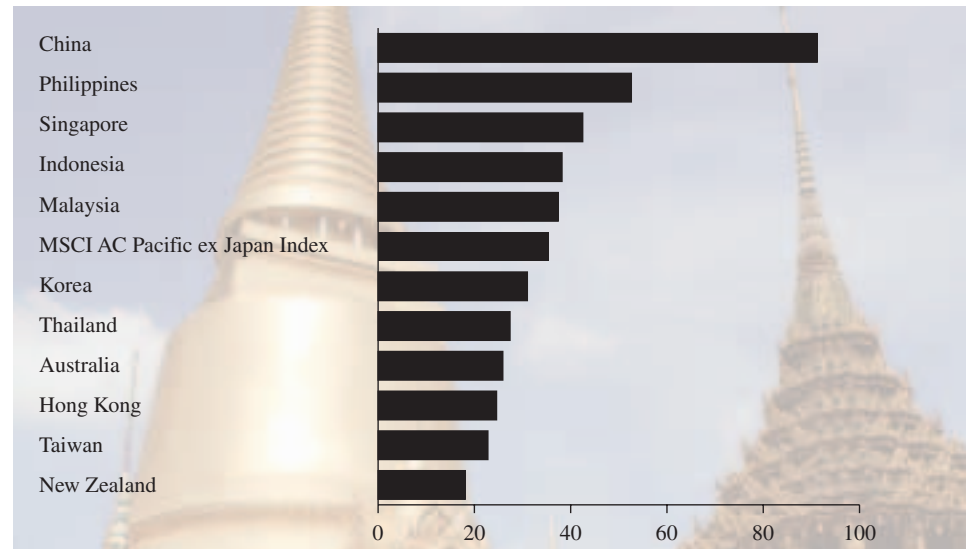
Source: Thompson Financial Datastream. (Rebased to 100p at 31/8/06)

The strong market rises of the first half have been extended in the second with economic and financial conditions remaining very supportive for regional equity markets. External demand has been robust even as growth in the United States has slowed thanks to the increasingly diverse sources of demand for regional exports. Trade within the region has continued to grow strongly, while other emerging markets and Europe have become more significant end markets, the latter aided by the strength of the euro.

Domestically generated growth has been fuelled by strong local real estate markets and firm employment and income trends. There have been increasing signs that the investment booms which have hitherto been largely confined to India and China are spreading to other Asian countries driven by residential construction activity, and a long awaited recovery in infrastructure spending.

In this environment, it is unsurprising that interest rates have been rising in many countries. Notable policy tightening has been evident in China, India, Korea, and, more latterly, Singapore through a combination of increased interest rates, higher reserve requirements for the banks and stronger currencies. In contrast, interest rates have continued to fall in those countries which have historically suffered from very high interest rates such as Indonesia and the Philippines.

Investment Manager's Review continued

MSCI AC Pacific ex Japan net returns by country (GBP)(%) 31 August 2006 to 31 August 2007

Source: Factset

While all markets have offered attractive returns, it has been China that has dominated market sentiment. The economy has continued to perform remarkably well. Strong export growth remains an important component, but with high productivity growth supporting household incomes, consumer spending is providing increased balance to the economy. Liquidity remains ample. Tightening monetary policy has yet to make any impact on the latter, and it is questionable how far it needs to. Inflation running at over 6% is purely a function of food prices; non food inflation is rising at a 1% pace.

With massive domestic liquidity looking for a home, domestic A shares have been the major beneficiaries, perhaps encouraged by the authorities fruitless attempts to cool the property market. This has resulted in even stronger returns in the Hong Kong listed H shares which trade at a discount, and which the Chinese authorities are making available to domestic investors on a limited basis. This has encouraged arbitrage buying, taking all Chinese shares to demanding valuations.

The range of returns in other markets has been narrower. Taiwan and Korea have been hampered by high export reliance (particularly in the key information technology sector) where sentiment has been impacted by slowing US growth and currency pressures. Political uncertainty has continued to weigh on sentiment in Thailand.

Performance and Portfolio Activity

The Company's performance has been strong in absolute terms, although it has been below that of the MSCI All Country Pacific ex Japan Index. However, this index does not have a bias towards high income shares, and higher income stocks have been somewhat out of favour during a period when growth and momentum have been increasingly dominant drivers of market performance. The other major factor impacting relative returns has been the extent of outperformance by Chinese stocks, which do not generally offer attractive current dividend yields.

Investment Manager's Review continued

In terms of policy, the major exposures have remained fairly stable, with the four markets of Australia, Taiwan, Singapore and Hong Kong comprising the bulk of the Company's portfolio, complemented by a significant weighting in emerging ASEAN markets. In terms of changes, we have raised the Hong Kong commitment (along with the Chinese exposure to the extent that the income discipline allows) reflecting the increased momentum behind these markets. This has been funded through reductions in Indonesia, Korea and Thailand.

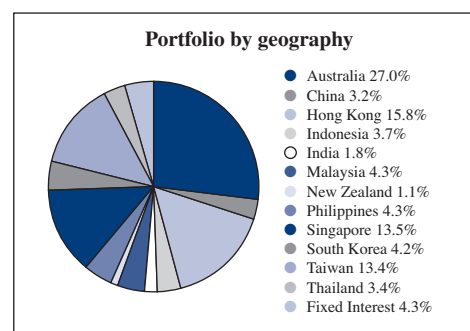
Outlook and Policy

Over the end of the fiscal year and in recent weeks, the regional markets have shown remarkable relative and absolute strength. The catalyst has been the pro-active response of the US Federal Reserve to the sub-prime problem with cuts in both the discount and Fed Funds rates.

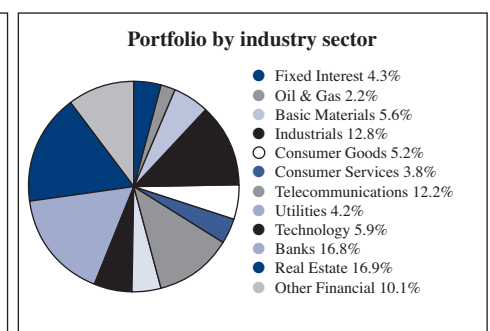
We would share a measure of the evident optimism. Our central expectation is that United States growth will slow, but that severe recession can be avoided. This should allow a more balanced pattern to global growth, enabling a modest rebuilding of savings rates and a contraction of the current account deficit in the United States. Domestic demand elsewhere (Europe and Asia) should remain robust.

A combination of moderate global growth (allowing steady if not spectacular expansion in Asian exports) and the prospect of flat, and very possibly declining, US dollar interest rates is a potentially powerful support to Asian asset and equity prices. Corporate profits should continue to expand, while domestic liquidity and consumption are likely to remain strong. There is also ample evidence that domestic capital spending across Asia (i.e. not just in China and India) is set to recover given strong corporate and national balance sheets. This should help address capacity constraints which, in some cases, have either been absent or ignored since the Asian crisis of the mid 1990s.

One corollary of this view is that domestically oriented sectors and companies are likely to be favoured in this environment, while exporters may suffer pressures from slowing external growth and rising exchange rates. The Company's portfolio is very heavily oriented towards domestic sectors such as financials, real estate, and telecommunications. While this is partly dictated by the income requirements, we also believe that these sectors should be relatively well-placed in the environment which we expect.



