

**Schroder**

# AsiaPacific Fund plc

Report and Accounts to 30 September 2011

---



**Schroders**

## Investment Objective

**The Company's principal investment objective is to achieve capital growth through investment primarily in equities of companies located in the continent of Asia (excluding the Middle East and Japan), together with the Far Eastern countries bordering the Pacific Ocean, with the aim of achieving growth in excess of the MSCI All Countries Asia excluding Japan Index in Sterling Terms (Benchmark Index) over the longer term.**

## Directors

### **The Hon. Rupert Carington**

(Aged 63) (Chairman)

was appointed as a director of the Company on 18 September 1995. He has run his own financial advisory business since leaving Morgan Grenfell, the merchant bank, in 1987 after a career of 17 years including a period as Chief Executive of the Hong Kong office. He has considerable experience of investment trust companies having been Chairman of the Korea Asia Fund for 10 years and Chairman of the Schroder Emerging Countries Fund for 7 years as well as a director of the Fleming Natural Resources Investment Trust. He sits on a number of corporate advisory boards including those of three Asian businesses.

### **Robert Binyon** (Aged 60)

was appointed as a director of the Company on 17 February 2000. Until March 2003, he was a Managing Director of CDC Capital Partners responsible for CDC's investments and operations in the Asia Pacific region. He continues to be based in the region and is a director on a number of funds and companies in Asia.

### **Robert Boyle** (Aged 63)

was appointed as a director of the Company on 26 November 2009. He is a Chartered Accountant and was a partner of PricewaterhouseCoopers LLP, where he was responsible for multi-national client accounts, specialising in the telecoms and media sectors: he was chairman of the PwC European Entertainment and Media Practice for twelve years and retired in 2006. He is a non-executive director, and chairman of the audit committee, of Maxis Berhad (in Malaysia), Witan Investment Trust PLC, Prosperity Voskhod Fund Ltd (an AIM listed company), Centaur Media plc and the Hampshire Partnership NHS Foundation Trust. He is also the independent member of the audit committee of the National Trust.

### **Anthony Fenn** (Aged 69)

was appointed as a director on 1 June 2005. He retired at the end of 2003 after 38 years as an Investment Executive with Sun Life Financial of Canada. He held various positions in the course of his career and was for the last 6 years Head of Investments, Asia. Before moving to Asia he was Chief Investment Officer for the UK and oversaw the setting up of Sun Life's investment management subsidiary there. He also has investment experience in Hong Kong, Japan, China, Indonesia, India, and the Philippines.

### **Nicholas Smith** (Aged 60)

was appointed as a Director of the Company on 28 May 2010. He joined the Jardine Fleming Group in 1986 in Hong Kong serving, from 1993, as Chief Financial Officer and as a member of the Executive Committee. After returning to the UK, Mr Smith became a director of Robert Fleming International Ltd in 1998 and the Director of Origination – Investment Banking serving until 2000. Mr Smith currently serves as Chairman of Ophir Energy plc and as a non-executive director of Asian Citrus Holdings Ltd, PLUS Markets Group plc, Sorbic International Ltd., and Japan Opportunities Fund II Limited.

Each Director is also a member of the Audit, Management Engagement and Nomination Committees.

The Hon. Rupert Carington is chairman of the Nomination Committee. Mr Smith is chairman of the Audit Committee.

Mr Fenn is chairman of the Management Engagement Committee.

## Advisers

### **Investment Manager**

Schroder Investment Management Limited  
31 Gresham Street, London EC2V 7QA

### **Company Secretary and Registered Office**

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

### **Bankers**

ING Bank N.V.  
60 London Wall, London EC2M 5TQ

### **Custodian**

JP Morgan Chase Bank, N.A.  
1 Chaseside  
Bournemouth BH7 7DB

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

### **Stockbrokers**

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT

### **Registrar**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Shareholder Helpline: 0800 032 0641\*

Website: [www.shareview.co.uk](http://www.shareview.co.uk)

\*Calls to this number are free of charge from landlines.

## Contents

Financial Highlights	2
Long Term Record	3
Chairman's Statement	4
Investment Manager's Review	6
Investment Portfolio	8
Report of the Directors	10
Remuneration Report	18
Corporate Governance	19
Independent Auditors' Report	23
Income Statement	24
Reconciliation of Movements in Shareholders' Funds	25
Balance Sheet	26
Cash Flow Statement	27
Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds	27
Notes to the Accounts	28
Notice of Meeting	42
Explanatory Notes to the Notice of Meeting	43
Company Summary and Shareholder Information	Inside Back Cover

## Financial Highlights

	30 September 2011	30 September 2010	Change %
Total assets (£'000)*	<b>332,957</b>	394,459	(15.6)
Total borrowings (£'000)	<b>25,677</b>	6,346	
Shareholders' funds (£'000)	<b>307,280</b>	388,113	(20.8)
Ordinary shares in issue ('000)**	<b>145,921</b>	167,737	
Subscription shares in issue ('000)	<b>28,480</b>	32,890	
Net asset value per ordinary share (undiluted)	<b>210.58p</b>	231.38p	(9.0)
Net asset value per ordinary share (diluted)	<b>210.16p</b>	224.76p	(6.5)
Ordinary share price	<b>190.75p</b>	203.75p	(6.4)
Subscription share price	<b>4.96p</b>	12.75p	(61.1)
Ordinary share price discount	<b>9.24%</b>	9.35%	
Net asset value total return***	<b>(5.43)%</b>	24.08%	
MSCI All Countries Asia ex Japan Index - total return in sterling terms****	<b>(12.18)%</b>	20.93%	
Total expense ratio*****	<b>0.84%</b>	0.88%	
Market capitalisation (excluding subscription shares) (£'000)	<b>278,345</b>	341,765	(18.6)

\* Calculated in accordance with AIC guidance and comprises shareholders' funds plus borrowings used for investment purposes.

\*\* A total of 25,711,701 ordinary shares (amounting to 15% of the issued share capital on 23 December 2010), were cancelled following a Tender Offer.

\*\*\* Source: Morningstar ([www.morningstar.co.uk](http://www.morningstar.co.uk)).

\*\*\*\* Source: Thomson Financial Datastream. The benchmark Index used for the year ended 30 September 2011 is a combination of both the MSCI All Countries Far East ex Japan Index and the MSCI All Countries Asia ex Japan Index on a pro-rata basis.

\*\*\*\*\* Calculated in accordance with AIC guidance (excluding finance costs but after allowing for tax relief on expenses) and expressed as a percentage of average monthly net assets.

## Long Term Record

As at 30 September	Total assets* £'000	Shareholders' funds £'000	Diluted NAV** per ordinary share pence	Undiluted NAV per ordinary share pence	Price of ordinary shares pence	Price of subscription shares pence	Ordinary share price discount %
2011	332,957	307,280	210.16	210.58	190.75	4.96	9.24
2010	394,459	388,113	224.76	231.38	203.75	12.75	9.35
2009	313,688	307,435	183.88	183.88	166.75	–	9.32
2008	263,593	224,321	134.17	134.17	113.00	–	15.78
2007	370,121	335,763	200.83	200.83	179.00	–	10.87
2006	254,786	233,372	139.59	139.59	124.75	–	10.63
2005	193,486	170,876	118.94	122.74	109.75	–	7.73
2004	144,577	125,235	89.97	89.97	84.25	–	6.36
2003	126,634	111,586	80.16	80.16	74.75	–	6.75
2002	98,671	85,953	61.75	61.75	56.00	–	9.31

For the year ended 30 September	Revenue return per ordinary share (Undiluted)	Dividends per ordinary share	Actual gearing ratio <sup>†</sup>	Potential gearing ratio <sup>##</sup>
2011	2.60p	2.75p	1.04	1.08
2010	2.62p	2.65p	0.96	1.02
2009	2.67p	2.65p	0.99	1.02
2008	2.49p	2.40p	1.04	1.17
2007	1.49p	1.50p	1.07	1.10
2006	1.76p	1.70p	1.04	1.09
2005	1.97p	1.90p	1.02	1.13
2004	1.35p	1.10p	1.07	1.15
2003	0.79p	0.75p	1.12	1.13
2002	0.44p	0.40p	1.09	1.15

\*Calculated in accordance with AIC guidance and comprises shareholders' funds plus borrowings used for investment purposes.

\*\*From 2001 to 2005 dilution was due to warrants. From 2006 to 2009 there was no dilution. 2010 dilution was due to subscription shares.

