Schroder
Oriental Income Fund Limited

Report and Accounts for the year ended 31 August 2012

Schroders

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.

Directors

Robert Sinclair*† (Aged 63)
(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 43 years experience in finance and accountancy of which 33 years have been spent in the Guernsey Financial Services industry. Mr Sinclair is a director of several companies which are quoted on the London Stock Exchange and is also a director of a number of fund management companies. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants of Scotland.
Mr Sinclair is a resident of Guernsey.

Fergus Dunlop*† (Aged 54)
was appointed as a non-executive Director of the Company on 21 April 2008.
Mr Dunlop is a Director of Resolution Limited, Princess Private Equity Holding Limited and of several Channel Island based investment funds. He has over 20 years experience in investment companies in London, Frankfurt, Munich and the Channel Islands. Mr Dunlop joined Mercury Asset Management in 1987 in London, and managed their joint venture with Munich Reinsurance, and its Jersey subsidiary. This led to the opening of a MAM (now BlackRock) Frankfurt office in 1995, to which he transferred in 1997, developing its institutional business until 2001. From 2002 to 2007 he was a managing director and partner of a fund advisory business in Munich. Mr Dunlop is a resident of Guernsey.

Peter Rigg*† (Aged 64)
was appointed as a non-executive Director of the Company on 17 June 2005. Mr Rigg is the Chairman of Polarcus, a Dubai-based, Norwegian listed seismic survey company. He is a board director of a private equity fund managed by General Enterprise Management Services Limited ("GEMS") 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; 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 64)
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 Burnaby Insurance (Guernsey) Limited, a wholly-owned subsidiary of Schroders plc. 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

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Contents

Financial Highlights

	2012	2011	
Total returns (including dividends reinvested) for the year ended 31 August			
Net asset value per share ("NAV") total return (based on ex-income NAV)[1]	**12.3%**	16.1%	
Share price total return[1]	**12.5%**	15.9%	
Net asset value, share price and discount at 31 August			% Change
Shareholders' funds (£'000)	**290,324**	254,070	+14.3
Ordinary shares in issue	**175,764,500**	166,279,500	+5.7
NAV per Ordinary share	**165.18p**	152.80p	+8.1
Share price	**164.00p**	152.00p	+7.9
Share price premium to NAV excluding undistributed current year revenue	**2.1%**	2.5%	
Revenue for the year ended 31 August			
Net revenue after taxation (£'000)	**12,734**	11,926	+6.8
Earnings per share	**7.44p**	7.22p	+3.0
Dividends per share	**6.80p**	6.35p	+7.1
Gearing[2]	**2.7%**	2.4%	
Ongoing Charges[3]	**0.93%**	0.92%	

[1] Source: Morningstar.
[2] Net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.
[3] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The Ongoing Charges figure is calculated in accordance with guidance issued by the Association of Investment Companies ("the AIC") in May 2012 and replaces the Total Expense Ratio ("TER") published in previous years. The figure for 2011 represents the expenses calculated as above, expressed as a percentage of the average month end net asset values during the year, in line with TER methodology.

Financial record since launch

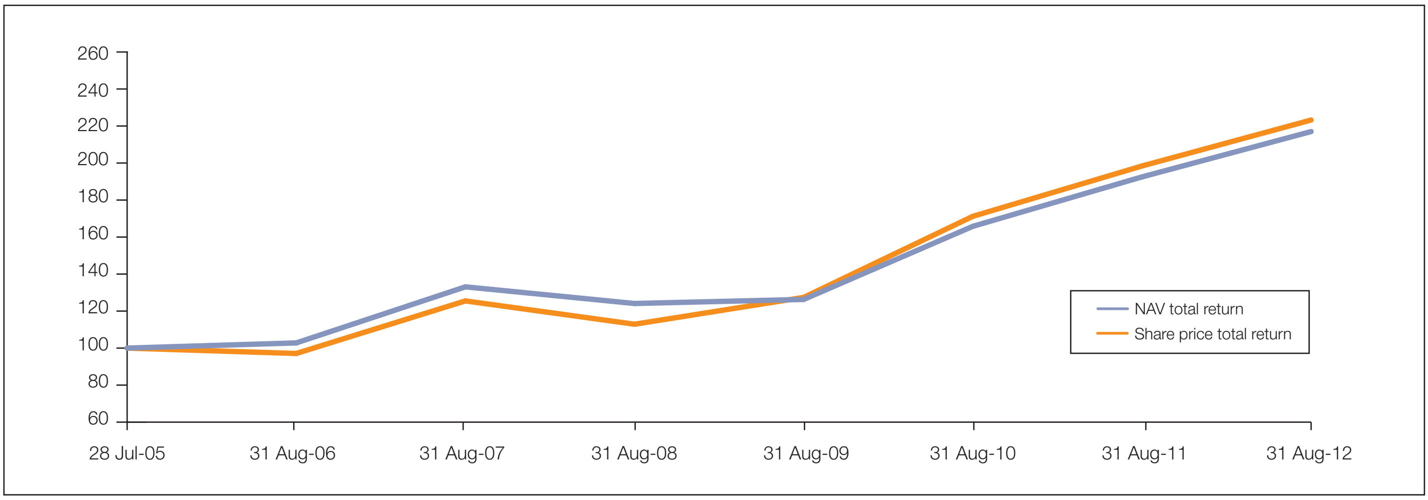
At 31 August	At launch on 28 July 2005	2006	2007	2008	2009	2010	2011	2012
Shareholders' funds (£'000)	148,155	159,631	197,265	179,011	167,604	219,199	254,070	290,324
NAV per share (pence)	98.77	101.64	125.61	115.31	109.31	136.63	152.80	165.18
Share price (pence)	100.00	95.00	117.75	101.50	106.00	136.25	152.00	164.00
Share price premium/(discount) to NAV excluding undistributed current year revenue (%)	1.25	2.8	3.4	(8.2)	0.5	2.4	2.5	2.1
Gearing (%)[1]	N/A	13.4	12.2	9.6	3.9	7.7	2.4	2.7

Revenue for the year ended 31 August	2006[2]	2007	2008	2009	2010	2011	2012
Net revenue after taxation (£'000)	10,129	9,171	11,170	9,648	9,776	11,926	12,734
Earnings per share (pence)	6.50	5.84	7.14	6.27	6.25	7.22	7.44
Dividends per share (pence)	4.88	4.95	5.43	5.50	5.80	6.35	6.80
Ongoing Charges (%)[3]	1.00	0.96	0.95	0.98	0.98	0.92	0.93

Performance[4]	At launch on 28 July 2005	2006	2007	2008	2009	2010	2011	2012
NAV total return (based on ex-income NAV)	100.0	102.8	133.1	124.1	126.3	165.8	192.5	216.1
Share price total return	100.0	97.1	125.5	112.9	127.4	171.2	198.4	223.2

[1] Net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.
[2] Represents the period from 28 July 2005 which is the date the Company began investing, to 31 August 2006.
[3] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012 and replaces the Total Expense Ratio published in previous years. The figures for 2011 and prior years represent the expenses calculated as above, expressed as a percentage of the average month end net asset values during the year, in line with TER methodology.
[4] Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 28 July 2005.

NAV and Share price Performance Since Launch[1]



[1] Source: Morningstar/Thomson Financial Datastream, data rebased to 100 at the start of the period.

Chairman's Statement

Performance

The Company's net asset value for the year ended 31 August 2012 produced a total return of 12.3% (2011: 16.1%) with a share price total return of 12.5% (2011: 15.9%) building on the returns of the last 2 years. These compare favourably with the reference index, the MSCI AC Pacific ex Japan Index, which produced a return of 1.9% for the period under review (2011: 7.9%).

The Investment Manager's Review provides a more detailed description of the performance of the portfolio during the year under review.

Dividends

Revenue earnings per share for the year increased by 3.0% to 7.44p per share compared with 7.22p for the previous year.

The Board has declared a second interim dividend of 4.10p per share for the year ended 31 August 2012. This takes total dividends per share for the year to 6.80p, an increase of 7.1% on total dividends of 6.35p per share paid last year. The second interim dividend will be paid on 7 December 2012 to shareholders on the register on 23 November 2012.

Issue of Shares

Demand for the Company's shares has continued during the year under review as the asset class remained attractive for investors. We have continued to issue shares at a slight premium to asset value in order to provide liquidity to investors. A total of 9,485,000 Ordinary shares were issued during the year (2011: 5,845,000) with a further 2,850,000 shares having been issued since the end of the year. It is also the intention to issue shares in the Company at a premium to net asset value where there is demand in the market.