Source: Schroders as at 31 August 2007



Source: Schroders as at 31 August 2007

Schroder Investment Management Limited

1 November 2007

Twenty Largest Investments

As at 31 August 2007

Company and Activity	Market Value of Holding £'000	Percentage of Shareholders' funds
Australia and New Zealand Banking Australian Banking group with sizeable presence in New Zealand	9,432	4.78
Babcock & Brown Japan Property Trust Invests, manages and develops office and retail properties in Japan	9,252	4.69
Macquarie Communications Operates networks of broadcasting infrastructure in Australia and overseas	8,238	4.18
Macquarie International Infrastructure Fund Singapore based investment company	7,572	3.84
Transurban Operator of toll roads in Australia and overseas	7,243	3.67
Hang Seng Bank Hong Kong banking group	6,993	3.54
Philippine Long Distance Telephone Domestic cellular and international long distance telecommunications service provider	5,646	2.86
Mega Financial Holdings Financial services company	5,434	2.75
Westpac Banking Australian banking group	5,210	2.64
Chunghwa Telecom Taiwanese provider of telecommunication services	4,940	2.50
Rio Tinto Multi national mining group based in Australia	4,890	2.48
Fortune Real Estate Investment Trust Singapore based REIT, with a portfolio of shopping malls in Hong Kong	4,363	2.21
Singapore Telecommunications Provider of telecommunication services in Singapore, Australia and a number of other Asian countries	4,353	2.21
Far Eastern Textiles Taiwanese textile manufacturer	4,022	2.04
Far EasTone Telecommunications Taiwanese provider of mobile communications services	3,761	1.91
Daelim Industrial Korean industrial design and construction company	3,625	1.84
GZI Real Estate Investment Trust Hong Kong based REIT with a portfolio of Hong Kong properties	3,502	1.78
RREEF China Commercial Trust Hong Kong based REIT, specialising in properties in mainland China and Hong Kong	3,365	1.71
Niko Resources Indian based developer and producer of petroleum and natural gas	3,263	1.65
MobileOne Provider of mobile telecommunications to the Singapore telecom market	3,144	1.59
Total	108,248	54.87

At 31 August 2006, the twenty largest investments represented 53.71% of shareholders' funds.

Report of the Directors

The Directors submit their Report and the audited Accounts of the Company for the year ended 31 August 2007.

Business Review

Company's Business

The Company carries on business as a Guernsey closed-ended investment Company.

Investment Objective

The investment objective of the Company is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields.

Investment Policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government and corporate bonds and preferred shares. A full breakdown of the investment portfolio may be found in the List of Investments on pages 43 to 45.

Equity-related investments which the Company may hold include investments in other collective investment undertakings (including real estate investment trusts and related stapled securities), warrants, depositary receipts, participation certificates, guaranteed performance bonds, convertible bonds, other debt securities, equity-linked notes and similar instruments (whether or not investment grade) which give the Company access to the performance of underlying equity securities, particularly where the Company may be restricted from directly investing in such underlying equity securities or where the Manager considers that there are benefits to the Company in holding such investments instead of directly holding the relevant underlying equity securities. Such investments may be listed or traded outside the Asia Pacific region. Such investments may subject the Company to credit risk against the issuing entity. The Company may also participate, subject to regulatory and tax implications, in debt-to-equity conversion programmes. However, the Company may only invest in derivatives for the purposes of efficient portfolio management. Investors should note that the types of equity-related investments listed in this paragraph is not an exhaustive list of the types of securities and financial instruments in which the Company may invest, and the Company will retain the flexibility to make any investments unless these are prohibited by the investment restrictions applicable to the Company.

Although the Company has the flexibility to invest in bonds and preferred shares as described above, the intention of the Directors is that the assets of the Company which are invested (that is to say, which are not held in cash, money funds, debt securities, interest bearing gilts or treasuries) will predominantly comprise Asia Pacific equities and equity-related investments.

Report of the Directors continued

Investment Strategy

The Board has delegated management of the Company's portfolio to Schroders (the "Manager"). The Manager manages the portfolio with the aim of helping the Company achieve its investment objective. Details of the Manager's strategy, and other factors that have affected performance during the year, are set out in the Investment Manager's Review.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio on an ongoing basis with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The List of Investments on pages 43 to 45 demonstrates that, as at 31 August 2007, the Manager invested in 11 countries and in many different industry sectors within such countries. There were 92 equity holdings and 6 fixed interest holdings in the portfolio at that time. The Directors therefore believe that the objective of spreading risk has been achieved in this way.

Gearing

The Company's policy is to permit borrowings (including foreign currency borrowings) of up to 25% of the Company's net asset value (measured when new borrowings are incurred). It is intended that the Manager should have the flexibility to utilise this power to leverage the Company's portfolio in order to enhance returns where and to the extent that this is considered appropriate by the Directors.

At the beginning of the year under review, the gearing (as a percentage of the Company's net asset value) was 15.31% and at the end of the year it was 15.27%. The average percentage, based on month-end net assets, was 14.85%. During the year, the Directors sought to ensure, where practicable, that borrowing covenants will permit maximum flexibility of investment policy.

Measuring Success – Key Performance Indicators

The Board has adopted key performance indicators ("KPIs") which assist it in measuring the development and success of the Company's business. The KPIs focus on the following areas: the measurement of the success of the Company in achieving its investment objective; the management of the discount and the rate of expenses incurred by shareholders in the running of the Company.

Investment Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Investment Manager's Review.

In order to measure the Company's investment performance, quarterly reports, including commentary on its view of markets, the impact of stock selection decisions and other attribution analysis, portfolio activity and strategy and outlook for the portfolio and the markets are provided by the Manager and form the basis of discussions at every board meeting. On a regular basis, the Board also reviews the investment processes of the Manager and considers reports from its broker on the perception of shareholders and the market on the Manager's performance and the Company's strategy.

For the year ended 31 August 2007, the Company achieved a total return on net asset value of 27.8%.

Report of the Directors continued

Discount Management

The shares of the Company often trade at a discount to net asset value and the management of this discount is a key factor for the Board.

As the discount is a function of the balance between the supply and demand for the Company's shares, a principal objective for the Board is to ensure that, through Schroders' marketing team and the Company's stockbrokers, potential shareholders and their advisers continue to be kept informed of the Company's progress and the ways they can invest in it.

Share buy-backs are a more direct way of managing the discount. The discount of the Company's share price to its underlying net asset value and the discounts of peer group companies are monitored. As indicated in the launch Prospectus, the Directors have implemented an active discount management policy through the use of share buy-backs to seek to maintain the price at which the ordinary shares trade relative to their prevailing net asset value at no greater than a 5% discount over the longer term.

At 31 August 2007, the Company's share price stood at a discount of 3.3% to net asset value. During the year under review the share price traded between a discount of 7% and a premium of 1%.

Control of Total Expenses

The Board also keeps the total expense ratio ("TER") of the Company under review.

An analysis of all costs, including management fees, directors' fees and general expenses, is submitted to each Board meeting. The Management Engagement Committee, comprised entirely of independent directors, considers the terms of the management agreement with the Manager, including fees, on an annual basis. Services (including costs) provided by most other providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The TER for the Company for the year to 31 August 2007 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year) was 0.96% (excluding performance fee).

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. A full analysis of the Directors' system of internal control and its monitoring system, is set out in the Corporate Governance Statement. The principal risks are considered to be as follows:

Market Risk

The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in regional equity markets would have an adverse impact on the value of the Company's underlying investments. The Board considers the portfolio's risk profile at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact of substantial changes in markets.

Currency Risk

The Company invests predominantly in underlying assets which are denominated in currencies other than Sterling and therefore has an exposure to changes in the exchange rate between

Report of the Directors continued

Sterling and those currencies which has the potential to have a significant effect on returns. While the Directors consider the Company's hedging policy on a regular basis, the Company did not engage in currency hedging to reduce the risk of currency fluctuations and the volatility of returns which might result from such currency exposure during the year ended 31 August 2007.

Gearing

The Company utilises a credit facility, currently in the amount of £45 million, which increases the funds available for investment through borrowing ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the share price is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. The Company's gearing continues to operate within pre-agreed limits so that gearing does not represent more than 25% of shareholders' funds.

Discount

Investment vehicles and asset classes can become out of favour with investors or trusts may fail to meet their investment objectives. This may be reflected in a wide discount of the share price to underlying asset value. Directors periodically review whether the Company's investment remit remains appropriate and they continually monitor the success of the Company in meeting its stated objectives. Further details may be found under "Discount Management" above.

Regulatory Risks

The regulatory environment in which the Company operates is increasingly complex and the Company faces a number of regulatory risks. Breaches of regulations such as the UK Listing Authority's Listing Rules could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers such as the Manager could also lead to reputational damage or loss.

Resources

The Company has no employees; its investments are managed by Schroders, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out below.

Environmental Policy

As an investment company, the Company has no direct social or environmental responsibilities; its policy is to ensure that its assets are properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement.

Dividend Policy

Dividends on the Ordinary Shares are expected to be paid twice a year, normally in respect of the six months to 28 February and 31 August. All dividends will be paid as interim dividends. Under Guernsey law, which applies to the Company, no dividends can be paid otherwise than out of the profits available for the purpose.