†Total assets less cash and fixed interest assets divided by shareholders' funds.

##Total assets divided by shareholders' funds.

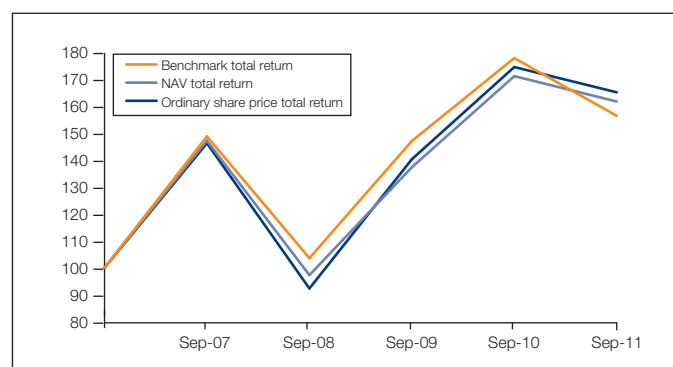
## Total Returns to 30 September 2011

	Benchmark Index %	NAV total return** %	Share price total return** %
1 year	(12.18)	(5.43)	(5.30)
2 years	5.63	17.51	17.45
3 years	48.60	64.81	77.10
4 years	3.76	9.74	12.72
5 years	52.79	60.41	63.75

\*Source: Thomson Financial Datastream. The benchmark Index used for the year ended 30 September 2011 is a combination of both the MSCI All Countries Far East ex. Japan Index and the MSCI All Countries Asia ex Japan Index on a pro-rata basis.

\*\*Source: Morningstar

## NAV/Benchmark/ordinary share price performance over 5 years



Rebased to 100 at 30 September 2006.

## Chairman's Statement

### Investment Performance

Following total returns of 24.1% and 38.7% over the previous two financial years, the year to 30 September 2011 was a more challenging year for the Company as well as equity markets around the world. During the year under review, the Company's diluted net asset value per share produced a total return of -5.4%. With effect from 31 January 2011, the Company's benchmark Index was changed to the MSCI All Countries Asia ex. Japan Index. When calculated using a combination of both the new and the old indices on a pro-rata basis, the Company's benchmark Index\* produced a total return of -12.2% over the year. The Company's share price produced a total return of -5.3% over the year.

Further comment on performance and investment policy may be found in the Investment Manager's Report.

### Final Dividend

The Directors recommend the payment of a final dividend of 2.75 pence per share for the year ended 30 September 2011, an increase of 3.8% from the 2.65 pence per share paid in respect of the previous financial year. Net revenue for the year decreased slightly when compared to the previous year (2011: £4,033,000 – 2010: £4,394,000). If the resolution proposed at the Annual General Meeting to pay a final dividend is passed, the dividend will be paid on 3 February 2012 to shareholders on the Register on 13 January 2012.

### Gearing

During the year, the Company's gearing facility increased from US\$50 million to US\$75 million and drawings were increased from US\$10 million to US\$40 million. The Manager held a net cash position at the beginning of the year, and at the end of the year, net effective gearing stood at 4.2%. All of the borrowings were obtained via a revolving credit facility, in order to provide flexibility, and the facility was renewed on an unsecured basis in April 2011. The Board continues to review the gearing position on a regular basis and believes that the ability to gear will add value over the long term.

### Tender Offer

Following approval from shareholders at the 2011 Annual General Meeting, a tender offer of 15% of the issued share capital was made to all shareholders and this resulted in approximately £61 million being returned to shareholders. Following the tender offer, the number of ordinary shares in issue reduced by a total number of 25,711,701.

### Purchase of Shares for Cancellation

At the Company's last Annual General Meeting on 31 January 2011, the Company was given the authority to purchase up to 14.99% of its issued share capital and up to 14.99% of its issued subscription share capital for cancellation. The share buy-back facility is one of a number of tools that may be used to enhance shareholder value and to reduce discount volatility. The repurchase of subscription shares may also be required from time to time.

The Board continues to believe that it is not necessarily in the best interests of shareholders as a whole to adopt a rigid discount control mechanism that seeks to target a defined maximum discount level regardless of market conditions. Instead the Board continues to follow a more flexible strategy that takes into account the level of discount at which the Company's peer group trades as well as the absolute level of its own discount and prevailing market conditions. Over the last year, the longer term target maximum discount level has again been set at approximately 10% and the Board will continue to target this level but will review it quarterly and will amend the target in line with market conditions as necessary. In this context the Board, together with its broker, monitors the discount at which the shares trade to the fully diluted capital only net asset value which currently stands at 8.5% (as at 13 December 2011) and which averaged 8.8% over the year ended 30 September 2011.

As a consequence and in line with this strategy the Directors utilised the authority given to them last year and a total of 515,000 ordinary shares were purchased for cancellation during the year ended 30 September 2011. The Board continues to monitor the discount to which the Company's ordinary shares trade on the market and to consider whether purchases of both the ordinary and subscription shares should be made on a regular basis. It therefore proposes that these authorities be renewed at the forthcoming Annual General Meeting.

## Chairman's Statement

### Subscription Shares

During the year under review, a total of 4,410,584 subscription shares were converted into ordinary shares, and since the end of the financial year, a further 27,995 subscription shares have been converted into ordinary shares.

The rights conferred by the Subscription Shares will be exercisable on each of 31 December 2011, 31 March 2012, 30 June 2012, 30 September 2012 and 31 December 2012. The Subscription Price, if exercised on any of the remaining Subscription Dates will be 245p per share.

If Subscription shares remain unexercised on 31 December 2012, the last Subscription date, they will expire worthless.

### Annual General Meeting

The Annual General Meeting will be held on Wednesday 1 February 2012 at 11.00 a.m. and shareholders are encouraged to attend. As in previous years, Matthew Dobbs, on behalf of the Investment Manager, will give a presentation on the prospects for Asia and the Company's investment strategy.

### Outlook

It is always disappointing to report on a year when the total return has been negative, albeit when that return was again above the benchmark. The reason for all stock markets' recent weakness is well known: the issue for the Company has become how much the problems facing the West – slowing growth and the sovereign debt problems – will impact on Asia.

Volatility in Western stock markets will inevitably affect Asian markets, and weaker growth will affect export earnings but there is comfort to be had in the extent to which Asia does not have the levels of government and household debt that is one of the root problems in the West. Most of the companies in which the Company is invested have a combination of solid balance sheets, good management and a focus on sectors of the Asian economies that should continue to grow in the new environment. In a world where many asset classes remain unattractive for the time being it is our belief that equity investment in Asia is one of the best places to allocate investment for medium to long term growth.

### The Hon Rupert Carington

Chairman

16 December 2011

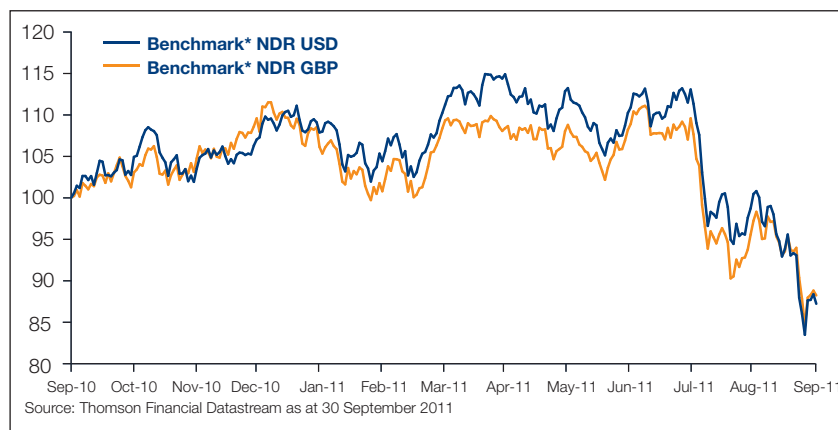
\* The MSCI All Countries Far East ex Japan Index produced a total return of -11.9% for the year under review. The MSCI All Countries Asia ex Japan Index produced a total return of -13.3% for the year under review.

## Investment Manager’s Review

The net asset value of the Company recorded a total return of -5.4% over the twelve months to end September 2011. Although it is disappointing to report a fall in the value of the portfolio, the performance is substantially better than that of the benchmark index\* which showed a total return of -12.2%.