Discount Management

The Board is seeking to renew the existing authority to buy-back shares in the Company and an appropriate resolution is included in the Notice of the Annual General Meeting. During the year ended 31 August 2012, the Directors did not use the authority given to them and no purchases for cancellation were undertaken. The Board believes that this authority is a valuable tool in the continuing management of the share price volatility relative to net asset value per share. It remains the intention of the Board to cancel any shares bought back.

The objective will be the managing of any share price premium to net asset value whilst meeting demand in the market for shares.

Gearing

During the year under review, the Company renewed the revolving £25 million multi-currency credit facility with Scotiabank Europe PLC. Gearing stood at 2.4% at the beginning of the year and had increased slightly to 2.7% at 31 August 2012. The level of gearing continues to be monitored closely by the Board and managed as necessary.

Outlook

Last year was the fourth in the Company's six full years that returns have been in double-digits. While reassuring in terms of the Company's initial objective, and reflected in investor demand that has necessitated another year of share issuance to control the premium to net asset value, we are conscious that financial markets remain volatile. Looking to Asia for income is now a more accepted investment style, but that and the Company's gains are in themselves reminders of the need to keep the portfolio refreshed with new ideas.

Whatever the immediate risks, however, the Board continues to take comfort from the Manager's longer-term optimism, and the fact that your Company still has reserves equivalent to over 11 months of the increased dividend.

Chairman's Statement

Annual General Meeting and Presentation to Shareholders

The Annual General Meeting will be held in Guernsey at 12.00 noon on Monday 10 December 2012 and shareholders are invited to attend. There will also be a presentation to shareholders in London at the offices of the Manager at 31 Gresham Street, London EC2V 7QA on Wednesday 12 December 2012 at 11 a.m. providing UK-based shareholders with further opportunity to meet members of the Board and the fund manager.

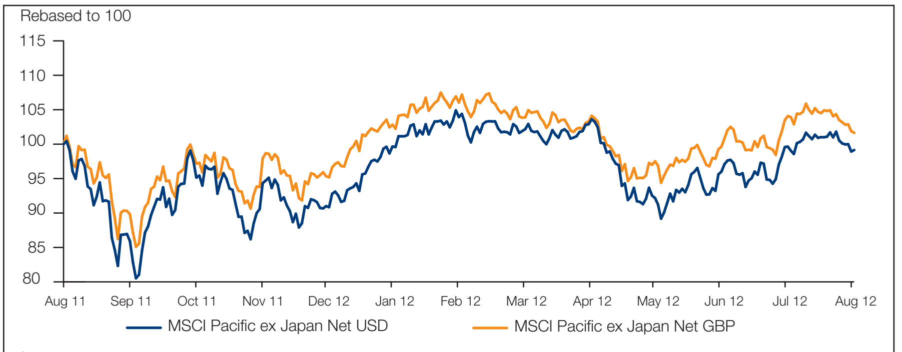
Robert Sinclair
Chairman
15 November 2012

Investment Manager's Review

Investment Manager's Review

The net asset value of the Company recorded a return of 12.3% over the twelve month period to end August 2012. A second interim dividend of 4.10p has been declared giving a total dividend of 6.80p for the year, representing a 7.1% increase over last year.

Performance of the MSCI AC Pacific ex Japan Index 31 August 2011 to 31 August 2012

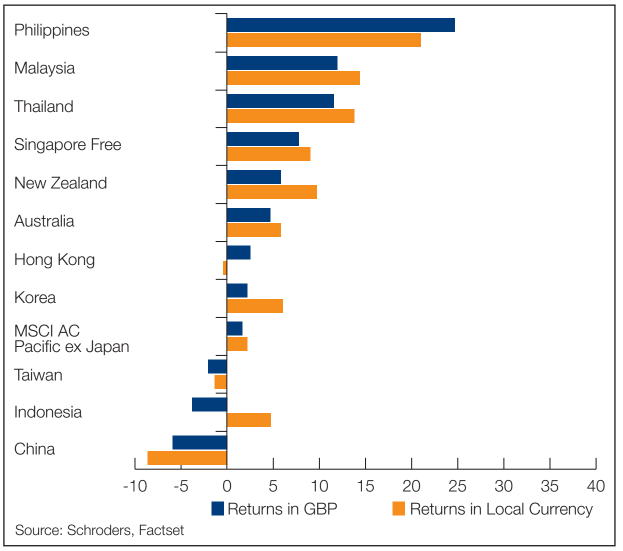


Source: Thomson Financial Datastream as at 31 August 2012

Regional markets struggled to make positive progress over the year under review. Global developments were of major influence, particularly the continued bouts of uncertainty over the future of the euro, with the focus shifting from the smaller economies of Greece and Portugal to the systemically more critical cases of Spain, Italy and, in some commentators' eyes, France. The impact of a potential break-up and attendant economic dislocation in Europe would come through many channels. Most obviously the European economic bloc is a major trading partner of, and competitor to, Asia while European domiciled banking groups play important roles in the region, particularly in the corporate and trade finance sectors. The experience of 2008 has left Asian investors with a healthy respect for the indiscriminate effects of a global credit crunch.

While Europe has tended to grab the headlines, sluggish growth in the United States also contributed to the subdued sentiment. Washington brinkmanship over the debt ceiling, the downgrading of its sovereign rating, and a perception of policy drift has added to the mood even though America's economic performance has been respectable compared to other developed economies due to stabilisation of private consumption and improvement in the net trade position.

MSCI AC Pacific ex Japan net returns by country (GBP)(%) 31 August 2011 to 31 August 2012



Source: Schroders, Factset

The big domestic talking point in the region was China. Expectations on growth have been consistently revised downwards. A modest recovery in the residential property market was a lone beacon of hope despite distinct ambivalence on the part of the authorities. Although there were some indications of monetary and fiscal loosening, the quantum was very limited, resulting in cautious sentiment among local investors, and a widespread feeling that the leadership transition was hampering any material Government-led initiatives.

Unsurprisingly, China was the poorest performer over the year, but it is noteworthy that, despite the lacklustre global backdrop and the travails of the region's biggest economy, a number of markets offered respectable returns. This was particularly true in ASEAN where domestic factors dominated, and discipline in capital spending enhanced corporate

Investment Manager's Review

returns. The exception was Indonesia given its exposure to weak commodity prices and a negative swing in the trade balance.

Weak commodity prices also impacted Australian returns, though the higher yielding defensive sectors performed well, and the Australian dollar has been notably resilient despite implied deterioration to the terms of trade and a slowing economy.

Hong Kong was not able to shrug off the cold winds from its giant neighbour, while sentiment has been impacted by a series of government measures aimed at cooling the local property market. The trade dependent markets of Taiwan and Korea struggled to progress as exports have slowed and policy responses to lower inflationary pressures have been muted.

Fund Positioning and Performance

An uncertain global and regional investment environment and scarcity of income opportunities has doubtless put the Company's portfolio in good stead, evidenced by the total return of 12.3% compared to a return of 1.6% on the reference index, the MSCI All Countries Pacific ex Japan Index. The main contribution has come from stock selection, with notable impact from the Company's holdings in Singapore, Taiwan, Thailand and Indonesia. Country positioning was a small positive due to the underweighting in China and overweight in Singapore.

Hong Kong, Singapore, Taiwan and Australia remain the main areas of exposure in the portfolio, and in aggregate have increased at the expense of near complete sales of Malaysia and complete sales of Philippines and reductions in China and New Zealand. In sector terms, we added to real estate, information technology and materials at the expense of industrials, telecoms and banks.

Investment Outlook

We remain very wary of basing any substantive portion of portfolio policy on grand thinking on whether the United States economy will be stronger than people expect (though on balance we think it will not) and that Europe will be even weaker than expectations. It seems similarly futile to second guess the next stages of QE in its various forms apart from a suspicion that, for highly indebted Western democracies, the tendency must be towards inflation and debasement of the currency as opposed to internal price adjustments. Consequently the creditors (savers including Asia) will end up sharing some of the pain of adjustment.

Amid all this uncertainty, indeed partly because of these uncertainties, we believe there are pockets of value in Asia. Generally, value is not to be found in the obvious defensive sectors such as consumer staples, health care and utilities, where consequently we are underweight. High valuations by historic standards reflect the fact that these stocks are over-owned and consensus. Even telecoms are not that cheap but their yield characteristics remain attractive. In contrast, a number of more cyclical areas such as industrials and information technology are offering much better value even at a time when economic data has started to surprise positively and inventories remain low.

The key domestic worry in Asia remains China, which also has potential ramifications for those parts of the region (commodity producers most obviously) which are derivatives of that country's investment led growth. The recent earnings season was notably grisly for Chinese companies due to rising costs, slowing revenues, still strong capital spending and government measures which, generally consciously, are tending to squeeze SOE profitability. We remain underweight.