Having already paid a first interim dividend of 2.25p per share, the Board has now declared a second interim dividend of 2.70p per share for the year ended 31 August 2007 which is payable on 30 November 2007 to Shareholders on the Register on 9 November 2007. Thus, dividends for the year amount to 4.95p per share. This represents an increase of 10.0% over the annualised rate of dividends paid in respect of the previous period.

Report of the Directors continued

Total dividend payments for the year of £7,774,000 would normally have resulted in retained revenue for the year of £3,870,000 but in accordance with accounting standards, the second interim dividend amounting to £4,240,000 will not be accounted for until it has been paid.

Issues of Ordinary Shares

Under the Articles the Directors have wide powers to issue new Ordinary Shares on a non-preemptive basis. Ordinary Shares will only be issued at a premium to the prevailing net asset value per Ordinary Share and such issues should therefore not be disadvantageous to existing shareholders. Any issues of Ordinary Shares will be carried out in accordance with the Listing Rules. During the year, no Ordinary Shares were issued.

Purchase of Shares for Cancellation

Authority for the Directors to purchase up to 14.99% of the issued share capital of the Company for cancellation was passed by the shareholders and took effect on completion of the launch. The total number of shares in issue on 16 November 2007 was 157,050,000. Whilst the authority was not used during the year, the Directors wish to renew the authority to purchase shares for cancellation. A resolution authorising the Directors to purchase up to 14.99% of the share capital in issue on 16 November 2007 will be proposed at the forthcoming Annual General Meeting for which notice is given on page 47.

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the purchase of ordinary shares. Purchases will only be made if the Directors consider that the purchase would be for the benefit of the Company and shareholders, taking into account relevant factors and circumstances at the time. This will lapse at the conclusion of the Company's Annual General Meeting in 2008 unless renewed earlier.

Directors and their Interests

The Directors of the Company and their biographical details can be found on page 2. All Directors held office throughout the year under review.

In accordance with the Company's Articles of Association, Mr Sinclair will offer himself for re-election at the forthcoming Annual General Meeting.

Mr Sherwell was Managing Director of Schroders (C.I.) Limited from April 2000 until January 2004, and served as a director of various Schroder group companies and investment funds. He remains a non-executive director of Schroders (C.I.) Limited and, in accordance with the Listing Rules, offers himself for re-election at the Annual General Meeting.

No Director has any material interest in any other contract which is significant to the Company's business.

The Board considers that Mr Sinclair and Mr Sherwell continue to demonstrate commitment to their roles and provide valuable contributions to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

Report of the Directors continued

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 August 2007, all of which were beneficial, were as follows:

Director	Ordinary Shares of 1p each At 31 August 2007	Ordinary Shares of 1p each At 1 September 2006
Robert Sinclair	10,000	10,000
Peter Rigg	10,000	10,000
Christopher Sherwell	10,000	10,000

There have been no changes in the above holdings between the end of the financial year and 16 November 2007.

Substantial Share Interests

As at the date of this report, the Company has received notifications in accordance with the FSA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital:

	Number of shares held	% of total voting rights
Rensburg Sheppards Investment Management	21,695,114	13.81
Kleinwort Benson Investment Management	11,277,658	7.81
Rathbone Investment Management	11,069,985	7.05
Gerrard Investment Management	8,865,700	5.65
HSBC Investments (UK)	8,053,673	5.13
Merrill Lynch Investment Managers	7,575,200	4.82
Tilney Investment Management	6,309,275	4.02
UBS Laing & Cruickshank	6,056,000	3.86
Legal & General Group	4,870,255	3.10

Investment Management

Schroders provides investment management services to the Company in accordance with an Investment Management Agreement.

Under the terms of the Management Agreement, the Manager is entitled to receive a basic management fee of an amount equivalent to 0.75% per annum of the net assets of the Company, payable quarterly in arrears and calculated as at the last business day in February, May, August and November in each year while the agreement remains in force.

The Investment Manager is entitled to receive a performance fee based on the performance of the Company's adjusted net asset value per Ordinary Share. The performance fee is 10% of the amount by which the adjusted net asset value per Ordinary Share (adjusted as described below) at the end of the relevant calculation period exceeds a hurdle, being 107% of the adjusted net asset value per Ordinary Share at the end of the previous calculation period multiplied by the time weighted average of the number of Ordinary Shares in issue during the period. The net asset value as at the end of the period is adjusted as appropriate to take account of dividends, buy backs or issue of Ordinary Shares and to add back performance fees paid or accrued during the period.

Report of the Directors continued

The performance fee is only payable in respect of any period to the extent that the closing adjusted net asset value per Ordinary Share, taking account of the performance fee, exceeds the higher of 100p or the highest adjusted net asset value per Ordinary Share (reduced to the level at which any cap as described below applied) in respect of which a performance fee was previously paid. The total amount of any performance fee payable in respect of any one accounting period is capped at 1% of the net assets of the Company calculated at the end of that period. A performance fee of £1,935,000 is payable in respect of the year ended 31 August 2007.

Any investment management fees payable to the Investment Manager or to other subsidiaries of Schroders plc ("Schroders") in respect of investments by the Company in collective investment schemes and collective investment trusts managed or advised by Schroders are deducted from the fee payable to the Investment Manager under the Investment Management Agreement.

The appointment of the Investment Manager is subject to termination by either party giving to the other at any time on or after the second anniversary of Admission not less than 12 months' written notice of termination.

The Directors consider the continuing appointment of the Investment Manager on the terms of the existing Investment Management Agreement to be in the best interests of the Company and shareholders as a whole. Schroders provides the Company with considerable investment management resource, thereby enabling the Company to achieve its investment objective.

Secretarial and Administration Arrangements

Schroders provides administrative, accounting and company secretarial services to the Company. For these services, Schroders receives a quarterly fee, payable in arrears at the rate of £75,000 per annum.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors at 31 August 2007 (2006: Nil).

Independent Auditors

The Company's Auditors, Ernst & Young LLP, have expressed their willingness to remain in office and a resolution to re-appoint them as Auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee has adopted a policy on the engagement of the Auditors to supply non-audit services to the Company. The Auditors did not supply any non-audit services during the year under review.

Registered Office:
PO Box 255
Trafalgar Court
Les Banques
St Peter Port, Guernsey GY1 3QL

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered number: 43298
16 November 2007

Directors' Remuneration Report for the year ended 31 August 2007

The determination of the Directors' fees is a matter dealt with by the Management Engagement Committee and the Board.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. Until 31 August 2007, Directors received fees of £15,000 per annum and the Chairman received fees at the rate of £20,000 per annum to reflect his more onerous role. With effect from 1 September 2007, Directors' fees were increased to £20,000 per annum and the Chairman's fees were increased to £25,000 per annum. No element of the Directors' remuneration is performance related.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

The Board believes that the principles in Code Provision B of the Combined Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting ("AGM").

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter Directors retire by rotation at least every three years. The Chairman meets with each Director before such Director is proposed for re-election and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Directors to seek an additional term.

When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the Combined Code, including the appropriateness of refreshing the Board and its Committees.

Directors' Remuneration Report for the year ended 31 August 2007 continued**Remuneration**

The following amounts were paid by the Company to the Directors for services as non-executive Directors.

Director	Directors' fees for the year ended 31 August 2007	Directors' fees for the period ended 31 August 2007
Robert Sinclair	£17,500	£21,000
Peter Rigg	£15,000	£18,000
Christopher Sherwell	£15,000	£18,000
Total	£47,500	£57,000

By order of the Board
Schroder Investment Management Limited
Company Secretary

16 November 2007

Corporate Governance

Compliance with the Combined Code

Due to its Guernsey incorporation the Company is not required to comply with the 2003 Combined Code (the “Code”) appended to the Rules of the UK Listing Authority. However, the Directors place a high degree of importance on maintaining high standards of corporate governance and have adopted the spirit of the Code, which sets out principles of good governance for listed companies.

Compliance Statement

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions set out in Section 1 of the Code, save in respect of the appointment of a Senior Independent Director, as disclosed below, where departure from the Code is considered appropriate given the Company’s position as an investment company.