Thanks to a significant correction close to the end of the fiscal year, regional markets generated negative returns over the fiscal year. In the first half of the period investor sentiment was buoyed by the confirmation of further quantitative easing by the US Federal Reserve in November and the accompanying fiscal package. Strains in the euro were somewhat quiescent as investors anticipated a healthy recovery in developed economies in line with improvements in leading indicators.

**Performance of the Benchmark\* Net Dividends Reinvested Index in GBP and USD – 30 September 2010 to 30 September 2011**



Although Asian markets participated in this rally, they tended to lag the global averages. While regional investors welcomed the improved outlook for the export fortunes of the region, the recovery in developed economies came at an awkward time in the domestic cycle for Asia given high capacity utilization, widespread increases in inflation fuelled by higher oil, food and commodity prices, and Central Banks generally tightening monetary policy.

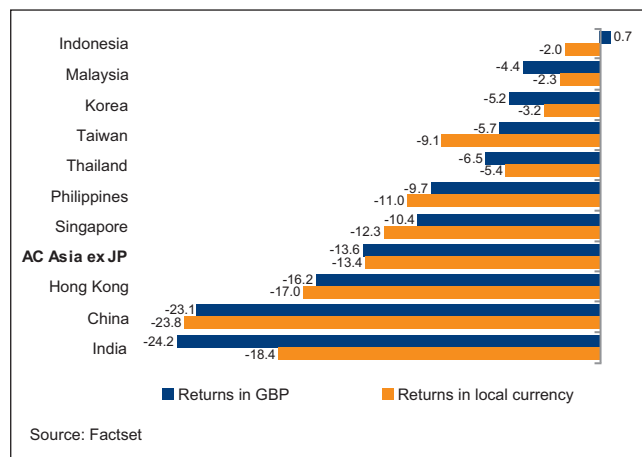
Having lagged the global averages on the way up, the region did not prove particularly defensive in the final quarter of the year when investors took fright amid slowing global growth, political deadlock over the US deficit, and the re-emergence of concerns over increasing strains within the euro.

Aside from the volatile external situation and its implications for Asia as a major exporter, it has been inflationary pressures that have dominated the domestic agenda. This has been particularly evident in the two regional giants of China and India. In China, the authorities have been resorting to an array of cooling measures for almost two years.

While the massive fiscal and monetary stimulus seen in the wake of the 2008 crisis succeeded in restoring strong economic growth, it has been very dependent on an explosion in credit and a surge in infrastructure and property investment. Attempts to rein this in, along with growing concern over credit quality, weighed on Chinese equities, which were notable laggards over the year. In India, a high dependency on imported energy and twin fiscal and current account constraints have combined with concerted monetary tightening by the Reserve Bank of India.

In contrast, emerging ASEAN markets have been more resilient, with the regional economies seen as relatively immune from global issues and offering superior long-term growth prospects. Korea and Taiwan performed strongly in the first half of the year, but faded subsequently amid the softening in global leading indicators and the more general sell off in July and August sparked by the re-emergence of concerns over the euro.

**Country returns of the MSCI AC Asia ex Japan Net Dividends Reinvested Index in GBP – 30 September 2010 to 30 September 2011**





## Investment Manager's Review

### Performance and Portfolio Activity

Against a backdrop of considerable economic and financial uncertainty, the relative performance of the Company's portfolio has been strong over the period. The main contributors were strong stock selection in Korea, Hong Kong, Thailand and the Philippines, with lesser added value from Taiwan and India.

Portfolio positioning in terms of country and sector exposure has been broadly stable over the period. At the margin, we added to Singapore and Thailand at the expense of Korea, Taiwan, Indonesia and the Philippines. We have also added steadily to India as it has underperformed, but remain underweight. Within HK/China, our emphasis has remained upon the former in preference to the latter.

### Outlook and Policy

Global growth is once more decelerating rapidly, both in developed Western and Asian economies. For developed markets, this is despite widespread excess capacity, suggesting that the root cause is high levels of debt weighing on both private and public sector confidence amid deflationary pressures, most markedly in peripheral Europe. Meanwhile, for Asian markets the issue is a more conventional downcycle as local credit conditions have tightened and the external environment worsens.

Unsurprisingly, comparisons with late 2008 are being drawn, and in some ways the current situation does not benefit from the analogy. In retrospect, there was sufficient political will, monetary resolve and fiscal firepower to provide the boost to confidence and growth that allowed markets to rally so strongly over the last two years. There is good reason to doubt it now given fiscal contractions in prospect in the United States, United Kingdom and Europe, high levels of debt, the intractability of the euro-bloc's problems, and legitimate doubts over the willingness and ability of Emerging markets to provide a counterweight to the lack of end demand in the developed world.

However, these uncertainties are at least partly reflected in valuations, which already anticipate a substantial decline in Asian earnings. This would suggest that there is still downside if we are due a repeat of the 2008 experience, but otherwise there is a good chance of positive returns on a twelve month view. Furthermore, many Asian countries have policy options and financial strength that will help them ride out a tough external environment. The one area of internal worry for the region is the possibility of a rapid slowdown in China, and although this should be manageable given that country's current account surplus and high foreign exchange reserves there are considerable risks to corporate earnings.

The latter concern is enough for us to remain cautious on direct China exposure, preferring as we do the greater transparency and stronger balance sheets available in Hong Kong. We see good value in selected export sensitive stocks primarily in Taiwan and Korea (although we are underweight in both markets) while in ASEAN we favour Singapore and Thailand. We remain underweight in India due to high valuations and continued structural issues.

### Country Weights – Schroder AsiaPacific Fund vs MSCI AC Asia ex Japan Index

Market	Net Asset Value Weightings (%)		Benchmark
	30-Sep-10	30-Sep-11	Index Weight (%) 30-Sep-11
HK/China	36.7	33.0	34.3
Korea	12.9	16.7	20.2
Taiwan	15.8	11.7	15.8
India	5.7	8.4	10.4
Singapore	14.1	17.5	7.1
Malaysia	0.0	2.1	4.7
Indonesia	4.3	2.0	4.1
Thailand	0.0	4.8	2.5
Philippines	4.0	1.5	0.9
Vietnam	0.3	0.3	0.0
Australia	2.3	3.8	0.0
USA	0.5	-	-
Other	-	2.6	-
Other net assets	3.4	-4.4	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Schroders

### Schroder Investment Management Limited

16 December 2011

\*The benchmark is a combination of both the MSCI AC Far East ex Japan Index and the MSCI AC Asia ex Japan Index on a pro-rata basis.

## Investment Portfolio

As at 30 September 2011

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Samsung Electronics	Technology Hardware and Equipment	Memory semiconductors	31,070	10.11
Jardine Strategic Holdings	General Industrials	Hotels and shops	18,907	6.15
Hyundai Motor Company	Automobiles and Parts	Cars, trucks and commercial vehicles	13,763	4.48
Taiwan Semiconductor Manufacturing	Technology Hardware and Equipment	Semiconductor products	12,690	4.13
Fortune Real Estate Investment Trust	Real Estate Investment Trust	Malls in Hong Kong	8,107	2.64
Hon Hai Precision Industries	Electronic and Electrical Equipment	Electronic products	7,332	2.39
Swire Pacific 'A'	General Industrials	Hong Kong holding company	7,103	2.31
Jardine Matheson	General Industrials	Property and retailing	6,762	2.20
Bangkok Bank	Banks	Banking	6,534	2.13
Sun Hung Kai Properties	Real Estate	Property	6,437	2.09
Axiata Group	Mobile Telecommunications	Telecommunications in Thailand	6,342	2.06
Siliconware Precision	Technology Hardware and Equipment	Semiconductors	6,271	2.04
Yue Yuen Industrial Holdings	Personal Goods	Footwear manufacturer	6,136	2.00
Ascendas Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT	5,980	1.95
Crown	Travel and Leisure	Entertainment group in Australia	5,666	1.84
Jaiprakash Associates	Construction and Materials	Diversified industries	5,531	1.80
CNOOC	Oil and Gas Producers	Chinese producer of oil and gas	5,255	1.71
Ping An Insurance (warrants)*	Life Insurance	Insurance in China	5,083	1.65
Prudential	Life Insurance	International financial services group	4,982	1.62
United Overseas Bank	Banks	Banking	4,966	1.62
<b>Twenty Largest Holdings</b>			<b>174,917</b>	<b>56.92</b>
LPN Development	Real Estate and Investment Services	Real estate development	4,917	1.60
Cairn India P-Note 24/10/2012*	Oil and Gas Producers	Indian based oil and gas producer	4,890	1.59
Chunghwa Telecom	Telecommunications	Taiwanese telecommunications	4,464	1.45
Sembcorp Marine	Commercial Vehicles and Trucks	Ship building	4,408	1.43
Prada	Personal Goods	Fashion goods	4,211	1.37
China Taiping Insurance Holding	Non-Life Insurance	Hong Kong insurance	4,195	1.37
Yum Brands	Travel and Leisure	Restaurants	4,187	1.36
Parkson Retail Group	General Retailers	Department stores in China	4,089	1.33
Kerry Properties	Real Estate and Investment Services	Hong Kong property developer	4,079	1.33
Bank Mandiri	Banks	Indonesian bank	4,074	1.33
Techtronic Industries	Household Goods	Electrical and electronic products	4,072	1.33
Niko Resources	Oil and Gas Producers	Indian based oil and gas producer	4,053	1.32
Sembcorp Industries	General Industrials	Natural gas distribution	3,929	1.28
Cognizant Technology Solutions	Software and Computer Services	IT solutions	3,868	1.26
China Vanke	Real Estate and Investment Services	Property development company	3,850	1.25
HDFC Bank	Banks	Banking	3,795	1.24
Jardine Cycle & Carriage	General Retailers	Distributors motor vehicles	3,664	1.19
Mapletree Industrial Trust	Real Estate Investment Trusts	Singapore based REIT	3,643	1.19
Tencent Holdings	Software and Computer Services	Internet services	3,424	1.11
Foxconn Technology	Technology Hardware and Equipment	Motherboard manufacturer	3,286	1.07
Incitec Pivot	Chemicals	Chemical manufacturer	3,163	1.03
Charm Communications	Media	Television advertising in China	3,157	1.03
Samsonite International	Household Goods	Luggage	2,954	0.96