We believe Asia remains an attractive source of equity yield. Balance sheets are generally in good shape and cash flows supportive. Despite the region being a moderate proportion of global market capitalisation, it remains home to around one third of the companies with a dividend yield over 4%.

Investment Manager's Review

Sector and Country Weights

Portfolio by Country at 31 August 2012

	Portfolio Weight (%)
Australia	23.5
Singapore	20.8
Hong Kong	16.0
Taiwan	12.4
Thailand	7.4
South Korea	6.4
New Zealand	5.0
United Kingdom	2.9
Indonesia	2.5
China	2.2
Malaysia	0.5
Canada	0.4

Portfolio by Sector at 31 August 2012

	Portfolio Weight (%)
Financials	37.4
Industrials	19.7
Technology	12.5
Telecommunications	8.6
Basic Materials	7.3
Consumer Goods	6.7
Consumer Services	4.7
Utilities	2.7
Oil and Gas	0.4

Schroder Investment Management Limited
15 November 2012

Source: Schroders as at 31 August 2012

Investment Portfolio

As at 31 August 2012

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Total Equity Shareholders' Funds
Fortune Real Estate Investment Trust	Real Estate Investment Trusts	Owner operator of shopping malls in Hong Kong	20,548	7.08
Taiwan Semiconductor Manufacturing	Technology Hardware	Taiwanese manufacturer of semiconductor products	14,500	5.00
Swire Pacific	General Industrials	Hong Kong based diversified industrial company	9,447	3.26
Westpac Banking	Banks	Australian bank	8,868	3.05
Australia & New Zealand Banking	Banks	Australian bank	8,319	2.87
Fletcher Building	Construction	New Zealand based building materials manufacturer	8,263	2.85
Glow Energy	Electricity	Thai supplier of electricity and steam power	8,067	2.78
Venture	Electronic and Electrical Equipment	Contract manufacturing services provider in Singapore	8,055	2.77
Frasers Centrepoint Trust REIT	Real Estate Investment Trusts	Singapore REIT investing in retail properties	6,979	2.40
Hopewell	Real Estate	Property and toll roads operator in Hong Kong/China	6,865	2.36
Hanjaya Mandala Sampoerna	Tobacco	Leading cigarette manufacturer in Indonesia	6,860	2.36
AMP	Life Insurance	Leading independent wealth management company	6,720	2.31
Chorus	Fixed Line Telecomunications	New Zealand telecommunications provider	6,663	2.30
Macquarie Korea Infrastructure Fund	Industrial Transportation	Investor in roads, tunnels and bridges in South Korea	6,536	2.25
Siliconware Precision	Technology Hardware	Taiwanese semi-conductor manufacturer	6,468	2.23
Suncorp	Banks	Australian bank and general insurance company	6,024	2.07
HSBC	Banks	Hong Kong based bank group	5,839	2.01
Crown	Travel and Leisure	Australian entertainment company	5,407	1.86
Mapletree Industrial	Real Estate Investment Trusts	Singapore based REIT	5,269	1.81
Amcor	General Industrials	Australian International integrated packaging distributor	5,124	1.76
Twenty largest investments			**160,821**	**55.38**
CPN Retail Growth	Real Estate Investment Trusts	Operator/owner of shopping properties in Thailand	5,080	1.75
Ascendas REIT	Real Estate Investment Trusts	Singapore based REIT	5,036	1.73
Jiangsu Expressway	Transportation Services	Manager and operator of toll expressways in China	4,955	1.71
Samsung Electronics	Technology Hardware	South Korean electronics manufacturer	4,937	1.70
Zhejiang Expressway	Industrial Transportation	Manager of high grade roads in China	4,608	1.59
Texwinca	Clothing and Accessories	Hong Kong producer of dyes and yarn	4,548	1.57
Advanced Information Services	Mobile Telecommunications	Thai provider of mobile telecommunication services	4,541	1.56
Frasers Commercial Trust	Non Equity Investment Instruments	Singapore commercial real estate developer	4,277	1.47
Sydney Airport	Industrial Transportation	Airport Services provider	4,239	1.46
PCCW	Fixed Line Telecomunications	Hong Kong telecommunications provider	4,100	1.41
LG Chemical	Chemicals	Household and cosmetic goods manufacturer	4,076	1.40
Mirvac	Real Estate	Property developer in Australia and New Zealand	3,922	1.35
Asustek	Technology Hardware and Equipment	Taiwanese computer hardware manufacturer	3,890	1.34
Taiwan Mobile	Mobile Telecommunications	Taiwanese telecommunications services provider	3,853	1.33
Stockland Trust	Real Estate Investment Trusts	Australian property investor	3,837	1.32
Sun Hung Kai Properties	Real Estate	Hong Kong real estate developer	3,683	1.27
Incitec Pivot	Chemicals	Australian manufacturer of fertilisers and chemicals	3,621	1.25
Total Access Communication	Telecommunications	Thai telecommunications provider	3,389	1.17
Hyundai Motor Company	Automobiles and Parts	South Korean based vehicles producer	3,324	1.14
Far EasTone Telecommunications	Telecommunications	Taiwanese provider of communications services	3,247	1.12
Newcrest Mining	Mining	Operator of gold and copper mines	3,193	1.10
Computershare	Computer Services	Australian share services	3,076	1.06
WPG	Technology Hardware	Taiwanese electronic components distributor	3,048	1.05
Iluka Resources	Mining	Australian mineral sands operator	3,025	1.04
Ascott Residence	Real Estate Investment Trusts	Global manager of serviced residences	2,928	1.01
BHP Billiton	Mining	Global mining company	2,855	0.98
Vtech	Technology Hardware	Consumer electronics supplier in Hong Kong	2,828	0.97
Suntec REIT	Real Estate Investment Trusts	Singapore real estate investor	2,577	0.89

Investment Portfolio

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Total Equity Shareholders' Funds
Sakari Resources	Mining	Singapore based coal company	2,513	0.87
Jardine Strategic	General Industrials	Hong Kong diversified investment company	2,269	0.78
Dah Chong Hong	General Retailers	Hong Kong listed conglomerate	2,258	0.78
Myer	General Retailers	Australian department store	2,210	0.76
Shanghai Industrial	General Industrials	Investor in real estate and utilities operator	2,077	0.72
Jardine Matheson	General Industrials	Hong Kong diversified investment company	2,035	0.70
Yue Yuen Industrial	Personal Goods	Hong Kong footwear manufacturer and distributor	1,935	0.67
Mediatek	Technology Hardware	Semi-conductor designer	1,787	0.62
Sims Metal Management	Support Services	Australian based metal recycling company	1,727	0.59
Media Prima	Media	Malaysian integrated media investment company	1,563	0.54
Adelaide Brighton	Construction and Materials	Australian construction materials company	1,191	0.41
LPN Development	Real Estate	Real Estate developer in Thailand	1,143	0.39
Niko Resources	Oil and Gas Producers	Canadian listed oil and gas producer	1,126	0.39
Evergreen International	Personal Goods	Menswear retailer in China	1,085	0.37
GuocoLeisure	Travel and Leisure	Singapore hotels and resorts operator	908	0.31
Pacific Textiles	Personal Goods	Fabric manufacturing company	891	0.31
Charm Communications	Media	Television advertising agency in China	859	0.30
Mapletree Commercial	Real Estate Investment Trusts	Singapore focused real estate investor	800	0.28
361 Degrees International	Personal Goods	Chinese sportswear brand company	782	0.27
Glorious Sun Enterprise	General Retailers	China based clothing manufacturer/retailer	753	0.26
PT Petrosea	Mining	Indonesian engineering, construction and mining	699	0.24
Anta Sports Products	Personal Goods	Leading Chinese sportswear branded enterprise	374	0.13
Ping An Insurance	Life Insurance	Insurance service provider in China	325	0.11
Merida Industry	Leisure Goods	Taiwanese bicycle manufacturer	301	0.10
LG Corp	General Industrials	South Korean holding company	252	0.09
Total Investments			**299,377**	**103.11**
Net current liabilities			**(9,053)**	**(3.11)**
Total equity shareholders' funds			**290,324**	**100.00**

At 31 August 2011, the twenty largest investments represented 54.04% of total equity shareholders' funds.

Report of the Directors

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.

Relationship with the Investment Manager

Schroder Investment Management Limited ("Schroders"), which is authorised and regulated by the Financial Services Authority ("FSA"), provides investment management, accounting and company secretarial services to the Company under the terms of an investment management agreement. Schroders also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate.

The Company's assets are managed in line with appropriate restrictions placed on Schroders by the Board. These restrictions include limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments. Schroders is also responsible for ensuring that the voting rights held in respect of portfolio companies are used as part of a process of effective engagement with the management of portfolio companies. The Company also gives instructions to Schroders to ensure that it discharges the obligations of the UK Stewardship Code on its behalf.