Application of the Code's Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Role of the Board

The Board determines and monitors the Company’s investment objectives and policy and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company’s position and, where appropriate, future prospects in annual and interim reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, *inter alia*, for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Composition and Independence

The Board currently consists of three non-executive Directors. The biographies of each of these Directors, including their age and length of service, are set out on page 2. The Board considers the Chairman and Mr Rigg to be independent. Mr Sherwell is not deemed independent by virtue of his relationship with the Investment Manager as disclosed on page 2. The independence of each Director is considered on a regular basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of the Company’s investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services.

Corporate Governance continued

The Board is satisfied that it has an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision making.

Senior Independent Director

The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman of the Board and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Directors' independence of character or judgement. Therefore, the independence of Directors will continue to be assessed on a case by case basis. In order to give shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by shareholders.

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice. Advisers to the Company also prepare reports for the Board from time to time. In addition, Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and to keep up with changes within the industry.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The evaluation, the last of which was completed in 2007, takes place in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

Evaluation is conducted utilising a questionnaire combined with one to one meetings. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation.

Corporate Governance continued

Meetings and Attendance

The Board meets at least four times each year and additional meetings are also arranged as required. Regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the four scheduled meetings held during the year under review is set out in the table below.

Director	Maximum attendance	Board meetings attended
Robert Sinclair	4	4
Peter Rigg	4	4
Christopher Sherwell	4	4

Information Flows

The Chairman ensures that all Directors receive in a timely manner relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Directors' and Officers' Liability Insurance

During the year, the Company maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Management Engagement Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on page 47 sets out the business of the meeting.

Corporate Governance continued

Environmental Policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing that this objective is not compromised in the process the Board does, however, believe that a broader range of considerations, including environmental and social issues, should be taken into account when selecting and retaining investments. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration when selecting or retaining investments.

Exercise of Voting Powers

The Company has delegated responsibility for voting to Schroders which votes in accordance with its corporate governance policy.

Going Concern

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

Internal Control

The Code requires the Board to at least annually conduct a review of the adequacy of the Company's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors on the Code, as revised in October 2005 (the "Turnbull Guidance"), under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually.

The Board believes that the key risks identified and the implementation of an on-going system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment company. The on-going risk assessment, which has been in place throughout the year under review and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report, from the Board's on-going risk assessment.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Corporate Governance continued

The Company does not have an internal audit function as it employs no staff and delegates to third parties most of its operations. The Board will continue to monitor its system of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

By the procedures set out above, and in accordance with the Turnbull Guidance, the Directors have kept under review the effectiveness of the Company's internal control systems.

Board Committees

Audit Committee

The members of the Committee as at 31 August 2007 were:

Peter Rigg (Chairman)

Robert Sinclair

The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have recent and relevant financial experience.

Terms of Reference

The Company established an Audit Committee in July 2005. The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The responsibilities of the Committee include the following:

Financial Statements

- (a) to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance and review significant financial reporting judgements contained in them;
- (b) to review and, if appropriate, recommend to the Board, the Company's annual and interim reports;

Internal Control

- (c) to monitor and review annually whether an internal audit function is required;
- (d) to monitor the Company's accounting and financial internal control systems, and to monitor the internal control systems of the Investment Manager and Custodian and to make recommendations on any improvements to such systems;
- (e) to monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities;

External Audit and Relationship with the External Auditor

- (f) to discuss any matters arising from the audit and recommendations made by the Auditor;
- (g) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external Auditors and to approve the remuneration and terms of engagement of the external Auditor;
- (h) to review and monitor the external Auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements; and
- (i) to develop and implement policy on the engagement of the external Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Board Committees continued

A copy of the full Terms of Reference of the Audit Committee is available on request from the Company Secretary.

Report on the Committee's Activities

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2007 and considered the following:

- the annual and interim financial statements;
- the effectiveness of the audit process
- the external Auditors' year-end reports and management letters;
- the independence and objectivity of the external Auditor; and
- internal controls operating within the management company and custodian

Attendance

The meetings held during the year ended 31 August 2007 were attended by both members of the Committee.

Management Engagement Committee

The members of the Committee as at 31 August 2007 were:

Peter Rigg (Chairman)
Robert Sinclair

The Board considers each member of the Committee to be independent.

Terms of Reference

The Company established a Management Engagement Committee in July 2005. The role of the Committee is to review the terms of the management contract with the Investment Manager. In addition, the Committee also reviews Directors' fees and makes recommendations to the Board in this regard. The responsibilities of the Committee include the following:

- (a) to review the performance of the Investment Manager and its continuing suitability to manage the Company's portfolio;
- (b) to review the terms of the management contract between the Company and the Investment Manager, and to ensure that the terms are competitive, fair and reasonable for the shareholders; and
- (c) to review and make recommendations on any proposed amendment or material breach of the management contract.

A copy of the full Terms of Reference of the Management Engagement Committee is available on request from the Company Secretary.

Report on the Committee's Activities

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2007 and considered the following:

- the performance and suitability of the Investment Manager;
- the terms and conditions of the management contract; and
- the fees paid to Directors

Board Committees continued**Attendance**

The meeting held during the year ended 31 August 2007 was attended by both members of the Committee.

Nomination Committee

The members of the Committee as at 31 August 2007 were:

Robert Sinclair (Chairman)

Peter Rigg

Christopher Sherwell

The Board considers each member of the Committee to be independent, with the exception of Mr Sherwell.

Terms of Reference

The Company established a Nomination Committee in July 2005. The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board.

The responsibilities of the Committee include the following:

- (a) to evaluate the balance of skills, knowledge and experience of the Board of Directors and to prepare a description of the role and capabilities required for a particular appointment. In the case of the appointment of a Chairman, to prepare a job specification;
- (b) to select potential candidates to fill vacancies on the Board of Directors for recommendation to the Board;
- (c) to interview, or arrange for suitable Directors to interview, candidates for Directors;
- (d) to review periodically the terms of appointment of the non-executive Directors; and
- (e) to consider whether a Senior Independent Director should be appointed and, if appropriate, to identify and recommend to the Board suitable candidates for the role.

A formal procedure for the appointment of new Directors is contained within the Terms of Reference of the Committee.

A copy of the full Terms of Reference of the Nomination Committee is available on request from the Company Secretary.

Report on the Committee's Activities

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2007 and considered the balance of skills, knowledge and experience of the Board.

Attendance

The meeting held during the year ended 31 August 2007 was attended by all members of the Committee.

Statement of Directors' Responsibilities

The Directors are responsible for preparing accounts for each financial year which 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 period, and are in accordance with applicable Guernsey law and UK Accounting Standards.

The Directors are satisfied that the Company has adequate resources to continue in business and accordingly that the accounts should be drawn up on a going concern basis. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

As far as the Directors are aware there is no relevant audit information of which the auditors are unaware and they have taken all steps they should have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, other irregularities and non-compliance with laws and regulations.

The Directors believe that they have complied with these responsibilities.

Independent Auditors' Report

Independent Auditors' Report

To the Members of Schroder Oriental Income Fund Limited

We have audited the company's financial statements for the year ended 31 August 2007 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet and Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Independent Auditors' Report continued

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Accounting Standards, of the state of the company's affairs as at 31 August 2007 and of its results for the year then ended; and have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

Ernst & Young LLP
Guernsey
16 November 2007

Income Statement

	Notes	Year to 31 August 2007			Period from 17 June 2005 to 31 August 2006		
		Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	37,717	37,717	–	(1,826)	(1,826)
Other currency gains	3	–	1,526	1,526	–	1,677	1,677
Income	4	11,248	434	11,682	12,539	–	12,539
Investment management fee	5	(415)	(2,903)	(3,318)	(378)	(883)	(1,261)
Administrative expenses	6	(369)	(45)	(414)	(376)	(53)	(429)
Net return/(loss) before finance costs and taxation		10,464	36,729	47,193	11,785	(1,085)	10,700
Interest payable and similar charges	7	(414)	(963)	(1,377)	(434)	(984)	(1,418)
Net return/(loss) on ordinary activities before taxation		10,050	35,766	45,816	11,351	(2,069)	9,282
Taxation on ordinary activities	8	(879)	–	(879)	(1,222)	–	(1,222)
Return/(loss) attributable to equity shareholders		9,171	35,766	44,937	10,129	(2,069)	8,060
Net return per ordinary share	10	5.84p	22.77p	28.61p	6.50p	(1.33)p	5.17p