## Investment Portfolio

As at 30 September 2011

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Hexagon	Electronic and Electrical Equipment	3-D design solutions	2,920	0.95
Franshion Properties China	Real Estate and Investment Services	Real estate in China	2,856	0.93
Vtech Holdings	Technology Hardware and Equipment	Consumer electronic products	2,703	0.88
Shriram Transport Finance	Financial Services	Hire purchase finance for trucks	2,623	0.85
NVC Lighting Holding	Household Goods	Lighting company	2,620	0.85
Hengdeli Holdings	General Retailers	Watch retailer	2,601	0.85
Biostime International	Food Producers	Paediatric nutrition	2,601	0.85
Hana Financial Holdings	Banks	Banking	2,440	0.79
Samsung Fire & Marine	Non-Life Insurance	Korea's biggest general insurer	2,351	0.76
Esprit Holdings	General Retailers	Clothing	2,293	0.75
Midland Realty Holdings	Real Estate and Investment Services	Property	2,290	0.75
Holcim Philippines	Construction and Materials	Philippines cement producer	2,214	0.72
Land & Houses	Household Goods	Real estate development in Thailand	2,212	0.72
Changsha Zoomlion Heavy Science	Industrial Engineering	Construction machinery	2,168	0.70
Far Eastern New Century	Personal Goods	Textile products	1,999	0.65
Security Bank	Banks	Philippines bank	1,877	0.61
Dart Energy	Oil and Gas Producers	Development of coal bed methane	1,748	0.57
United Tractor	Industrial Engineering	Heavy plant distributor	1,716	0.56
Zhongsheng Group	Automobiles and Parts	Car dealership	1,707	0.56
ASM Pacific Technology	Technology Hardware and Equipment	Technology products	1,700	0.55
E-House China Holdings	Real Estate	Property	1,651	0.54
GS Engineering & Construction	Construction and Materials	Construction company	1,630	0.53
China Lodging Group	Travel and Leisure	Economy hotels in China	1,290	0.42
Quality Houses	Real Estate and Investment Services	Property developer	1,115	0.36
Atlas Iron	Mining	Iron ore producer	1,087	0.35
Vietnam Enterprise Investments	Equity Investment Instruments	Vietnam investment holding company	1,005	0.33
Shriram (warrants)*	Financial Services	Hire purchase finance for trucks	799	0.26
Semirara Mining	Mining	Coal in the Philippines	622	0.20
Modern Photo Film	Leisure Goods	Photographic business in Indonesia	392	0.13
<b>Total investments</b>			<b>320,519</b>	<b>104.31</b>
<b>Other net liabilities</b>			<b>(13,239)</b>	<b>(4.31)</b>
<b>Total equity shareholders' funds</b>			<b>307,280</b>	<b>100.00</b>

\*With the exception of these investments (whose designations are shown above), all investments were equity investments as at 30 September 2011.

At 30 September 2010 the twenty largest investments represented 53.75% of shareholders' funds.

## Report of the Directors

### **Business Review**

#### **Company's Business**

The Company carries on business as an investment trust and is an investment company within the meaning of Section 833 of the Companies Act 2006. In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 1158 of the UK Corporation Tax Act 2010. The last accounting period for which the Company has been treated as approved by HMRC is for the year ended 30 September 2010 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

#### **Investment Objective**

The principal investment objective of the Company is to achieve capital growth through investment primarily in equities of companies located in the continent of Asia (excluding the Middle East and Japan), together with the Far Eastern countries bordering the Pacific Ocean, with the aim of achieving growth in excess of the MSCI All Countries Asia excluding Japan Index in Sterling terms over the longer term.

#### **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 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 discount management policy. 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 reporting to, and monitoring by, the Board and Audit Committee as appropriate.

#### **Investment Strategy**

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited (the "Manager" and/or "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 on pages 6 and 7.

#### **Investment Policy**

The Company principally invests in a diversified portfolio of companies located in the continent of Asia (excluding the Middle East and Japan) (for the purposes of this paragraph the "region"). Such countries include Hong Kong/China, Singapore, Taiwan, Malaysia, South Korea, Thailand, India, The Philippines, Indonesia, Pakistan, Vietnam and Sri Lanka and may include other countries in the region that permit foreign investors to participate in investing in equities, such as in their stock markets or other such investments in the future. Investments may be made in companies listed on the stock markets of countries located in the region and/or listed elsewhere but controlled from within the region and/or with a material exposure to the region.

The portfolio is predominantly invested in equities, but may also be invested in other financial instruments such as put options on indices and equities in the region. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange but would normally not make such an investment except where the Manager expects that the securities will shortly become listed on a stock exchange. In order to maximise potential returns, gearing may be employed by the Company from time to time. Where appropriate the Directors may authorise the hedging of the Company's currency exposure. While the Articles limit the amount of gearing the Company may have to a maximum of the Company's adjusted capital and reserves, Directors do not anticipate net effective gearing levels in excess of 20% of shareholders' funds.

## Report of the Directors

### Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The key restrictions imposed on the Manager are that: a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; b) no more than 10% of the Company's total net assets, at the date of acquisition, may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; c) no more than 15% of the Company's total net assets may be invested in open-ended funds and; d) no more than 25% of the Company's total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company. The Investment Portfolio on pages 8 and 9 demonstrates that, as at 30 September 2011, the Manager held 73 investments spread over several countries and in a range of industry sectors. The largest investment, Samsung Electronics, represented 10.11% of shareholders' funds at 30 September 2011. At the year end, the Company did not hold any unlisted investments, and did not hold any open-ended funds. The Company had an interest amounting to 5.78% of shareholders' funds in REITs, which are closed ended investment companies. The Board therefore believes that the objective of spreading risk has been achieved in this way.

### 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 on pages 4 and 5 and the Investment Manager's Review on pages 6 and 7.

### Gearing

The Company utilises a credit facility, currently in the amount of US\$75 million (30 September 2010: US\$50 million), which increases the funds available for investment through borrowing ("gearing"). The Company's gearing continues to operate within pre-agreed limits and Directors do not anticipate net effective gearing levels in excess of 20% of shareholders' funds.

### Measuring Success – Key Performance Indicators

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

### Investment Performance

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 30 September 2011, the Company produced a total return on net asset value of -5.4% compared to a total return of -12.1% for the benchmark. A chart showing the Company's five-year performance against the benchmark to 30 September 2011 can be found on page 3 of this Report. Country distribution can be found in the Investment Manager's Review on pages 6 and 7.

### Discount Management

The shares of the Company generally trade at a discount to net asset value and the management of this discount is a key factor for the Board. The Board has therefore adopted a second KPI, which measures the success of the Board's strategy to limit volatility in the discount.