Schroders, in its capacity as Company Secretary, liaises with the Company's corporate broker to assist in the implementation of the Company's share issuance and discount management policies. The Company Secretary also advises the Board on key relationships with other third party service providers and ensures regular review of the services provided by these parties.

All services carried out by Schroders are subject to regular monitoring by the Board or its Committees.

Investment Strategy

The Board has delegated management of the Company's portfolio to Schroders. The Manager manages the portfolio with the aim of helping the Company to 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.

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, quasi-government, corporate and high yield bonds and preferred shares. A full breakdown of the investment portfolio may be found on pages 9 and 10.

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, depository 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.

The Investment Manager may consider writing calls over some of the Company's holdings, as a low risk way of enhancing the returns from the portfolio. The Board has set a limit such that covered calls cannot be written over portfolio holdings representing in excess of 15% of gross assets. 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 are not exhaustive of all of the types of securities and financial instruments in

Report of the Directors

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.

Spread of Investment Risk and Investment Restrictions

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective.

In order to comply with the Listing Rules, the Company will not invest more than 10%, in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other investment companies or investment trusts which are listed on the Official List (save to the extent that those investment companies or investment trusts have stated investment policies to invest no more than 15% of their gross assets in other investment companies or investment trusts which are listed on the Official List). Additionally, the Company will not:

(i) invest, either directly or indirectly, or lend more than 20% (calculated at the time of any relevant investment or loan) of its gross assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates);

(ii) invest more than 20% (calculated at the time of any relevant investment) of its gross assets in one or more collective investment undertakings which may invest more than 20% of its gross assets in other collective investment undertakings;

(iii) invest more than 40% (calculated at the time of any relevant investment) of its gross assets in another collective investment undertaking;

(iv) expose more than 20% of its gross assets to the creditworthiness or solvency of any one counterparty;

(v) invest in physical commodities; or

(vi) invest in derivatives except for the purposes of efficient portfolio management.

In the event of any breach of the investment restrictions applicable to the Company, shareholders will be informed of the actions to be taken by the Manager by notice sent to the registered addresses of the shareholders in accordance with the Articles or by an announcement issued through a regulatory information service approved by the FSA.

No breaches of these investment restrictions took place during the year ended 31 August 2012.

The Investment Portfolio on pages 9 and 10 and the Investment Manager's Review on pages 6 to 8 demonstrate that, as at 31 August 2012, the portfolio was invested in at least 12 countries and in many different industry sectors within such countries. There were 73 equity holdings in the portfolio at the year end. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Gearing

The Company's policy is to permit net borrowings (including foreign currency borrowings) of up to 25% of the Company's net assets (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, gearing (as defined in note 20 on page 39) was 2.4% and at the end of the year it was 2.7%. The average month-end gearing during the year under review was 3.8%. The Company's gearing continues to operate within pre-agreed limits and will not exceed 25%.

Performance

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

Report of the Directors

Measuring Success – Key Performance Indicators (“KPIs”)

The Board has adopted key performance indicators 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’s investment objective, the management of the discount and the level of expenses incurred 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 in 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 2012, the Company produced a total return on net asset value of 12.3%.

Charts showing the Company’s financial highlights and financial record since launch as at 31 August 2012 can be found on pages 2 and 3 of this report.

Premium/Discount Management

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

As the premium/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. If appropriate, 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. Such buy-backs were conducted during 2008 to 2010. No Ordinary shares were purchased for cancellation during the year (2011: Nil).

The Directors also seek to manage the premium through the issuance of shares at a premium of at least 1% to the prevailing net asset value to provide liquidity to the market. During the year under review the share price traded at an average premium of 2.4% (to net asset value excluding undistributed current year revenue), and the Company issued 9,485,000 Ordinary shares (2011: 5,845,000). A further 2,850,000 Ordinary shares have been issued since the end of the year.

Control of Ongoing Charges

The Board also keeps the Ongoing Charges (formerly the Total Expense Ratio) of the Company under review.

An analysis of all costs, including the management fee, Directors’ fees and administration 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 the fee, on an annual basis. Services (including costs) provided by most other providers including bankers, the auditor, insurance providers and printers are also reviewed annually.

The Ongoing Charges figure for the year ended 31 August 2012 (representing the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net assets values during the year) was 0.93% (2011: 0.92%). The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012 and replaces the Total Expense Ratio published in previous years.

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

Report of the Directors

these risks as far as possible and which assist in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. 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:

Financial 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.

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 rates between Sterling and these currencies which have 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 current or prior year.

The Company utilises a credit facility, currently in the amount of £25 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 consequent share price movement 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 and will not exceed 25%.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 34 to 38.

Strategic Risk

Over time, investment vehicles and asset classes can fall from favour with investors, and/or 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 the sections on "Investment Performance" and "Premium/Discount Management" above.

Accounting, Legal and Regulatory Risk

Breaches of the UK Listing Rules, Companies (Guernsey) Law 2008 or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers, including the Manager, could also lead to reputational damage or loss.

The Board's system of internal control seeks to mitigate the potential impact of these risks and it also relies on its advisers to assist it in ensuring continued compliance.

Report of the Directors

The Directors submit their Report and the audited Accounts of the Company for the year ended 31 August 2012.

Net Asset Value

Over the year under review the net asset value per share of the Company increased from 152.80 pence to 165.18 pence per share.

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.

Having already paid a first interim dividend of 2.70p (2011: 2.65p) per share, the Board has now declared a second interim dividend of 4.10p (2011: 3.70p) per share for the year ended 31 August 2012 which is payable on 7 December 2012 to Shareholders on the Register on 23 November 2012. Thus, dividends for the year amount to 6.80p (2011: 6.35p) per share. This represents an increase of 7.1% over the rate of dividends payable in respect of the previous year.

Total dividend payments for the year of £11,865,000 (2011: £10,643,000) would have resulted in retained revenue for the year of £869,000 but in accordance with accounting standards, the second interim dividend, amounting to £7,206,000, will not be accounted for until it has been paid.

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover. All Directors held office throughout the year under review and up to the date of signing this report.

In accordance with the Company's Articles of Incorporation and its policy on tenure as outlined in the Corporate Governance Statement, Mr Robert Sinclair will retire by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Mr Christopher Sherwell was Managing Director of Schroders (C.I.) Limited from April 2000 until January 2004 and a non-executive director of the company until December 2008. He has also served as a director of various Schroder group companies and investment funds and remains a non-executive Director of Burnaby Insurance (Guernsey) Limited, a wholly owned subsidiary of Schroders plc. Given this connection he therefore offers himself for re-election at the Annual General Meeting in accordance with the Listing Rules.

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

The Board, having reviewed its performance during the year, 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.

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 August 2012, all of which were beneficial, were as follows:

Director	**Ordinary shares of 1p each 31 August 2012**	Ordinary shares of 1p each 1 September 2011
Robert Sinclair	**10,000**	10,000
Fergus Dunlop	**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 the date of this report.

Share Capital

As at the date of this Report, the Company had 178,614,500 Ordinary shares of 1p each in issue. Accordingly, the total number of voting rights in the Company at the date of this report is 178,614,500. Full details of the Company's share capital are set out in note 13 on page 33.

Report of the Directors

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 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of Ordinary shares	% of total voting rights
Investec Wealth & Investment Limited	19,610,014	11.00
Rathbone Investment Management	11,069,985	6.19
KB Financial Services Holdings Limited	9,927,288	5.55
Brewin Dolphin Limited	9,043,847	5.06
Charles Stanley & Co Ltd	7,860,051	4.40
Cheviot Asset Management Limited	7,789,750	4.36

Investment Manager

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

Under the terms of the Investment 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 the issue of Ordinary shares and to add back performance fees paid or accrued during the period.

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 £1,583,000 is payable in respect of the year ended 31 August 2012 (2011: £2,236,000).

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. There were no such investments as at 31 August 2012.

The appointment of the Investment Manager is subject to termination by either party giving to the other at any time not less than 12 months' written notice of termination. No such notice had been given at the year end.

Given the Company's satisfactory long-term performance, 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 assisting 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 markets 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 2012 (2011: Nil).

Report of the Directors

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey Company law requires the Directors to prepare financial statements 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. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently; and
- make judgments and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed within the Directors and Advisors section on the inside front cover, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted in the EU and with the Companies (Guernsey) Law, 2008, give a true and fair view of the assets, liabilities, financial position and the net return of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for the maintenance and integrity of the Company's website. Visitors to the website need to be aware that legislation in Guernsey governing the preparation and dissemination of the Annual Report and Accounts may differ from legislation in their jurisdiction.

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see note 19 to the accounts on pages 34 to 38), capital management policies and procedures (see note 20 to the accounts on page 39), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue the operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the final statements.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 20 to 23 and forms part of the Report of the Directors.