The Total column of this statement is the profit and loss account of the Company. The Revenue Return and Capital Return columns are both provided in accordance with guidance issued by the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

Reconciliation of Movements in Shareholders' Funds

	Called up Share Capital £'000	Share Premium Account £'000	Special Reserve £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Issues of ordinary shares	1,571	155,711	–	–	–	157,282
Share issue expenses	–	(1,824)	–	–	–	(1,824)
Cancellation of share premium account	–	(153,887)	153,887	–	–	–
Capital return	–	–	–	(2,069)	–	(2,069)
Revenue Return	–	–	–	–	10,129	10,129
First interim dividend paid for the 13 month period ended 31 August 2006	–	–	–	–	(3,887)	(3,887)
At 31 August 2006	1,571	–	153,887	(2,069)	6,242	159,631
At 31 August 2006	1,571	–	153,887	(2,069)	6,242	159,631
Net return on ordinary activities	–	–	–	35,766	9,171	44,937
Second interim dividend paid for the 13 month period ended 31 August 2006	–	–	–	–	(3,769)	(3,769)
First interim dividend paid for year ended 31 August 2007	–	–	–	–	(3,534)	(3,534)
At 31 August 2007	1,571	–	153,887	33,697	8,110	197,265

The notes on pages 33 to 42 form part of these financial statements.

Balance Sheet

	Notes	At 31 August 2007 £'000	At 31 August 2006 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	219,523	180,296
		219,523	180,296
Current assets			
Debtors	12	5,048	1,137
Cash at bank and short-term deposits		5,178	2,102
		10,226	3,239
Current Liabilities			
Creditors – amounts falling due within one year	13	(32,484)	(23,904)
Net current liabilities		(22,258)	(20,665)
Net assets		197,265	159,631
Capital and reserves			
Called up share capital	15	1,571	1,571
Special reserve	16	153,887	153,887
Capital reserves	17	33,697	(2,069)
Revenue reserve	18	8,110	6,242
Equity shareholders' funds		197,265	159,631
Net asset value per ordinary share	19	125.61p	101.64p

The Accounts were approved by the Board of Directors on 16 November 2007 and signed on behalf of the Board by:

Robert Sinclair

Peter Rigg

Directors

The notes on pages 33 to 42 form part of these financial statements.

Cash Flow Statement

	Notes	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Operating activities			
Dividends and interest received from investments		10,810	10,912
Interest received on deposits		198	429
Investment management fee paid		(1,311)	(971)
Administrative expenses paid		(439)	(326)
Net cash inflow from operating activities	20	9,258	10,044
Servicing of finance			
Bank overdraft interest paid		(1)	(12)
Bank loan interest paid		(1,382)	(1,388)
Net cash outflow from servicing of finance		(1,383)	(1,400)
Taxation			
Overseas tax paid		(676)	(1,222)
Total tax paid		(676)	(1,222)
Dividends paid		(7,303)	(3,887)
Investment activities			
Purchase of investments		(167,646)	(301,348)
Disposal of investments		163,579	119,290
Net cash outflow from investment activities		(4,067)	(182,058)
Net cash outflow before financing		(4,171)	(178,523)
Financing			
Bank loans drawn		7,151	25,063
Net proceeds from issue of ordinary shares		–	155,458
Net cash inflow from financing		7,151	180,521
Net cash inflow		2,980	1,998

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Net cash inflow		2,980	1,998
Movement in borrowings		(7,151)	(25,063)
Movement in net debt resulting from cash flows		(4,171)	(23,065)
Net debt at 31 August		(21,388)	–
Realised exchange gains on currency balances		96	1,677
Unrealised exchange gains on loan facility		1,430	–
Net debt at 31 August	21	(24,033)	(21,388)

The notes on pages 33 to 42 form part of these financial statements.

Notes to the Accounts

1 Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 31 August 2007 and are set out below.

a Basis of Preparation

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards. The Directors consider it good practice to present the financial statements in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of Investment Trust Companies issued in January 2003 and revised in December 2005 by the Association of Investment Companies (AIC).

b Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis, with the exception of dividends of a capital nature, which are credited to the capital column of the Income Statement.

Interest from fixed income securities is recognised on a time-apportionment basis so as to reflect the effective yield on the fixed income securities.

Where dividends are received in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the Income Statement.

Interest receivable from bank deposits and other income is recognised on an accruals basis.

c Expenses and interest payable

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

Expenses are split and presented as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and accordingly the investment management fee and finance costs have been allocated 30% to revenue and 70% to capital, as the directors believe it reflects the long-term nature of the investment returns of the company.

The performance fee is allocated 100% to capital as the directors believe it reflects capital performance. Expenses incidental to acquisition or disposal of investments are charged wholly to capital.

d Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid value of investments at the close of business on the relevant date.

Changes in fair value and realised gains and losses on disposal are included in the Income Statement as capital items and are not distributable by way of a dividend.

e Foreign exchange

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date.

At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange and the resulting gains or losses are taken to capital.

f Taxation

The Company has been granted an exemption from Guernsey taxation under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989 and is charged an exemption fee of £600.

The tax charged to the Income Statement relates to overseas withholding tax deducted from investment income.

g Capital reserve – realised

The following are accounted for in this reserve:

– gains and losses on the realisation of investments

Notes to the Accounts continued

- realised exchange differences of a capital nature
- other capital charges and credits charged to this account in accordance with the above policies

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end – unrealised exchange differences of a capital nature.

h Single segment reporting

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

2 Gains/(losses) on investments held at fair value through profit or loss

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Net profit on disposal of investments	25,387	815
Less: Amounts recognised as unrealised in previous years	(281)	–
Net realised profit based on carrying value at previous balance sheet date	25,106	815
Unrealised appreciation/(depreciation) of investments arising during the year	12,611	(2,641)
	37,717	(1,826)

3 Other currency gains

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Realised exchange gains on currency balances	96	1,677
Unrealised exchange gains on the loan facility	1,430	–
	1,526	1,677

4 Income

	For the year ended 31 August 2007			For the period 17 June 2005 to 31 August 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income from investments:						
Overseas dividends	9,957	–	9,957	10,851	–	10,851
Interest on fixed income securities	901	–	901	1,195	–	1,195
Stock dividends	179	–	179	64	–	64
Special dividends	–	434	434	–	–	–
	11,037	434	11,471	12,110	–	12,110
Interest on deposits	211	–	211	429	–	429
	11,248	434	11,682	12,539	–	12,539

5 Investment management fee

	For the year ended 31 August 2007			For the period 17 June 2005 to 31 August 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	415	968	1,383	378	883	1,261
Performance fee	–	1,935	1,935	–	–	–
	415	2,903	3,318	378	883	1,261

Notes to the Accounts continued

Under the terms of the Management Agreement, the manager is entitled to receive a basic management fee of an amount equivalent to 0.75% per annum of the net assets of the Company, payable quarterly in arrears and calculated as at the last business day in February, May, August and November in each year while the agreement is in force.

The Manager is also entitled to a performance fee based on the performance of the Company's adjusted net asset value per ordinary share. The performance fee will be 10% of the amount by which the adjusted net asset value per ordinary share (adjusted as described below) at the end of the relevant calculation period exceeds a hurdle, being 107% of the adjusted net asset value per ordinary share at the end of the previous calculation period multiplied by the time weighted average of the number of ordinary shares in issue during the period. The net asset value at the end of the period will be adjusted as appropriate to take account of dividends, buy-backs or issues of ordinary shares and to add back performance fee paid or accrued for during the period.

6 Administrative expenses

	For the year ended 31 August 2007			For the period 17 June 2005 to 31 August 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
General expenses	224	45	269	217	53	270
Directors' fees*	48	–	48	57	–	57
Secretarial fee	75	–	75	81	–	81
Auditors' remuneration:						
Fees payable to the company's auditor for the audit of the company's annual accounts	22	–	22	19	–	19
Fees payable to the company's auditor and its associates for other services:						
Other services	–	–	–	2	–	2
	369	45	414	376	53	429

*The Chairman received fees of £17,500 (2006: £21,000) and the other Directors received fees of £15,000 (2006: £18,000) for qualifying services during the year.