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

Share buy-backs are a more direct way of managing the discount. The discount of the Company's share price to its underlying net asset value and the discounts of peer group companies are monitored on a daily basis. As more particularly described in the Chairman's Statement, the Board considers the use of its share buy-back authority on a regular basis and has adopted guidelines which outline circumstances in which the Company is prepared to buy

## Report of the Directors

back shares. A total of 515,000 ordinary shares were purchased for cancellation during the year ended 30 September 2011 (2010: Nil).

At 30 September 2011, the Company's share price stood at a discount of 9.2% to net asset value. During the year under review the discount averaged 8.8%.

### Control of Total Expenses

One of the advantages of closed ended vehicles is their relatively low running costs compared with other investment vehicles.

The Board has adopted a third KPI which assists it in keeping the total expense ratio ("TER") of the Company under review.

An analysis of the Company's costs, including management fees, directors' fees and general expenses, is submitted to each Board meeting.

The TER for the Company for the year to 30 September 2011 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year) was 0.84% (2010: 0.88%).

### 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 to enable the Directors to mitigate them as far as possible and which assists 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 market 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 in underlying assets which are denominated in a range of currencies and therefore has an exposure to changes in the exchange rate between Sterling and other currencies, which has the potential to have a significant effect on returns. While the Directors consider the Company's hedging policy on a regular basis, the Company did not engage in currency hedging to reduce the risk of currency fluctuations and the volatility of returns which might result from such currency exposure during the year ended 30 September 2011.

The Company may invest in put options on indices and equities in the region, to protect part of the capital value of the assets against market falls.

The Company utilises a credit facility, currently in the amount of US\$75 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.

A full analysis of the financial risks facing the Company is set out in note 21 on pages 36 to 41.

#### Strategic Risk

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

#### Accounting, Legal and Regulatory Risk

In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the UK Corporation Tax Act 2010. Should the Company not comply with these requirements, it might lose investment trust status and capital gains within the Company's portfolio could, as a result, be subject to Capital Gains Tax.

Breaches of the UK Listing Rules, the Companies Acts 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 audited Accounts of the Company for the year ended 30 September 2011.

### Revenue and Earnings

The net revenue return for the year after expenses, interest and taxation was £4,033,000 (2010: £4,394,000), equivalent to a return of 2.60 pence per share (2010: 2.62 pence per share) and the Directors recommend the payment of a final dividend for the year ended 30 September 2011 of 2.75 pence per share (2010: 2.65 pence per share), payable on 3 February 2012 to shareholders on the Register on 13 January 2012, subject to approval by shareholders at the Annual General Meeting.

### Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover of the Annual Report. All Directors held office throughout the year under review with the exception of Lord Cromer, who retired as a Director on 31 January 2011.

In accordance with the Company's Articles of Association and the Company's policy on tenure, The Hon. Rupert Carington and Mr Robert Binyon retire, and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. The Hon. Rupert Carington and Mr Binyon are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years.

The Board supports the re-elections of The Hon. Rupert Carington and Mr Binyon, as it considers that each of these Directors continues to demonstrate commitment to his role and provides a valuable contribution to the deliberations of the Board through their knowledge of the Asia Pacific region and the investment industry. It therefore recommends that shareholders vote in favour of their re-election.

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 September 2011, all of which were beneficial, were as follows:

<b>Director</b>	<b>Ordinary shares of 10p each at 30 September 2011</b>	<b>Ordinary shares of 10p each at 1 October 2010</b>
The Hon. Rupert Carington	<b>94,960</b>	94,960
Robert Binyon	<b>48,000</b>	48,000
Robert Boyle	<b>15,000</b>	15,000
The Rt. Hon. the Earl of Cromer*	<b>N/A</b>	–
Anthony Fenn	<b>12,000</b>	12,000
Nicholas Smith	<b>20,000</b>	10,000

\*The Rt. Hon. the Earl of Cromer retired as a Director of the Company on 31 January 2011.

There have been no other changes in the above holdings between the end of the financial year and the date of this report.

As at the date of this Report, the Company had 145,949,115 ordinary shares of 10p each and 28,451,601 subscription shares of 1p each in issue. No shares were held in treasury and the subscription shares carry no voting rights. Accordingly, the total number of voting rights in the Company at the date of this Report is 145,949,115. Full details of the Company's share capital are set out in note 15 on page 34.

### Substantial Share Interests

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

	<b>Percentage of Number of Ordinary shares</b>	<b>total voting rights</b>
City of London Investment Management Limited	41,705,201	28.57
Investec Wealth & Investment Limited	11,684,952	8.01
Legal & General	6,620,167	4.54

## Report of the Directors

### **Investment Manager**

Following their annual review, 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. Schroders provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective.

The investment management agreement can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. The Investment Manager is entitled to a fee at a rate of 1.00% per annum on assets up to and including £100 million, of 0.95% per annum on assets between £100 million and £300 million, 0.90% per annum on assets between £300 and £400 million and of 0.85% per annum on assets above £400 million, payable quarterly in arrears and calculated by reference to the value of the Company's assets under management (net of current liabilities other than short term borrowings) at the end of the preceding quarter. The Manager's periodic charge, in respect of Schroder funds in which the Company invests, are rebated to the Company so that no double charging occurs. No investments in Schroders funds were held during the year ended 30 September 2011. The investment management fee payable in respect of the year ended 30 September 2011 is shown in note 5 to the accounts.

During the year ended 30 September 2011, Schroder Investment Management Limited was entitled to receive a fee of £84,000 per annum (plus VAT) for corporate secretarial services provided to the Company for the year ended 30 September 2011 (30 September 2010: £81,000 (plus VAT)). The fee continues to be subject to annual adjustment in line with changes in the Retail Price Index.

### **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, other than purchases for future settlement, at 30 September 2011 (2010: Nil).

### **Corporate Social and Environmental Policy**

As an investment company, the Company has no direct social or environmental responsibilities; its policy is focused 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 on page 22.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law they have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts respectively; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.



## Report of the Directors

Each of the Directors, whose names and functions are set out on the inside front cover of the Annual Report, confirms that, to the best of their knowledge:

- the accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and 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.

### **Going Concern**

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

### **Corporate Governance Statement**

The Company's Corporate Governance Statement is set out on pages 19 to 22 and forms part of this Report of the Directors.

### **Anti-Bribery Policy**

The Board notes the recent implementation of the Bribery Act 2010, which came into force on 1 July 2011. The Company continues to be committed to carrying out its business fairly, honestly and openly. To this end, it has undertaken a risk assessment of its internal procedures and the policies of the Company's service providers and has adopted a revised 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.

### **Independent Auditors**

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

The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP and therefore has not considered it necessary to require an independent tender process. The auditors are required to rotate the audit partner every five years and this is the fourth year that the current audit partner has been in place.

The Audit Committee has adopted a pre-approval policy on the engagement of the auditors to supply non-audit services to the Company. The Auditors did not supply any non-audit services during the year under review (2010: Nil).

### **Provision of Information to the Auditors**

The Directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditors are 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 Auditors are aware of that information.

## Report of the Directors

### **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 Wednesday, 1 February 2012 at 11.00 a.m. The formal notice of the AGM is set out on page 42.

### **Special Business to be proposed at the AGM**

Resolutions relating to the following items of special business will be proposed at the AGM.

#### **Resolution 8 – Authority to make market purchases of the Company’s own ordinary shares (special resolution)**

At the AGM held on 31 January 2011, the Company was granted authority to make market purchases of up to 25,694,560 ordinary shares of 10p each for cancellation. A total of 515,000 shares have been bought back under this authority, which 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 on 16 December 2011. 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 on a date falling 18 months following the date of passing of the resolution unless renewed or revoked earlier.

The maximum purchase price that may be paid for an ordinary share will not be more than the greater of 5% above 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 10p, being the nominal value per ordinary share.

#### **Resolution 9 – Authority to make market purchases of the Company’s own subscription shares (special resolution)**

At the AGM held on 31 January 2011, the Company was granted authority to make market purchases of up to 14.99% of the subscription shares of 1p each for cancellation. No subscription shares have been bought back under this authority.

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 subscription shares in the market. 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 subscription shares in issue on 16 December 2011. The Directors will exercise this authority only if the Directors consider that the 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 on a date falling 18 months following the date of passing of the resolution unless renewed or revoked earlier.