Anti-Bribery Policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy which aims to prevent bribery being committed by Directors and persons associated with the Company on the Company's behalf and to ensure compliance with the Bribery Act 2010.

Environmental Policy

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

Independent Auditor

The Company's Auditor, Ernst & Young LLP, has expressed its willingness to remain in office and resolutions to re-appoint it as Auditor to the Company and to authorise the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee remains satisfied with the effectiveness of the audit provided by Ernst & Young LLP and therefore has not considered it necessary to require an independent tender process. The Auditor is required to rotate the Senior Statutory Auditor every five years and this is the second year that the current Senior Statutory Auditor has been engaged.

Report of the Directors

The Audit Committee has adopted a pre-approval policy on the engagement of the Auditor to supply non-audit services to the Company. The Auditor did not supply any non-audit services during the year under review (2011: Nil).

Provision of Information to the Auditor

The Directors at the date of approval of this report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Monday, 10 December 2012 at 12.00 noon. The formal notice of the AGM is set out on page 40.

Special Business to be proposed at the AGM

Resolution 7 – Authority to make market purchases of the Company's own shares (special resolution)

At the AGM on 30 December 2011, the Company was granted authority to make market purchases of up to 25,268,568 Ordinary shares for cancellation. No Ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 25,268,568 Ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe 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 share price discount to net asset value and the purchase of Ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the Ordinary shares in issue at the date of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its Shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled. The authority to be given at the 2012 AGM will lapse at the conclusion of the AGM in 2013, unless renewed or revoked earlier.

The maximum purchase price that may be paid for an Ordinary share will not be more than 105% of the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase and the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 1p, being the nominal value per Ordinary share.

Resolution 8 – Disapplication of pre-emption rights (special resolution).

As last year the Board is proposing an annual authority be given to Directors to disapply pre-emption rights when issuing shares. This authority will expire at the AGM in 2013.

The approval of this authority will allow the Company to continue to issue shares on the current basis and provide sufficient liquidity to meet demand for shares in the market. The Directors intend to issue new Ordinary shares pursuant to these authorities if investor demand for them is strong. However, the Directors will issue Ordinary shares only when they believe it to be advantageous to the Company's existing shareholders to do so. The issue of new Ordinary shares will only be made at a premium to net asset value.

If renewed, both authorities will expire at the conclusion of the AGM in 2013 unless renewed or revoked earlier.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other ordinary resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

15 November 2012

Remuneration Report

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

The Company's Articles of Incorporation 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. During the year ended 31 August 2012, Directors received fees of £20,000 per annum and the Chairman received fees of £25,000 per annum to reflect his more onerous role. The Chairman of the Audit Committee receives an additional £2,500 per annum to reflect his more onerous role.

The last review of Directors' fees was carried out in 2012 and it was agreed that with effect from 1 September 2012 the Chairman should receive a fee of £30,000 per annum, Directors £25,000 per annum and the Audit Committee Chairman £27,750 per annum.

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. No element of the Directors' remuneration is performance related.

The Board believes that the principles set out in Section D of the UK Corporate Governance 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 Incorporation. Thereafter Directors retire by rotation at least every three years and as required by the Company's policy on tenure. 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 UK Corporate Governance Code, including the appropriateness of refreshing the Board and its Committees.

Remuneration

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

Director	**For the year ended 31 August 2012 £**	For the year ended 31 August 2011 £
Robert Sinclair (Chairman)	**25,000**	25,000
Fergus Dunlop	**20,000**	20,000
Peter Rigg	**22,500**	22,500
Christopher Sherwell	**20,000**	20,000
	87,500	87,500

By order of the Board
Schroder Investment Management Limited
Company Secretary

15 November 2012

Corporate Governance

Compliance with the UK Corporate Governance Code

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code ("the Code"), which is applicable to the Company for the year under review. The Code is published by the FSA and is available to download from www.fsa.gov.uk. In complying with the Code the Company is compliant with Guernsey Code of Corporate Governance.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities and Going Concern set out on page 17, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where the departure from the Code is considered appropriate given the Company's position as an investment company. 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 effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of Code Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role promoting a culture of openness and debate by facilitating the effective contribution of Directors, setting the Board's agenda and for ensuring that adequate time is available for discussion of all agenda items, including strategy.

Role of the Board

The Board is collectively responsible for the long-term success of the Company.

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, its prospects in annual and half-yearly accounts 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 four non-executive Directors. The biographies of each of these Directors, including their age and length of service, are set out on the inside front cover of this Report. The Board considers each of the Chairman, Mr Dunlop and Mr Rigg to be independent. Mr Sherwell is not deemed independent by virtue of his relationship with the Investment Manager as disclosed in the Report of the Directors.

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. The Company has no employees.

The Board is satisfied that it is of sufficient size with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment company industry to enable it to discharge its respective duties and responsibilities effectively and that no individual or group of individuals is, or has been, in a position to dominate decision making.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees, which are reviewed annually, are available on the Company's website at www.schroderorientalincomefund.com. Details of membership of the Committees at 31 August 2012 may be found on the inside front cover of this report and information regarding attendance at Committee meetings during the year under review may be found on page 22.

Corporate Governance

Audit Committee

The role of the Audit Committee, chaired by Mr Rigg, is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. 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.

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2012 and considered the annual and half-yearly accounts, the external Auditor's year-end report, management representation letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Representatives of the Company's Auditor attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. Having reviewed the performance of the external Auditor, the Committee considered it appropriate to recommend its re-appointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Company's Investment Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. In addition, the Committee reviews fees paid to Directors and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2012 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Nomination Committee is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshment of the Board. On individual appointments, the Committee leads the process and makes recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Sherwell, to be independent.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment, having evaluated the balance of skills, knowledge and experience and diversity of the Board. When considering whether to replace a Director, the Company's policy on tenure is also taken into account. In light of this evaluation, the Nomination Committee will consider a range of candidates sourced either from recommendation from within the Company or by using external consultants.

The Nomination Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities as well as independence, if this is required for the role. Candidates' ability to commit sufficient time to the business of the Company is also key, particularly in respect of the appointment of the Chairman. The Chairman of the Nomination Committee is primarily responsible for interviewing suitable candidates and a recommendation will be made to the Board for final approval.

The Committee met once during the year under review to consider the balance of the Board.

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 Director's 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, the Chairman reviews the training and development needs of each Director annually, as part of the evaluation process outlined below.

Corporate Governance

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 last evaluation took place in October 2012. The evaluation 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 if appropriate. 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, an analysis of the time which Directors are able to allocate to the Company to discharge their duties effectively and the responsibilities, composition and agenda of the Committees and of the Board itself.

Meetings and Attendance

The Board meets at least four times each year, and in addition meets specifically to discuss strategy once each year. Additional meetings are also arranged as required and 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 Board meetings and at Committee meetings held during the year under review was as follows:

Director	Board	Nomination Committee	Audit Committee	Management Engagement Committee
Robert Sinclair	4/4	1/1	2/2	1/1
Fergus Dunlop	4/4	1/1	2/2	1/1
Peter Rigg	4/4	1/1	2/2	1/1
Christopher Sherwell	4/4	1/1	N/A	N/A

The Board is satisfied that each of the chairman and the other non-executive Directors commits sufficient time to the affairs of the Company to fulfil their duties as Directors.

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 has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Directors' Indemnities

The Company provides a Deed of Indemnity to each Director to the extent permitted by Guernsey law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably.

Conflicts of Interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, the Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Substantial Share Interests

Interests of 3% or more of the voting rights attaching to the Company's issued share capital, which have been notified to the Company, are set out in the Report of the Directors on page 16.

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

Corporate Governance

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 and its Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and the Company's website as soon as practicable after 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 40 sets out the business of the meeting. There will also be a presentation to shareholders in London at the offices of the Manager at 31 Gresham Street, London EC2V 7QA on Wednesday, 12 December 2012 at 11 a.m.

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 it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration when selecting or retaining investments.

Exercise of Voting Rights and the UK Stewardship Code

The Company has delegated responsibility for voting to Schroders which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website. The Board considers the UK Stewardship Code to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code is reported on its website, www.schroders.com.

Internal Control

The Code requires the Board at least annually to conduct a review of the adequacy of the Company's systems of internal control, including its risk management system, and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance, 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 in place a 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 monitoring system assists in determining the nature and extent of the significant risk the Board is willing to take in achieving its strategic objectives.

The Board believes that the key risks identified and the implementation of a system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment company. Risk assessment, which has been in place throughout the financial year 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.

The Company does not have an internal audit function as it employs no staff and contracts 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 internal audit is needed.