7 Interest payable

	For the year ended 31 August 2007			For the period 17 June 2005 to 31 August 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank overdraft interest payable	1	–	1	12	–	12
Bank loan interest payable	413	963	1,376	422	984	1,406
	414	963	1,377	434	984	1,418

8 Taxation

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Irrecoverable overseas tax	879	1,222

Notes to the Accounts continued

9 Dividends

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Amounts recognised as distributions in the year:		
Second interim dividend of prior year of 2.40p (2006: nil)	3,769	–
First interim dividend of 2.25p (2006: 2.475p)	3,534	3,887
Total dividends of 4.65p (2006: 2.475p)	7,303	3,887
Total dividends payable in respect of the financial year:		
First interim dividend of 2.25p (2006: 2.475p)	3,534	3,887
Second interim dividend of 2.70p (2006: 2.40p)	4,240	3,769
Total dividends of 4.95p (2006: 4.875p)	7,774	7,656

The first interim dividend of 2.25 pence per share (2006: 2.475 pence per share) was paid on 30 April 2007 to shareholders registered on 10 April 2007. The shares were quoted ex-dividend on 4 April 2007.

The second interim dividend of 2.70 pence per share (2006: 2.40 pence per share) was declared on 1 November 2007 and will be paid on 30 November 2007.

Dividends are reflected in the financial statements in the period in which they are paid.

10 Return per ordinary share

	For the year ended 31 August 2007	For the period 17 June 2005 to 31 August 2006
Revenue return (£'000)	9,171	10,129
Capital return/(deficit) (£'000)	35,766	(2,069)
Total (£'000)	44,937	8,060
Weighted average number of shares	157,050,000	155,782,500
Revenue return (pence)	5.84p	6.50p
Capital return/(deficit) (pence)	22.77p	(1.33)p
Total (pence)	28.61p	5.17p

11 Investments held at fair value through profit or loss

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	182,937	–
Opening amortisation adjustment on fixed interest securities	(28)	–
	182,909	–
Acquisitions at cost	168,651	301,412
Proceeds of disposals	(167,106)	(119,290)
Net gains realised on disposals	25,387	815
Amortisation on fixed interest securities	(35)	–
Book cost at 31 August	209,806	182,937
Unrealised appreciation/(depreciation) of investments	9,717	(2,641)
Valuation of investments at 31 August	219,523	180,296

All investments are listed on a recognised stock exchange.

Notes to the Accounts continued

The following transaction costs, including stamp duty and broker commissions were incurred during the year:

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
On acquisitions	449	617
On disposals	468	244
	917	861

12 Debtors

	At 31 August 2007 £'000	At 31 August 2006 £'000
Amounts receivable within one year:		
Sales for future settlement	3,527	–
Accrued income	1,499	1,134
Prepaid expenses	22	3
	5,048	1,137

13 Creditors

	At 31 August 2007 £'000	At 31 August 2006 £'000
Amounts payable within one year:		
Bank loan	29,211	23,490
Purchases for future settlement	826	–
Accrued performance fee	1,935	–
Accrued expenses	476	414
Overseas taxation payable on stock dividends	36	–
	32,484	23,904

The Company has a multi-currency loan facility of £45,000,000 with ING Bank NV. This facility has a revolving 364 day term and is unsecured.

At 31 August 2007, £29,211,000 (2006: £23,490,000) was drawn down as follows:

£23,973,000 (2006: £19,523,000) and £5,238,000 (2006: £3,967,000) were drawn down in US Dollars and Japanese Yen respectively. Interest was charged at 5.9525% (2006: 5.78%) per annum on the US Dollar loan and 1.2125% (2006: 0.80265%) per annum on the Japanese Yen loan.

14 Contingent Liabilities

The Company had no contingent liabilities at the balance sheet date (2006: £nil).

15 Called up share capital

	At 31 August 2007 £'000	At 31 August 2006 £'000
Authorised:		
250,000,000 (250,000,000) ordinary shares of 1p each	2,500	2,500
Allotted, Called up and Fully paid:		
157,050,000 ordinary shares of 1p each	1,571	1,571

Notes to the Accounts continued

16 Special reserve

	At 31 August 2007 £'000	At 31 August 2006 £'000
Balance brought forward	153,887	–
Transfer on cancellation of share premium account	–	153,887
Balance carried forward	153,887	153,887

17 Capital reserves

	Realised £'000	Unrealised £'000	Total £'000
Balance brought forward at 31 August 2006	572	(2,641)	(2,069)
Opening amortisation adjustment on fixed interest securities	(28)	28	–
Net realised profit based on carrying values at the previous balance sheet date	–	–	–
	25,106	–	25,106
Unrealised appreciation during the year	–	12,611	12,611
Transfer on disposal of investments	281	(281)	–
Realised exchange gains on currency balances	96	–	96
Unrealised exchange gains on loan facility	–	1,430	1,430
Special dividends	434	–	434
Investment management fee	(968)	–	(968)
Performance fee	(1,935)	–	(1,935)
Bank loan interest	(963)	–	(963)
Other expenses	(45)	–	(45)
Balance carried forward at 31 August 2007	22,550	11,147	33,697

18 Revenue reserve

	At 31 August 2007 £'000	At 31 August 2006 £'000
Balance brought forward	6,242	–
Net revenue return for the year	9,171	10,129
Dividends paid	(7,303)	(3,887)
Balance carried forward	8,110	6,242

19 Net asset value per ordinary share

	At 31 August 2007	At 31 August 2006
Net asset value per ordinary share	125.61p	101.64p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £197,265,000 (2006: £159,631,000) and 157,050,000 (2006: 157,050,000) ordinary shares in issue at the year end.

Notes to the Accounts continued

20 Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	For the year ended 31 August 2007 £'000	For the period 17 June 2005 to 31 August 2006 £'000
Net return before finance costs and taxation	47,193	10,700
(Gains)/losses on investments held at fair value	(37,717)	1,826
Other currency gains	(1,526)	(1,677)
Stock dividends	(179)	(64)
Amortisation on fixed interest securities	35	–
Increase in debtors	(550)	(1,137)
Increase in creditors	2,002	396
Net cash inflow from operating activities	9,258	10,044

21 Analysis of changes in net debt

	At 31 August 2006 £'000	Cash flow £'000	Movement in borrowings £'000	Exchange gain £'000	At 31 August 2007 £'000
Cash at bank and short-term deposits	2,102	2,980	–	96	5,178
Net cash at 31 August	2,102	2,980	–	96	5,178
Bank loan	(23,490)	–	(7,151)	1,430	(29,211)
Net debt at 31 August	(21,388)	2,980	(7,151)	1,526	(24,033)

22 Related party transactions

The Company has appointed Schroders to provide investment management, accounting, secretarial and administration services. Details of the management and secretarial fee arrangements for these services are given in the Directors' Report on pages 15 and 16. The total basic management fee payable under this agreement to Schroders in respect of the year ended 31 August 2007 was £1,383,000 (2006: £1,261,000), of which £362,000 (2006: £290,000) was outstanding at the year end. The total performance fee payable to Schroders in respect of the year ended 31 August 2007 was £1,935,000 (2006: £nil), all of which was outstanding at the year end. The total secretarial fee payable to Schroders in respect of the year ended 31 August 2007 was £75,000 (2006: £81,000), of which £19,000 (2006: £19,000) was outstanding at the year end.

23 Risk Management

The Company's investment objective is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields.

In addition, the Company holds cash and short-term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of revenue profits available for dividend.

The Company is exposed to currency risk directly since the majority of its assets and liabilities are denominated in foreign currency. The Company invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Company's intention that short-term trading in investments or other financial instruments is not undertaken.

The main risk arising from the Company's financial instruments is market price risk. The Board reviews and agrees policy for managing this risk, as summarised below. This policy has remained substantially unchanged since the launch of the Company.

Notes to the Accounts continued

23 Risk Management continued

(i) Market price risk

The Company's exposure to market price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the investment portfolio is given on pages 43 to 45. Investments are valued in accordance with the Company's accounting policies as stated in Note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments and the effect changes in exchange rates may have on the sterling value of these investments.

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and to review comparable investment trusts. The Company does not generally hedge against the effect of changes in the underlying prices of the investments as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth.