The maximum purchase price that may be paid for a subscription share will not be more than the greater of 5% above 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 subscription share.

## Report of the Directors

### **Recommendation**

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

By Order of the Board  
Schroder Investment Management Limited  
Company Secretary

16 December 2011

## 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 Association currently 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 fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 30 September 2011, the Chairman was entitled to receive a fee of £21,000 per annum, and the other members of the Board were entitled to receive fees of £16,000 per annum. There have been no changes in these fees since 1 October 2006. In addition, fees of £3,000 were paid to the Chairman and Mr Fenn and fees of £1,500 were paid to other Directors for additional services provided to the Company during the year ended 30 September 2011.

Additional fees are also paid for membership of each of the Audit, Management Engagement and Nomination Committees. The committee fees are payable to members of each committee for their contributions to the deliberations of such committees. Members of the Audit Committee each receive an additional fee of £2,000 per annum and members of the Management Engagement and Nomination Committees each receive an additional £1,000 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 them. No element of Directors' remuneration is performance-related.

The Board believes that the principles of Section D of the UK Corporate Governance Code (the "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 Directors' terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter, Directors retire by rotation at least every three years 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 Code, including the merits of refreshing the Board and its Committees.

### Performance Graph

A graph showing the Company's share price total return compared with the MSCI All Countries Asia ex Japan Index, over the last five years, is set out on page 3.

### Directors' Remuneration for the year ended 30 September 2011 (audited)

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

Director	Fees for services to the Company £	Additional fees for services to the Company £	For the year ended 30 September 2011 Fees for services to the Company £	For the year ended 30 September 2010 Fees for services to the Company £
The Hon. Rupert Carington	25,000	3,000	<b>28,000</b>	25,000
Robert Binyon	20,000	1,500	<b>21,500</b>	20,000
The Rt. Hon. The Earl of Cromer*	6,667	1,500	<b>8,167</b>	20,000
Anthony Fenn	20,000	3,000	<b>23,000</b>	20,000
Jan Kingzett**	–	–	–	11,201
Robert Boyle***	20,000	1,500	<b>21,500</b>	16,831
Nicholas Smith****	20,000	1,500	<b>21,500</b>	6,863
	111,667	12,000	<b>123,667</b>	119,895

\*Retired as a Director on 31 January 2011.

\*\*Resigned as a Director on 28 May 2010.

\*\*\*Appointed as a Director on 26 November 2009.

\*\*\*\*Appointed as a Director on 28 May 2010.

The information in the above table has been audited (see the Independent Auditors' Report on page 23).

By Order of the Board  
Schroder Investment Management Limited  
Company Secretary

16 December 2011

## Corporate Governance

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 replaced the 2008 Combined Code and 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](http://www.fsa.gov.uk).

### 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 statement set out on pages 14 and 15, 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 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 the Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

### Application of the Code's Principles

#### Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and 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, 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 five non-executive Directors. Profiles of each of the Directors, including their age and length of service, may be found on the inside front cover of the Annual Report. The Board considers each of the Directors to be independent. The independence of each Director is considered on a continuing basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of the Company's investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services. The Company has no employees. Details of the relationship with the Investment Manager may be found in the Report of the Directors on page 10 of the Annual Report.

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 Directors to discharge their 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.schroderasiapacificfund.com](http://www.schroderasiapacificfund.com). Details of membership of the Committees at 30 September 2011 may be found

## Corporate Governance

on the inside front cover of the Annual Report and information regarding attendance at Committee meetings during the year under review may be found on page 21.

### Audit Committee

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The 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 30 September 2011 and considered the annual and half-yearly report and accounts, the external Auditors' 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.

### 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 two occasions during the year ended 30 September 2011 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 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 refreshing 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 to be independent.

The Nomination Committee did not have cause to meet during the year under review but has done so since the end of the year to consider the balance of the Board.

Before the appointment of a new Director, the Nomination Committee will prepare 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.

### Tenure

The Board has 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 close relationship with the Investment Manager or necessarily affects a Director's independence of character or judgement. Therefore, the independence of Directors is 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 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.

### Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The evaluation takes place in two stages. First, the evaluation of individual Directors is led

## Corporate Governance

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.

An external evaluation of the Board is taking place in December 2011.

### 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	Audit Committee	Management Engagement Committee
The Hon. Rupert Carington	4/4	2/2	1/1
Robert Binyon	4/4	2/2	1/1
Robert Boyle	3/4	2/2	1/1
The Rt. Hon. the Earl of Cromer*	1/2	1/1	1/1
Anthony Fenn	4/4	2/2	1/1
Nicholas Smith	4/4	2/2	1/1

\*The Rt. Hon. the Earl of Cromer retired as a Director on 31 January 2011.

### 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. Accordingly, the Board receives and considers regular reports from the Investment Manager and ad hoc reports and information as required.

### Directors' and Officers' Liability Insurance

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

### Directors' Indemnities

The Company provides a Deed of Indemnity to each Director to the extent permitted by United Kingdom 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.

### Major Shareholders

Details of the Company's major shareholders are set out in the Report of the Directors on page 13.

### Relations with Shareholders

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



## Corporate Governance

The Board believes that the Annual General Meeting (“AGM”) 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 AGM. The AGM is typically attended by all Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the Chairmen of the Board, Audit and Management Engagement Committees at the AGM. Details of proxy votes received in respect of each resolution are made available to shareholders at the Meeting and on 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 AGM, is valuable. The Notice of Meeting on page 42 sets out the business of the AGM.

### **Environmental Policy**

The Company’s primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Provided 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 by the Manager 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 has noted the recent implementation of the UK Stewardship Code, which it considers to be an important tool in shareholder engagement and monitors the voting policy of the Manager to ensure compliance. Schroders’ compliance with the principles of the UK Stewardship Code is reported on its website, [www.schroders.com](http://www.schroders.com).

### **Internal Control**

The Code requires the Board to conduct at least annually 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 risks the Board is willing to take in achieving its strategic objectives.

The Board believes that the key risks identified and the implementation of a continuing 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 delegates to third parties most of its operations. The Board will continue to monitor its system of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.



## Independent Auditors' Report

We have audited the accounts of Schroder AsiaPacific Fund plc for the year ended 30 September 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 14 and 15, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the Report and Accounts to 30 September 2011 to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its (loss)/profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial year for which the accounts are prepared is consistent with the accounts; and
- the information given in the Corporate Governance Statement set out on pages 19 to 22 with respect to internal control and risk management systems and about share capital structures on page 13 is consistent with the accounts.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 15, in relation to going concern;
- the parts 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Jeremy Jensen (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors London

16 December 2011

## Income Statement

	Note	For the year ended 30 September 2011			For the year ended 30 September 2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	2	–	(25,272)	(25,272)	–	79,797	79,797
Currency (losses)/gains	3	–	(1,718)	(1,718)	–	141	141
Income	4	9,401	242	9,643	9,730	–	9,730
Investment management fee	5	(3,527)	–	(3,527)	(3,310)	–	(3,310)
Administrative expenses	6	(777)	–	(777)	(840)	–	(840)
<b>Net (loss)/return before finance costs and taxation</b>		<b>5,097</b>	<b>(26,748)</b>	<b>(21,651)</b>	<b>5,580</b>	<b>79,938</b>	<b>85,518</b>
Interest payable and similar charges	7	(260)	–	(260)	(139)	–	(139)
<b>Net (loss)/return on ordinary activities before taxation</b>		<b>4,837</b>	<b>(26,748)</b>	<b>(21,911)</b>	<b>5,441</b>	<b>79,938</b>	<b>85,379</b>
Taxation on ordinary activities	8	(804)	(75)	(879)	(1,047)	–	(1,047)
<b>Net (loss)/return after taxation attributable to equity shareholders</b>		<b>4,033</b>	<b>(26,823)</b>	<b>(22,790)</b>	<b>4,394</b>	<b>79,938</b>	<b>84,332</b>
<b>Net (loss)/return per ordinary share (undiluted)</b>	<b>10</b>	<b>2.60p</b>	<b>(17.32)p</b>	<b>(14.72)p</b>	<b>2.62p</b>	<b>47.75p</b>	<b>50.37p</b>
<b>Net (loss)/return per ordinary share (diluted)</b>	<b>10</b>	<b>2.59p</b>	<b>(17.22)p</b>	<b>(14.63)p</b>	<b>2.62p</b>	<b>47.75p</b>	<b>50.37p</b>

The Total column of this statement is the profit and loss account of the Company. The Revenue and Capital columns are both provided in accordance with guidance issued by the Association of Investment Companies. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 28 to 41 form an integral part of these accounts.