Independent Auditor's Report

Independent Auditor's Report to the Members of Schroder Oriental Income Fund Limited

We have audited the accounts of Schroder Oriental Income Fund Limited for the year ended 31 August 2012 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the matters set out below.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

Michael Bane
Recognised Auditor
For and on behalf of Ernst & Young LLP
Guernsey
15 November 2012

Statement of Comprehensive Income

for the year ended 31 August 2012

	Note	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Gains on investments at fair value through profit or loss	2	–	23,242	23,242	–	26,157	26,157
Net foreign currency (losses)/gains		–	(308)	(308)	–	1,270	1,270
Income from investments	3	15,044	200	15,244	14,280	–	14,280
Other income		41	–	41	43	–	43
Total income		15,085	23,134	38,219	14,323	27,427	41,750
Management fee	4	(599)	(1,397)	(1,996)	(562)	(1,312)	(1,874)
Performance fee	4	–	(1,583)	(1,583)	–	(2,236)	(2,236)
Other administrative expenses	5	(476)	(7)	(483)	(485)	(7)	(492)
Profit before finance costs and taxation		14,010	20,147	34,157	13,276	23,872	37,148
Finance costs	6	(224)	(522)	(746)	(102)	(233)	(335)
Profit before taxation		13,786	19,625	33,411	13,174	23,639	36,813
Taxation	7	(1,052)	–	(1,052)	(1,248)	–	(1,248)
Net profit and total comprehensive income		12,734	19,625	32,359	11,926	23,639	35,565
Earnings per share	9	7.44p	11.47p	18.91p	7.22p	14.31p	21.53p

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

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

The notes on pages 29 to 39 form an integral part of these accounts.

Statement of Changes in Equity

for the year ended 31 August 2012

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve[1] £'000	Total £'000
At 31 August 2010	10,918	39	150,374	44,377	13,491	219,199
Issue of shares	9,000	–	–	–	–	9,000
Net profit	–	–	–	23,639	11,926	35,565
Dividends paid in the year	–	–	–	–	(9,694)	(9,694)
At 31 August 2011	19,918	39	150,374	68,016	15,723	254,070
Issue of shares	14,791	–	–	–	–	14,791
Net profit	–	–	–	19,625	12,734	32,359
Dividends paid in the year	–	–	–	–	(10,896)	(10,896)
At 31 August 2012	**34,709**	**39**	**150,374**	**87,641**	**17,561**	**290,324**

[1] The revenue reserve represents the amount distributable by way of dividend.

The notes on pages 29 to 39 form an integral part of these accounts.

Balance Sheet

at 31 August 2012

	Note	2012 £'000	2011 £'000
Non current assets			
Investments at fair value through profit or loss	10	299,377	261,317
Current assets			
Receivables	11	1,160	1,589
Cash and cash equivalents		15,893	13,970
		17,053	15,559
Total assets		316,430	276,876
Current liabilities			
Payables	12	(26,106)	(22,806)
Net assets		290,324	254,070
Equity attributable to equity holders			
Share capital	13	34,709	19,918
Capital redemption reserve	14	39	39
Special reserve	14	150,374	150,374
Capital reserves	14	87,641	68,016
Revenue reserve	14	17,561	15,723
Total equity shareholders' funds		290,324	254,070
Net asset value per share	15	165.18p	152.80p

The accounts were approved and authorised for issue by the Board of Directors on 15 November 2012 and signed on its behalf by:

Director

The notes on pages 29 to 39 form an integral part of these accounts.

Registered in Guernsey
Company registration number: 43298

Cash Flow Statement

for the year ended 31 August 2012

	2012 £'000	2011 £'000
Operating activities		
Profit before taxation	**33,411**	36,813
Add back interest	**746**	335
Add back exchange losses/(gains) on foreign currency bank loan	**444**	(1,186)
Add back gains on investments at fair value through profit or loss	**(23,242)**	(26,157)
Net (purchases)/sales of investments at fair value though profit or loss	**(14,818)**	2,083
Add back amortisation of discount on fixed interest securities	**–**	1
Decrease/(increase) in receivables	**610**	(98)
(Decrease)/increase in payables	**(578)**	146
Overseas taxation suffered	**(1,233)**	(1,210)
Net cash (outflow)/inflow from operating activities before interest	**(4,660)**	10,727
Interest paid	**(562)**	(288)
Net cash (outflow)/inflow from operating activities	**(5,222)**	10,439
Financing activities		
Net bank loans drawn down	**3,250**	–
Issue of shares	**14,791**	9,000
Dividends paid	**(10,896)**	(9,694)
Net cash inflow/(outflow) from financing activities	**7,145**	(694)
Increase in cash and cash equivalents	**1,923**	9,745
Cash and cash equivalents at the start of the year	**13,970**	4,225
Cash and cash equivalents at the end of the year	**15,893**	13,970

The notes on pages 29 to 39 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31 August 2012

1. Accounting Policies

(a) Basis of accounting

The accounts have been prepared in accordance with the Companies (Guernsey) Law 2008 and International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC"), that remain in effect and to the extent that they have been adopted by the European Union.

Where consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with presentational guidance set out in the statement of recommended practice for investment trust companies ("the SORP") issued by the Association of Investment Companies in January 2009.

The policies applied in these accounts are consistent with those applied in the preceding year.

The Company's share capital is denominated in Sterling and this is the currency in which its shareholders operate and expenses are generally paid. The Directors have therefore determined that Sterling is the functional currency and the currency in which the accounts are presented.

The accounts have been prepared on the going concern basis. The disclosures on going concern in the Report of the Directors on page 17 form part of these financial statements. The principal accounting policies adopted are set out below.

(b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment company and in accordance with the recommendations of the SORP, supplementary information has been presented which analyses items in the Statement of Comprehensive Income between those which are income in nature and those which are capital in nature.

(c) Investments at fair value through profit or loss

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within a timeframe established by the market concerned.

Under IFRS, all the Company's investments are designated as "investments at fair value through profit or loss". They are so designed because performance is evaluated on a fair value basis.

Investments are designated upon initial recognition as investments at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which are quoted bid market prices for investments traded in active markets.

(d) Accounting for reserves

Gains and losses on sales of investments, including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and in "Gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end, including the related foreign exchange gains and losses are included in the Statement of Comprehensive Income and in capital reserves within "Holding gains and losses on investments".

Foreign exchange gains and losses on cash and deposit balances are included in the Statement of Comprehensive Income and in capital reserves within "Gains and losses on sales of investments". Unrealised exchange gains and losses on foreign currency loans are included in the Statement of Comprehensive Income and dealt with in capital reserves within "Holding gains and losses on investments".

(e) Income

Dividends receivable from equity shares are included in the revenue column of the Statement of Comprehensive Income on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature, in which case it is included in the capital column.

Income from fixed interest debt securities is recognised using the effective interest method.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Statement of Comprehensive Income with the following exceptions:

– The management fee is allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

– Any performance fee is allocated 100% to capital.

– Expenses incidental to the purchase or sale of investments are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 32.

(g) Finance costs

Finance costs are allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method.

Notes to the Accounts

(h) Financial instruments

Cash and cash equivalents may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other receivables are non interest bearing, short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Interest bearing bank loans are initially recognised at cost, being the proceeds received net of direct issue costs, and subsequently at amortised cost.

(i) Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is provided in full on temporary differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(j) Foreign currency

The results and financial position are expressed in Sterling which is the Company's functional currency and presentational currency. Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains or losses arising on retranslation are included in net profit or loss for the year and presented as capital as appropriate.

(k) Adoption of new and revised standards

The policies applied in these accounts are consistent with those applied in the preceding year. All new standards that came into effect during the year have been adopted, however they had no impact on the Company's operations.

The following new and revised standards have been issued, but are not yet effective and are not expected to be relevant to the Company's operations.

IAS 1 Presentation of items of Other Comprehensive Income, effective for periods beginning on or after 1 July 2012.

IAS 12 Recovery of Underlying Assets, effective for periods beginning on or after 1 January 2012.

IAS 27 Separate Financial Statements, effective for periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures, effective for periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements, effective for periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements, effective for periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with other Entities, effective for periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement, effective for periods beginning on or after 1 January 2013.

IFRS 7 & IAS 32 Offsetting of Financial Instruments, effective for periods beginning on or after 1 January 2013 and 1 January 2014 respectively.

The following standards have been issued, but are not yet effective and may be relevant to the Company's operations.

IFRS 13 Fair Value Measurement, effective for periods beginning on or after 1 January 2013. This standard may be relevant to the Company's financial statements and the Board is currently assessing any impact.

IFRS 9 Financial Instruments: Classification and Measurement, effective for periods beginning on or after 1 January 2015. Early adoption is currently not permitted. This is the first instalment of a phased replacement of the existing standard IAS 39 Financial Instruments: Recognition and Measurement. This standard may be relevant to the Company's financial statements and the Board is currently assessing any impact.