(ii) Credit risk

The Company's transactions in securities expose it to potential counterparty risk, although this is minimised by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current year and the prior period.

(iii) Foreign currency risk

The Company is exposed to foreign currency risk through its investment in securities listed on overseas stock markets. It is the policy of the Company to consider entering into forward foreign exchange contracts, in addition to foreign currency loans, to hedge against foreign currency movements affecting the value of the investment portfolio. At 31 August 2007 and at 31 August 2006 the Company had no forward foreign exchange contracts in place.

Both the amount and the currency split of the financial instruments are expected to fluctuate as cash flow payments and receipts are made on a regular basis in currencies other than sterling.

(iv) Liquidity risk

The Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

(v) Interest rate risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities. Interest rate changes will also have an impact on the valuation of equities, although this forms part of market price risk, which has already been considered separately above.

The Company has a multi-currency revolving credit facility of £45.0 million (2006: £37.0 million) with ING Bank NV. The facility is unsecured and is subject to standard financial and commercial covenants relating, inter alia, to the maintenance of the net asset value, borrowing limits and the Company's investment levels in relation to the gross asset value. Interest is charged at a floating rate linked to LIBOR plus margin. At 31 August 2007 £29,211,000 (2006: £23,490,000) of the facility was drawn in the form of US\$48,354,000 (2006: US\$37,135,000) and Japanese Yen 1,224,853,000 (2006: Japanese Yen 885,150,000).

Notes to the Accounts continued

23 Risk Management continued

(v) Interest rate risk continued

The carrying amount, by the earlier of contractual re-pricing or maturity date, of the Company's financial instruments was as follows:

	At 31 August 2007		At 31 August 2006	
	In 1 year or less £'000	Greater than 1 year £'000	In 1 year or less £'000	Greater than 1 year £'000
<i>Fair Value Interest Rate Risk</i>				
Financial assets at fair value through profit or loss				
Fixed asset investments at fair value	–	9,515	849	7,946
	–	9,515	849	7,946

The weighted average interest rate for the fixed rate financial assets held at 31 August 2007 was 9.8% and the effective average period for which the rate was fixed was 4.8 years.

	At 31 August 2007		At 31 August 2006	
	In 1 year or less £'000	Greater than 1 year £'000	In 1 year or less £'000	Greater than 1 year £'000
<i>Cash Flow Interest Rate Risk</i>				
Loans and receivables				
Cash at bank and short-term deposits	5,178	–	2,102	–
Financial liabilities				
Loan facility	(29,211)	–	(23,490)	–
	(24,033)	–	(21,388)	–

	At 31 August 2007		At 31 August 2006	
	In 1 year or less £'000	Greater than 1 year £'000	In 1 year or less £'000	Greater than 1 year £'000
<i>No Interest Rate Risk</i>				
Financial assets at fair value through profit or loss				
Fixed asset investments at fair value	–	210,008	–	171,501
Loans and receivables				
Short-term receivables	5,048	–	1,137	–
Financial liabilities				
Short-term payables	(3,273)	–	(414)	–
	1,775	210,008	723	171,501

Notes to the Accounts continued

23 Risk Management continued

(vi) Financial assets

The Company's financial assets comprise equity and fixed interest investments, short-term trade receivables and cash balances. The currency cash flow profile of those financial assets was as follows:

	At 31 August 2007			At 31 August 2006		
	Fixed asset investments at fair value through profit or loss £'000	Loans and receivables £'000	Total £'000	Fixed asset investments at fair value through profit or loss £'000	Loans and receivables £'000	Total £'000
Sterling	–	2,967	2,967	–	2,174	2,174
Australian Dollar	58,143	114	58,257	47,091	286	47,377
Canadian Dollar	3,263	–	3,263	899	–	899
Chinese Yuen	4,269	–	4,269	–	–	–
Hong Kong Dollar	41,105	156	41,261	30,287	69	30,356
Indonesian Rupiah	8,618	45	8,663	17,191	–	17,191
Japanese Yen	–	1,437	1,437	3,648	79	3,727
Malaysian Ringgit	9,419	85	9,504	1,980	–	1,980
New Taiwan Dollar	2,242	350	2,592	2,992	92	3,084
New Zealand Dollar	2,390	–	2,390	5,029	21	5,050
Philippine Peso	9,459	153	9,612	2,966	52	3,018
Singaporean Dollar	24,747	3,826	28,573	23,092	305	23,397
South Korean Won	8,276	–	8,276	9,157	–	9,157
Thai Baht	7,349	95	7,444	8,511	90	8,601
United States Dollar	40,243	998	41,241	27,453	71	27,524
	219,523	10,226	229,749	180,296	3,239	183,535

(vii) Financial liabilities

The Company's financial liabilities comprise bank loans, overdraft balances and short-term trade payables. Details of the Company's bank loans are disclosed in note 13.

The currency cash-flow profile of those financial liabilities was as follows:

	At 31 August 2007			At 31 August 2006		
	Loan facility £'000	Short-term payable £'000	Total £'000	Loan facility £'000	Short-term payable £'000	Total £'000
Sterling	–	3,261	3,261	–	396	396
Japanese Yen	5,238	–	5,238	3,967	1	3,968
United States Dollar	23,973	12	23,985	19,523	17	19,540
	29,211	3,273	32,484	23,490	414	23,904

(viii) Fair Value

The Company's assets and liabilities are stated at their fair values at the year end. The fair value of shares and securities is based on last traded market prices.

List of Investments

As at 31 August 2007

Country and Company	Industrial Classification	Market Value of Holding £'000	% of Net Assets
Equity Investments			
Australia			
Alumina	Industrial Metals	2,636	
Australand Property	Real Estate	1,422	
Australia and New Zealand Banking	Banks	9,432	
Babcock & Brown Japan Property Trust	Real Estate	9,252	
Energy Resources of Australia	Mining	1,045	
Iluka Resources	Mining	1,109	
Macarthurcook	Real Estate	1,173	
Macquarie Airports	Industrial Transportation	2,976	
Macquarie Communications	Technology Hardware & Equipment	8,238	
Rio Tinto	Mining	4,890	
Santos	Oil & Gas Producers	1,590	
Suncorp-Metway	Banks	807	
Transurban	Transportation	7,243	
Westpac Banking	Banks	5,210	
Woolworths	Food & Drug Retailers	2,293	
		59,316	30.07
Hong Kong & China			
Asia Financial Holdings	General Financial	1,509	
BOC Hong Kong Holdings	Banks	2,623	
Cheuk Nang Holdings	Real Estate	1,628	
Cheuk Nang Holdings Warrants 30/04/2008	Real Estate	12	
China State Construction International	Construction & Materials	984	
Chong Hing Bank	Banks	411	
Chow Sang Sang Holdings	General Retailers	689	
Dah Sing Banking	Banks	1,071	
Guangdong Electric Power Development	Electricity	1,956	
GZI Real Estate Investment Trust	Real Estate	3,502	
Hang Seng Bank	Banks	6,993	
Hopewell Holdings	Real Estate	2,596	
Hutchison Telecommunications International	Mobile Telecommunications	647	
Industrial & Commercial Bank of China (China)	Banks	2,266	
Industrial & Commercial Bank of China (Hong Kong)	Banks	1,170	
Jiangsu Express	Transportation	774	
Kowloon Development	Real Estate	1,992	
Min Xin Holdings	Non-life Insurance	1,673	
Public Financial Holdings	General Financial	545	
RREEF China Commercial Trust	Real Estate	3,365	
Shanghai Forte Land	Real Estate	2,003	
Sinolink Worldwide	Real Estate	2,360	
Xinhua Finance	Media	636	
YGM Trading	Personal Goods	239	
		41,644	21.11
India			
Binani Cement Warrants 28/05/2012	Construction & Materials	650	
Niko Resources	Oil & Gas Producers	3,263	
		3,913	1.98