## Reconciliation of Movements in Shareholders' Funds

	Note	Called-up Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
At 1 October 2009		16,719	81	25,199	110,529	8,704	141,163	5,040	307,435
Net return from operating activities		–	–	–	–	–	79,938	4,394	84,332
Dividend paid in respect of the year ended 30 September 2009	9	–	–	–	–	–	–	(4,431)	(4,431)
Bonus Issue of subscription shares		334	–	(334)	–	–	–	–	–
Subscription share issue costs		–	–	(270)	–	–	–	–	(270)
Issue of ordinary shares on exercise of subscription shares		50	–	997	–	–	–	–	1,047
At 30 September 2010		17,103	81	25,592	110,529	8,704	221,101	5,003	388,113
At 1 October 2010		17,103	81	25,592	110,529	8,704	221,101	5,003	388,113
Net (loss)/return from operating activities		–	–	–	–	–	(26,823)	4,033	(22,790)
Dividend paid in respect of the year ended 30 September 2010	9	–	–	–	–	–	–	(4,542)	(4,542)
Purchase of shares for cancellation		(52)	52	–	(1,157)	–	–	–	(1,157)
Tender offer		(2,571)	2,571	–	(60,893)	–	–	–	(60,893)
Issue of ordinary shares on exercise of subscription shares		397	–	8,152	–	–	–	–	8,549
<b>At 30 September 2011</b>		<b>14,877</b>	<b>2,704</b>	<b>33,744</b>	<b>48,479</b>	<b>8,704</b>	<b>194,278</b>	<b>4,494</b>	<b>307,280</b>

\* The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The notes on pages 28 to 41 form an integral part of these accounts.

## Balance Sheet

	Note	At 30 September 2011 £'000	At 30 September 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	11	320,519	376,350
<b>Current assets</b>			
Debtors	13	4,155	1,377
Cash at bank and short-term deposits	19	12,274	20,648
		<b>16,429</b>	22,025
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	14	(29,668)	(10,262)
<b>Net current (liabilities)/assets</b>		<b>(13,239)</b>	11,763
<b>Total assets less current liabilities</b>		<b>307,280</b>	388,113
<b>Capital and reserves</b>			
Called-up share capital	15	14,877	17,103
Capital redemption reserve	16	2,704	81
Share premium account	16	33,744	25,592
Share purchase reserve	16	48,479	110,529
Warrant exercise reserve	16	8,704	8,704
Capital reserve	16	194,278	221,101
Revenue reserve	16	4,494	5,003
<b>Equity shareholders' funds</b>		<b>307,280</b>	388,113
<b>Net asset value per ordinary share (undiluted)</b>	17	<b>210.58p</b>	231.38p
<b>Net asset value per ordinary share (diluted)</b>	17	<b>210.16p</b>	224.76p

These accounts were approved and authorised for issue by the Board of Directors on 16 December 2011 and signed on behalf of the Board by:

**Rupert Carington**

Chairman

The notes on pages 28 to 41 form an integral part of these accounts.

## Cash Flow Statement

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
	<b>Note</b>	
<b>Operating activities</b>		
Dividends and interest received from investments	9,593	8,828
Interest received on deposits	60	35
Stock lending fee income	49	57
Investment management fee paid	(3,647)	(3,153)
Administrative expenses paid	(733)	(901)
<b>Net cash inflow from operating activities</b>	<b>18</b>	<b>4,866</b>
<b>Servicing of finance</b>		
Interest paid	(224)	(150)
<b>Net cash outflow from servicing of finance</b>	<b>(224)</b>	<b>(150)</b>
<b>Taxation</b>		
UK tax paid	(40)	–
Overseas tax paid	(897)	(1,045)
<b>Total tax paid</b>	<b>(937)</b>	<b>(1,045)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of investments	(409,875)	(331,689)
Disposal of investments	437,770	343,523
<b>Net cash inflow from investment activities</b>	<b>27,895</b>	<b>11,834</b>
<b>Equity dividends paid</b>		
Ordinary shares	(4,542)	(4,431)
<b>Net cash inflow before financing</b>	<b>27,514</b>	<b>11,074</b>
<b>Financing</b>		
Issue of ordinary shares on conversion of subscription shares	8,549	1,047
Subscription shares issue costs	–	(270)
Purchase of shares for cancellation	(1,157)	–
Tender offer	(60,893)	–
Bank loan drawn	18,599	–
<b>Net cash (outflow)/inflow from financing</b>	<b>(34,902)</b>	<b>777</b>
<b>Net cash (outflow)/inflow</b>	<b>(7,388)</b>	<b>11,851</b>

## Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds

	For the year ended 30 September 2011 £'000	For the year ended 30 September 2010 £'000
Net cash (outflow)/inflow from financing	(7,388)	11,851
Movement in borrowings	(18,599)	–
Movement in net (debt)/funds resulting from cash flows	(25,987)	11,851
Net funds at 1 October	14,302	2,310
Realised exchange (losses)/gains on loan and other currency balances	(986)	234
Unrealised exchange losses on the loan facility	(732)	(93)
<b>Net (debt)/funds</b>	<b>19</b>	<b>14,302</b>

The notes on pages 28 to 41 form an integral part of these accounts.

# Notes to the Accounts

## 1 Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2011, are unchanged from 2010 and are set out below.

### a Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of investments and in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 by the Association of Investment Companies (AIC).

### b Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

### c Income

Dividends receivable from equity shares are taken to revenue on an accruals basis and are recorded on an ex-dividend basis, except where in the opinion of the Directors, the dividend is capital in nature in which case it is taken to capital. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital reserve.

Interest receivable from bank deposits, stock lending income (net of agents' fees and commissions) and other income is recognised on an accruals basis.

### d Expenses and interest payable

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

Expenses are charged through the revenue return except those expenses incidental to the acquisition or disposal of investments which are charged to capital return. This allocation is in accordance with the Board's expected long-term split of returns in the form of capital and income profits respectively.

### e Investments

All investments, including derivative instruments, are classified as held at fair value through profit or loss.

They are initially recognised on the trade date and measured, then and subsequently, at fair value.

Fair value, of listed investments and derivative instruments is based on their quoted bid value at the close of business on the relevant date. Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

### f Foreign exchange

The Company is a UK listed company with a predominately UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company.

Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of such transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at balance sheet date, and the resulting gains or losses are taken to the capital return.

### g Taxation

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Due to the company's status as an investment trust company, and the intention to continue to meet the conditions required by Section 1158 of the UK Corporation Tax Act 2010 to obtain approval in the foreseeable future, the company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

### h Dividends payable

Under FRS21 final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the Balance Sheet date.

Final dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders.

### i Called-up share capital

Represents the nominal value of authorised and allocated, called-up and fully paid ordinary and subscription shares.

### j Capital redemption reserve

The nominal value of ordinary share capital repurchased for cancellation is transferred out of called-up share capital and into the capital redemption reserve.

## Notes to the Accounts

### k Share premium account

Represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued.

### l Share purchase reserve

The costs of repurchasing ordinary shares including related stamp duty and transaction costs are taken directly to share purchase reserve and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve.

### m Warrant exercise reserve

The premium arising on issue of shares where there are warrants attached is apportioned between shares and warrants as part of shareholders' funds on the basis of the market values of the shares and warrants as on the first day of dealing. The warrant element is referred to as the warrant reserve. On exercise of these warrants, the premium relating to the warrants exercised is transferred from warrant reserve to a warrant exercise reserve, a non-distributable reserve.

### n Capital reserve

The following are accounted for in the capital reserve:

- gains and losses on the realisation of investments
- investment holding gains and losses
- realised exchange differences of a capital nature
- unrealised exchange differences of a capital nature
- other capital charges and credits charged to this account in accordance with the above policies

### o Financial instruments

Cash at bank and in hand normally comprises cash and on demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are recognised initially at fair value and subsequently held at amortised cost.

### p Borrowings

Interest bearing loans are recorded as the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals in profit or loss using the effective interest rate method.

### q Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in market prices and foreign exchange rates. The Company may enter into certain derivative transactions for the purpose of providing against falls in the capital value of holdings. The Company does not use derivative contracts for speculative purposes. The use of financial derivatives is subject to the Company's investment policy as approved by shareholders and their implementation is closely monitored by the Manager and the Board. The use of financial derivatives by the Company does not qualify for hedge accounting.