2. Gains on investments held at fair value through profit or loss

	2012 £'000	2011 £'000
Gains on sales of investments based on historic cost	**7,747**	41,730
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(3,351)**	(17,769)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**4,396**	23,961
Movement in investment holding gains and losses	**18,846**	2,196
Gains on investments held at fair value through profit or loss	**23,242**	26,157

Notes to the Accounts

3. Income

	2012 £'000	2011 £'000
Income from investments:		
Overseas dividends	**15,044**	14,173
Unfranked income	**–**	107
	15,044	14,280
Other income:		
Deposit interest	**41**	43
Total income	**15,085**	14,323

4. Management and performance fee

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Management fee	**599**	**1,397**	**1,996**	562	1,312	1,874
Performance fee	**–**	**1,583**	**1,583**	–	2,236	2,236
	599	**2,980**	**3,579**	562	3,548	4,110

The basis for calculating the management fee and performance fee is set out in the Report of the Directors on page 16.

5. Other administrative expenses

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Administration expenses	**284**	**7**	**291**	300	7	307
Directors' fees	**88**	**–**	**88**	88	–	88
Secretarial fee	**75**	**–**	**75**	75	–	75
Auditor's remuneration for audit services[1]	**29**	**–**	**29**	22	–	22
	476	**7**	**483**	485	7	492

[1]No amounts are payable to the Auditor for non-audit services.

6. Finance costs

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Interest on bank loans and overdrafts	**224**	**522**	**746**	102	233	335

7. Taxation

	2012 £'000	2011 £'000
Irrecoverable overseas tax deducted from dividends receivable	**1,052**	1,248

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

Notes to the Accounts

8. Dividends

	2012 £'000	2011 £'000
Dividends paid and declared		
2011 second interim dividend of 3.70p (2010: 3.20p)	**6,237**	5,288
First interim dividend of 2.70p (2011: 2.65p)	**4,659**	4,406
Total dividends paid in the year	**10,896**	9,694

	2012 £'000	2011 £'000
Second interim dividend declared of 4.10p (2011: 3.70p)	**7,206**	6,237

9. Earnings per share

	2012 £'000	2011 £'000
Net revenue profit	**12,734**	11,926
Net capital profit	**19,625**	23,639
Net total profit	**32,359**	35,565
Weighted average number of Ordinary shares in issue during the year	**171,163,885**	165,180,664
Revenue earnings per share	**7.44p**	7.22p
Capital earnings per share	**11.47p**	14.31p
Total earnings per share	**18.91p**	21.53p

10. Investments at fair value through profit or loss

	2012 £'000	2011 £'000
Opening book cost	**238,951**	199,305
Opening investment holding gains	**22,366**	37,939
Opening valuation	**261,317**	237,244
Amortisation of discount on fixed interest securities	**–**	(1)
Purchases at cost	**131,293**	218,120
Sales proceeds	**(116,475)**	(220,203)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**4,396**	23,961
Movement in investment holding gains and losses	**18,846**	2,196
Closing valuation	**299,377**	261,317
Closing book cost	**261,516**	238,951
Closing investment holding gains	**37,861**	22,366
Total investments at fair value through profit or loss	**299,377**	261,317

During the year, prior year investment holding gains amounting to £3,351,000 have been transferred to gains and losses on sales of investments as disclosed in note 14 on page 33.

The following transaction costs, mainly comprising brokerage commissions, were incurred during the year:

	2012 £'000	2011 £'000
On acquisitions	**225**	432
On disposals	**232**	575
	457	1,007

Notes to the Accounts

11. Receivables

	2012 £'000	2011 £'000
Dividends and interest receivable	**1,145**	1,550
Securities sold awaiting settlement	**–**	20
Other debtors	**15**	19
	1,160	1,589

The Directors consider that the carrying amount of receivables approximates to their fair value.

12. Payables

	2012 £'000	2011 £'000
Bank loan	**23,654**	19,960
Other creditors and accruals	**2,452**	2,846
	26,106	22,806

The bank loan comprises Australian $36.4 million (2011: US$32.5 million) drawn down on the Company's £25 million multi-currency credit facility with Scotiabank. The facility is secured and drawings are subject to covenants and restrictions which are customary for a facility of this nature and all of these have been complied with. Further details of the facility are given in note 19 on page 36.

The Directors consider that the carrying amount of payables approximates to their fair value.

13. Share capital

	2012 £'000	2011 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 166,279,500 (2011: 160,434,500) shares of 1p each	**19,918**	10,918
Issue of 9,485,000 (2011: 5,845,000) shares	**14,791**	9,000
Closing balance of 175,764,500 (2011: 166,279,500) shares	**34,709**	19,918

During the year a total of 9,485,000 shares, nominal value £94,850, were issued to the market at an average price of 155.94p per share, for a total consideration received of £14,791,000.

14. Reserves

			Capital reserves		
	Capital redemption reserve £'000	Special reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	39	150,374	45,040	22,976	15,723
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	4,396	–	–
Movement in investment holding gains and losses	–	–	–	18,846	–
Transfer on disposal of investments	–	–	3,351	(3,351)	–
Realised exchange gains on cash and short term deposits	–	–	136	–	–
Exchange gain/(loss) on foreign currency credit facility	–	–	12	(456)	–
Management fee, finance costs and other expenses charged to capital	–	–	(1,926)	–	–
Performance fee	–	–	(1,583)	–	–
Dividends allocated to capital	–	–	200	–	–
Dividends paid in the year	–	–	–	–	(10,896)
Net revenue profit for the year	–	–	–	–	12,734
Closing balance	**39**	**150,374**	**49,626**	**38,015**	**17,561**

Notes to the Accounts

15. Net asset value per share

	2012	2011
Net assets attributable to shareholders (£'000)	**290,324**	254,070
Shares in issue at the year end	**175,764,500**	166,279,500
Net asset value per share	**165.18p**	152.80p

16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2011: none).

17. Related Party Transactions

The Company has appointed Schroder Investment Management Limited ("the Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, Company secretarial and administration services. Details of the management and performance fee agreement are given in the Report of the Directors on page 16. The management fee payable in respect of the year amounted to £1,996,000 (2011: £1,874,000), of which £532,000 (2011: £470,000) was outstanding at the year end. The Company secretarial fee payable to the Manager amounted to £75,000 (2011: £75,000) of which £19,000 (2011: £19,000) was outstanding at the year end. A performance fee amounting to £1,583,000 (2011: £2,236,000) was payable in respect of the year and the whole of this amount (2011: same) was outstanding at the year end.

If the Company invests in funds managed or advised by the Manager or any of its associated companies, any fees earned by the Manager from those funds is deducted from the management fee payable by the Company. There have been no such investments during the current or comparative year.

Details of Mr Sherwell's connections with the Manager are given on page 15.

The Directors of the Company received fees for their services and details are given in the Remuneration Report on page 19.

Details of Directors' shareholdings in the Company are given on page 15.

18. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of IFRS 7 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value. The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

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

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

Details of the valuation techniques used by the Company are given in note 1(c) on page 29.

At 31 August 2012, the Company's investment portfolio comprised entirely Level 1 investments (2011: same).

There have been no transfers between Levels 1, 2 or 3 during the year (2011: Nil).

19. Financial instruments' exposure to risk and risk management policies

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 pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in equity shares of companies in the Asia Pacific region, and other securities, which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations; and
- a multi-currency credit facility with Scotiabank, the purpose of which is to assist in financing the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees

Notes to the Accounts

policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than Sterling, which is the Company's functional currency and the presentational currency of the accounts. As a result, movements in exchange rates will affect the Sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. The Company may use foreign currency borrowings or forward foreign currency contracts to limit the exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Income denominated in foreign currencies is converted into Sterling on receipt.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31 August are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

2012	**Hong Kong dollars £'000**	**Australian dollars £'000**	**Singapore dollars £'000**	**New Taiwan dollars £'000**	**Thai Baht £'000**	**New Zealand dollars £'000**	**US dollars £'000**	**Other £'000**	**Total £'000**
Current assets	327	580	1,654	51	300	14	265	6,475	9,666
Current liabilities – bank loan	–	(23,654)	–	–	–	–	–	–	(23,654)
Foreign currency exposure on net monetary items	327	(23,074)	1,654	51	300	14	265	6,475	(13,988)
Investments at fair value through profit or loss that are equities	77,577	70,503	39,342	33,847	22,219	14,926	8,735	29,373	296,522
Total net foreign currency exposure	77,904	47,429	40,996	33,898	22,519	14,940	9,000	35,848	282,534