List of Investments continued

As at 31 August 2007

Country and Company	Industrial Classification	Market Value of Holding £'000	% of Net Assets
Indonesia			
Astra Agro Lestari	Food Producers	1,105	
Bank Negara Indonesia	Banks	1,962	
Hanjaya Mandala Sampoerna	Tobacco	1,394	
International Nickel Indonesia	Mining	1,253	
Panin Life	Life Insurance	2,267	
Panin Life Warrants 10/07/2009	Life Insurance	192	
		8,173	4.14
Korea			
Daelim Industrial	Construction & Materials	3,625	
Daewoo Shipbuilding & Marine Engineering	Industrial Engineering	2,363	
Korea Exchange Bank	Banks	2,288	
Macquarie Korea Infrastructure Fund	General Financial	925	
		9,201	4.66
Malaysia			
British American	Tobacco	1,478	
Camerlin Group	Construction & Materials	2,101	
Glomac	Real Estate	419	
IOI Properties	Real Estate	799	
Pelikan International	Household Goods	900	
Plus Expressways	Transportation	1,790	
Telekom Malaysia	Telecommunications	1,933	
		9,420	4.78
New Zealand			
Sky City Entertainment Group	Travel & Leisure	2,390	
		2,390	1.21
Philippines			
Aboitiz Equity Ventures	General Industrials	1,292	
DMCI Holdings	Mining	1,132	
GMA Network	Media	123	
Manila Electric	Electricity	1,108	
Philippine Long Distance Telephone	Telecommunications	5,646	
Semirara Mining	Mining	158	
		9,459	4.80
Singapore			
Cambridge Industrial Trust	Real Estate	3,066	
Fortune Real Estate Investment Trust	Real Estate	4,363	
Fraser & Neave	Beverages	1,614	
Jardine Strategic Holdings	General Industrials	1,758	
Macquarie International Infrastructure Fund	Infrastructure Fund	7,572	
MobileOne Mobile	Mobile Telecommunications	3,144	
Singapore Press Holdings	Media	2,108	
Singapore Telecommunications	Telecommunications	4,353	
Suntec Real Estate Investment Trust	Real Estate	1,718	
		29,696	15.05

List of Investments continued

As at 31 August 2007

Country and Company	Industrial Classification	Market Value of Holding £'000	% of Net Assets
Taiwan			
Advanced Semiconductor Engineering	Technology Hardware & Equipment	2,242	
Chunghwa Telecom	Telecommunications	4,940	
Far Eastern Textile Warrants 10/03/2010 (Merrill Lynch)	Personal Goods	4,022	
Far EastTone Telecommunications GDR	Mobile Telecommunications	3,761	
Globe Union Industrial Warrants 02/08/2010 (Merrill Lynch)	Construction & Materials	722	
Macquarie Bank Warrants 27/06/2012	Banks	2,568	
Mega Financial Holdings Warrants 18/07/08 (Morgan Stanley)	General Financial	5,434	
Taiwan Mobile Warrants 11/07/08 (Morgan Stanley)	Mobile Telecommunications	2,430	
Taiwan Semiconductor Manufacturing Warrants 17/01/2008 (UBS)	Technology Hardware & Equipment	2,408	
Wan Hai Lines Warrants 12/01/2011 (Merrill Lynch)	Transportation	920	
		29,447	14.93
Thailand			
Bangkok Expressway	Transportation	872	
CPN Retail Growth Property Fund	Real Estate	1,179	
Glow Energy	Electricity	2,148	
Kiatnakin Finance General	Financial	831	
Ratchburi Electricity Generating Holdings	Electricity	1,603	
Thai Union Frozen Products	Food Producers	615	
Tisco Finance	Banks	101	
		7,349	3.73
Total Equity investments		210,008	106.46
Fixed Interest			
Indonesia Republic 14% Bonds 15/06/2009		1,699	
MGTI Finance Co Ltd 8.375% Ltd Senior Notes 15/09/2010		1,419	
Sino Forest Corporation 9.125% Bonds 17/08/2011		1,348	
Panva Gas Holdings Ltd 8.25% Bonds 23/09/2011		1,454	
Agile Property Holdings Ltd 9% Bonds 22/09/2013		1,981	
Philippines (Republic of) 9.375% Bonds 18/01/2017		1,614	
Total Fixed Interest investments		9,515	4.82
Total Portfolio		219,523	111.28
Net current liabilities		(22,258)	(11.28)
Net assets		197,265	100.00

Company Summary and Shareholder Information

Company status

The Company was established in June 2005 and is an independent, Guernsey-resident company whose shares are listed on the London Stock Exchange. The Company's assets have been managed by Schroders since inception.

Duration

It is not intended for the Company to have a limited life and the Articles of Association do not contain any provision for review of the future of the Company at specified intervals.

Share Price and Net Asset Value Information

The Company's shares are listed on the London Stock Exchange under the code SOI. The Company's ordinary share price is quoted daily in the Financial Times.

The Company releases its net asset value to the market on a daily basis.

Share price information is also available on the Schroders website at:

<http://www.schroders.co.uk/its>

Financial Calendar

April	First interim dividend announced
June	Interim Report published
31 August	Year End
October	Second interim dividend announced
November	Annual Report published
December	Annual General Meeting

Shares in issue

As at 16 November 2007, the Company had 157,050,000 Ordinary Shares of 1p each in issue.

Schroder Investment Trust Dealing Service

The Schroder Investment Trust Dealing Service provides a convenient and cost effective means of investing in the ordinary shares of the Company. The Service offers investors:

- a regular investment option from a minimum of £50 per month
- a lump sum investment option from a minimum of £1,000
- daily dealing
- competitive charges
- the option to reinvest income.

Other investment trusts which are available through this service are Schroder AsiaPacific Fund plc, Schroder Income Growth Fund plc, Schroder Japan Growth Fund plc, Schroder UK Mid & Small Cap Fund plc, Schroder UK Growth Fund plc, SVG Capital plc and International Biotechnology Trust plc.

Individual Savings Account – Schroder Maxi ISA Plan

The Schroder ISA offers investors:

- lump sum investments in the ordinary shares of the Company from a minimum of £1,000 to a maximum of £7,000 in the current tax year
- a regular investment option from a minimum of £50 per month
- competitive charges
- the option to reinvest income
- the option to include other trusts.

If you would like further information about the Schroder Investment Trust Dealing Service or the Schroder Maxi ISA, please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

Notice of Meeting

NOTICE is hereby given that the second Annual General Meeting of Schroder Oriental Income Fund Limited will be held on Monday, 17 December 2007 at 12 noon at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 5 will be proposed as Ordinary Resolutions and resolution 6 will be proposed as a Special Resolution.

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2007.
2. To approve the Directors' Remuneration Report for the year ended 31 August 2007.
3. To re-elect Mr Robert Sinclair as a Director of the Company.
4. To re-elect Mr Christopher Sherwell as a Director of the Company.
5. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Board to determine their remuneration.
6. To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"That the Company be and is hereby generally and unconditionally authorised in accordance with Section 5 of the Companies Ordinance, 1998, to make market purchases of Ordinary Shares of 1p each in the capital of the Company ("Shares"), provided that:

 - (a) the maximum number of Shares hereby authorised to be purchased shall be 23,541,795, representing 14.99% of the issued share capital as at 16 November 2007;
 - (b) the minimum price which may be paid for a share is 1p;
 - (c) the maximum price which may be paid for a share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
 - (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
PO Box 225
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Registered Number: 43298
16 November 2007

Notice of Meeting continued

Notes

- 1 An ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (insofar as permitted by the Company's Articles of Association) to vote instead of him.

A proxy need not be a member. A form of proxy is enclosed for ordinary shareholders which should be completed and returned to the Company's registrar, C/o Computershare Investor Services C.I. Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, not later than 48 hours before the time fixed for the meeting. Completion of the proxy will not preclude an ordinary shareholder from attending and voting in person.

- 2 The biographies of each of the Directors offering themselves for election are set out on page 2 of this Report.
- 3 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID R7002) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

Schroders plc is a leading asset management group, the shares of which are listed on the London Stock Exchange.

Schroders has been involved in investment management since 1922, and today is one of the leading international investment management houses, providing investment services, research and marketing functions from offices located throughout the world.

Worldwide, as at end September 2007, Group assets under management were valued at £137.7 billion.

We manage funds across all asset categories, including equities, fixed income, cash and property. Our clients include corporations, local and public authorities, pension funds, insurance companies, charities and individuals.

Share price, portfolio and other information on Schroder investment trusts is available on the internet at

<http://www.schroders.co.uk/its>

Schroder Investment Management Limited is authorised and regulated by the Financial Services Authority.



Schroders