2011	Hong Kong dollars £'000	Australian dollars £'000	Singapore dollars £'000	New Taiwan dollars £'000	Thai Baht £'000	New Zealand dollars £'000	US dollars £'000	Other £'000	Total £'000
Current assets	189	2,297	846	126	263	278	2,009	944	6,952
Current liabilities – bank loan	–	–	–	–	–	–	(19,960)	–	(19,960)
Foreign currency exposure on net monetary items	189	2,297	846	126	263	278	(17,951)	944	(13,008)
Investments at fair value through profit or loss that are equities	65,272	55,491	34,581	18,315	17,703	17,163	15,852	33,046	257,423
Total net foreign currency exposure	65,461	57,788	35,427	18,441	17,966	17,441	(2,099)	33,990	244,415

The above year-end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2011: 10%) appreciation or depreciation in Sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If Sterling had weakened by 10% this would have had the following effect:

	2012 £'000	2011 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	**1,509**	1,432
Net capital profit	**(1,399)**	(1,301)
Net total profit	**110**	131
Net assets	**110**	131

Notes to the Accounts

Conversely if Sterling had strengthened by 10% this would have had the following effect:

	2012 £'000	2011 £'000
Statement of Comprehensive Income – net profit		
Net revenue profit	**(1,509)**	(1,432)
Net capital profit	**1,399**	1,301
Net total profit	**(110)**	(131)
Net assets	**(110)**	(131)

In the opinion of the Directors, the above sensitivity analysis with respect to monetary financial assets and liabilities is broadly representative of the whole of the current and comparative year. The sensitivity with regard to the Company's investments and foreign currency is subsumed into market price risk sensitivity on page 37.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set. The fair value of fixed interest investments may be affected by interest rate movements or the expectation of such movements in the future. However the Company held no such investments at the current or comparative year end.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's gearing policy is to limit gearing to 25% where gearing is defined as net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company draws on the credit facility. However, amounts drawn down on this facility are for short-term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2012 £'000	2011 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	**15,893**	13,970
Other payables: drawings on the credit facility	**(23,654)**	(19,960)
Total exposure	**(7,761)**	(5,990)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2011: same).

During the year, the Company extended its £25 million multi-currency revolving credit facility with Scotiabank. This facility has been extended again, post the year end, and now expires in January 2013. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 August 2012, the Company had drawn down Australian $36.4 million (£23.7 million) on this facility at an interest rate of 5.0% per annum. At 31 August 2011, the Company had drawn down US$32.5 million (£20.0 million) on this facility.

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances and drawings on the credit facility has fluctuated. The maximum and minimum net interest rate exposure during the year has been as follows:

	2012 £'000	2011 £'000
Maximum debit interest rate exposure during the year – net loan balances	**(20,267)**	(18,782)
Maximum credit/minimum debit interest rate exposure – net cash/(loan) balances	**2,256**	(4,572)

Notes to the Accounts

Interest rate sensitivity

The following table illustrates the sensitivity of the net profit for the year and net assets to a 0.5% (2011: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2012		2011	
	0.5% increase in rate £'000	**0.5% decrease in rate £'000**	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	**44**	**(44)**	40	(40)
Net capital profit	**(83)**	**83**	(70)	70
Net total profit	**(39)**	**39**	(30)	30
Net assets	**(39)**	**39**	(30)	30

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(iii) Market price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of equity investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 August comprised its holdings in equity investments as follows:

	2012 £'000	2011 £'000
Equity investments at fair value through profit or loss	**299,377**	261,317

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 9 and 10. This shows that the portfolio comprises investments quoted on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of net profit for the year and net assets to an increase or decrease of 10% (2011: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee, but with all other variables held constant.

	2012		2011	
	10% increase in fair value £'000	**10% decrease in fair value £'000**	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – net profit				
Net revenue profit	**(67)**	**67**	(59)	59
Net capital profit	**29,781**	**(29,781)**	25,995	(25,995)
Net total profit for the year and net assets	**29,714**	**(29,714)**	25,936	(25,936)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of a credit facility.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term liabilities and working capital requirements and to gear the Company as appropriate.

Notes to the Accounts

Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	2012 Three months or less £'000	2011 Three months or less £'000
Other payables		
Bank loan – including interest	**23,966**	20,027
Other creditors and accruals	**2,221**	2,800
	26,187	22,827

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

The Company may sometimes invest in equity linked securities, such as participatory notes which provide synthetic equity exposure where the Company may otherwise find it problematic to invest in the underlying asset directly. They have the same economic risks as a direct investment, except that there is a counterparty risk to the issuing investment bank. Counterparties must be approved by the Manager's Credit Risk Team based on a list of criteria and are monitored on an on-going basis by the Portfolio Compliance Team.

Cash

Counterparties are subject to daily credit analysis by the Manager. Cash balances will only be deposited with reputable banks with high quality credit ratings.

Exposure to the Custodian

JPMorgan Chase is the Custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The following amounts shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2012		2011	
	Balance sheet £'000	**Maximum exposure £'000**	Balance sheet £'000	Maximum exposure £'000
Current assets				
Other receivables - securities sold awaiting settlement, dividends and interest receivable and other debtors	**1,145**	**1,145**	1,570	1,570
Cash and cash equivalents	**15,893**	**15,893**	13,970	13,970
	17,038	**17,038**	15,540	15,540

No items included in "Other receivables" are past their due date and none have been provided for.

(d) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities are either carried in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

Notes to the Accounts

20. Capital management policies and procedures

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

The Company's debt and capital structure comprises the following:

	2012 £'000	2011 £'000
Debt		
Bank loan	**23,654**	19,960
Equity		
Share capital	**34,709**	19,918
Reserves	**255,615**	234,152
	290,324	254,070
Total debt and equity	**313,978**	274,030

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing to 25%. Gearing for this purpose is defined as net assets plus borrowings used for investment purposes, less cash, expressed as the percentage excess over net assets.

	2012 £'000	2011 £'000
Net assets plus borrowings used for investment purposes, less cash	**298,085**	260,060
Net assets	**290,324**	254,070
Gearing	**2.7%**	2.4%

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

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy-back equity shares, which takes into account the share price discount or premium;
- the opportunities for issues of new shares; and
- the amount of dividend to be paid in excess of that which is required to be distributed.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder Oriental Income Fund Limited will be held at 12.00 noon on Monday, 10 December 2012 at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 31 August 2012.
2. To approve the Remuneration Report for the year ended 31 August 2012.
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.
6. To authorise the Board to determine the remuneration of Ernst & Young LLP as Auditors of the Company.
7. 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 315 of the Companies (Guernsey) Law 2008 (as amended), to make market purchases of Ordinary shares of 1p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
   (a) the maximum number of shares hereby authorised to be purchased shall be 26,774,313, representing 14.99% of the issued share capital as at 15 November 2012;
   (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 or revoked 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."
8. To consider and, if thought fit pass the following as a special resolution:
   "Subject to the passing of Resolution 7, the Board be and hereby is authorised in accordance with Section 292 of the Companies (Guernsey) Law, 2008 (as amended) to allot Ordinary shares for cash and/or sell treasury shares up to 17,861,450 Ordinary shares of 1p each in aggregate representing 10% of the share capital in issue on 15 November 2012 for cash and the right of Shareholders to receive a pre-emptive offer in respect of such Ordinary shares shall be excluded pursuant to Article 3.24 of the Company's Articles of Incorporation, provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) from the conclusion of the Annual General Meeting of the Company to be held in 2013 save that the Board may allot Ordinary shares for cash or sell Treasury shares after the expiry of this authority in pursuance of an offer or agreement made by the Company before such expiry that would or might require Ordinary shares to be allotted or Treasury shares to be sold after such expiry.

By Order of the Board
Schroder Investment Management Limited
Company Secretary
Registered Number: 43298
15 November 2012

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

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 Incorporation) 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, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY, 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 re-election are set out on the inside front cover of the Annual Report.

3 As at 15 November 2012, 178,614,500 Ordinary shares of 1p were in issue. Accordingly, the total number of voting rights of the Company as at 15 November 2012 is 178,614,500.

Company Summary and Shareholder Information

The Company

Schroder Oriental Income Fund Limited is an independent, Guernsey resident company, whose shares are listed on the London Stock Exchange. As at 15 November 2012, the Company had 178,614,500 Ordinary shares of 1p each in issue. The Company's assets are managed and it is administered by Schroders.

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

Website and Price Information

The Company has a dedicated website, which may be found at www.schroderorientalincomefund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

The Company releases its net asset value on both a cum and ex income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Northern Trust International Fund Administration Services (Guernsey) Limited, PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL.

Dealing Codes

The dealing codes for the Ordinary shares in the Company are as follows:

ISIN: GB00B0CRWN59

SEDOL: BOCRWN5

Ticker: SOI

www.schroderorientalincomefund.com

Schroders