## 2 (Losses)/gains on investments held at fair value

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Net gains on disposal of investments at historic cost	<b>63,620</b>	51,133
Less fair value adjustments in earlier years	<b>(39,182)</b>	(20,184)
Gains based on carrying value at previous balance sheet date	<b>24,438</b>	30,949
Investment holding (losses)/gains during the year	<b>(49,710)</b>	48,848
	<b>(25,272)</b>	79,797

## 3 Currency (losses)/gains

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Realised exchange (losses)/gains on currency balances	<b>(986)</b>	234
Unrealised exchange losses on the loan facility	<b>(732)</b>	(93)
	<b>(1,718)</b>	141

## Notes to the Accounts

## 4 Income

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Revenue:		
Income from investments:		
Overseas dividends	<b>9,050</b>	9,205
UK franked dividend income	<b>71</b>	173
Stock dividends	<b>163</b>	252
Bank deposit interest	<b>53</b>	43
Stock lending fee income	<b>64</b>	57
	<b>9,401</b>	9,730
Capital:		
Special dividend, allocated to capital	<b>242</b>	–

## 5 Investment management fee

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Management fee	<b>3,527</b>	3,310

Under the terms of the Management Agreement, the Manager is entitled to receive a basic management fee of 1.00% per annum on assets up to and including £100 million, of 0.95% on assets between £100 and £300 million and 0.90% on assets between £300 and £400 million and 0.85% on assets above £400 million, payable quarterly in arrears.

## 6 Administrative expenses

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Allocated to revenue:		
General expenses	<b>563</b>	621
Directors' fees	<b>112</b>	120
Secretarial fee	<b>84</b>	81
Auditor's remuneration:		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	<b>18</b>	18
	<b>777</b>	840

## 7 Interest payable and similar charges

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Bank loan interest payable	<b>254</b>	133
Bank overdraft interest payable	<b>2</b>	2
Futures deposit interest payable	<b>4</b>	–
HMRC interest paid	<b>–</b>	4
	<b>260</b>	139



## Notes to the Accounts

## 8 Taxation on ordinary activities

## (a) Analysis of charge in the year

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Capital gains tax (allocated to capital)	75	–
Overseas taxation (allocated to revenue)	804	1,063
Total current tax charge for the year (note 8 (b))	879	1,063
Movement in deferred tax liability	–	(16)
Tax charge on ordinary activities for the year	879	1,047

## (b) Factors affecting tax charge for the year

No provision has been made for taxation on any realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 1158 of the UK Corporation Tax Act 2010.

The tax assessed for the period is higher (2010: lower) than the standard rate of corporation tax in the UK of 26%; (2010: 28%).

Overseas dividends are not subject to tax from 1 July 2009, as a result of changes enacted within the Finance Act 2009.

Approved investment trust companies are exempt from tax on capital gains within the Company.

The differences are explained below:

	<b>For the year ended 30 September 2011</b>			For the year ended 30 September 2010		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before tax	4,837	(26,748)	(21,911)	5,441	79,938	85,379
Profit on ordinary activities multiplied by the standard rate of:						
UK Corporation tax for the period 1 October 2010 to 31 March 2011 at 28% (2010: 28%)	677	(3,745)	(3,068)	1,523	22,383	23,906
UK Corporation tax for the period 1 April 2011 to 30 September 2011 at 26%	629	(3,477)	(2,848)	–	–	–
Effects of:						
Capital returns on investments	–	6,823	6,823	–	(22,343)	(22,343)
Exchange gains	–	464	464	–	(40)	(40)
Irrecoverable overseas tax	804	–	804	1,063	–	1,063
Tax relief on overseas tax suffered	(20)	–	(20)	(9)	–	(9)
Capital gains tax (allocated to capital)	–	75	75	–	–	–
Income not subject to corporation tax	(2,197)	(65)	(2,262)	(2,381)	–	(2,381)
Income taxed on a receipts basis	–	–	–	16	–	16
Expenses not deductible for tax purposes	1	–	1	2	–	2
Current year expenses not utilised	910	–	910	849	–	849
Total current taxation	804	75	879	1,063	–	1,063

## (c) Provision for deferred tax

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Income taxable in different periods	–	(16)
Relief for overseas taxation	–	–
	–	(16)
Provision at start of the year	–	16
Deferred tax credit for the year	–	(16)
Provision at the end of the year	–	–

The Company has deferred tax assets in respect of unutilised management expenses of £1,498,000 (2010: £759,000) and non-trading deficits of £168,000 (2010: £90,000) which have not been recognised as it is not certain that the Company will have sufficient taxable profits in the future to utilise these amounts.

## Notes to the Accounts

## 9 Dividends

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Amounts recognised as distributions in the period		
Final dividend of prior year of 2.65p (2009: 2.65p)	<b>4,542</b>	4,431

The dividend of 2.65p (2009: 2.65p) is based on 171,411,341 (2009: 167,189,762) ordinary shares in issue.

The total dividend payable in respect of the financial year which is the basis on which the requirements of Section 1158 of the UK Corporation Tax Act 2010 are considered, is set out below.

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Proposed final dividend 2.75p (2010: 2.65p)	<b>4,014</b>	4,542

The proposed dividend for the year is based on 145,921,120 (2010: 171,411,341) ordinary shares in issue.

## 10 (Loss)/return per ordinary share

	<b>For the year ended 30 September 2011</b>	For the year ended 30 September 2010
Revenue (£'000)	<b>4,033</b>	4,394
Capital (£'000)	<b>(26,823)</b>	79,938
Total (£'000)	<b>(22,790)</b>	84,332
Undiluted:		
Weighted average number of shares	<b>154,830,888</b>	167,398,156
Revenue	<b>2.60p</b>	2.62p
Capital	<b>(17.32)p</b>	47.75p
Total	<b>(14.72)p</b>	50.37p
Diluted:		
Weighted average number of shares	<b>155,803,975</b>	167,398,156
Revenue	<b>2.59p</b>	2.62p
Capital	<b>(17.22)p</b>	47.75p
Total	<b>(14.63)p</b>	50.37p

The calculations of the diluted total, revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard No. 22, "Earnings per Share". For the purposes of calculating diluted returns per ordinary share, the number of ordinary shares is the weighted average used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all subscription shares by reference to the average share price of the ordinary shares during the year.

The Company has in issue 28,479,596 (2010:32,890,180) subscription shares which are convertible into ordinary shares at the end of each calendar quarter until 31 December 2012. The subscription shares were issued on 13 October 2009. As at 30 September 2011, there was dilution of 0.09p per ordinary share in respect of the conversion rights attaching to the subscription shares.

## Notes to the Accounts

### 11 Investments held at fair value through profit or loss

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	<b>296,860</b>	257,872
Acquisitions at cost	<b>410,187</b>	330,422
Proceeds of disposals	<b>(440,746)</b>	(342,567)
Net gains on disposals	<b>63,620</b>	51,133
Book cost at 30 September	<b>329,921</b>	296,860
Unrealised investment holding (losses)/gains	<b>(9,402)</b>	79,490
Valuation of investments at 30 September	<b>320,519</b>	376,350

All investments are listed on a recognised stock exchange.

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

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
On acquisitions	<b>861</b>	758
On disposals	<b>1,319</b>	1,004
	<b>2,180</b>	1,762

### 12 Stock lending

	<b>For the year ended 30 September 2011 £'000</b>	For the year ended 30 September 2010 £'000
Aggregate value of securities on loan at year end	<b>11,601</b>	11,929
Maximum aggregate value of securities on loan during the year	<b>14,847</b>	23,250
Fee income from stock lending during the year	<b>64</b>	57

The Company carries out stock lending activities, and is entitled to income earned from these activities net of bank and agent fees amounting to £12,000 (2010: £14,000) which was deducted by JP Morgan Chase Bank.

At 30 September 2011 the Company held £12,538,000 (2010: £12,750,000) as collateral, the value of which exceeded the value of the securities on loan by 8% (2010: 6%).

### 13 Debtors

	<b>At 30 September 2011 £'000</b>	At 30 September 2010 £'000
Sales for future settlement	<b>3,384</b>	408
Accrued income	<b>695</b>	843
Other debtors	<b>14</b>	32
Overseas tax recoverable	<b>62</b>	59
Corporation tax receivable	<b>–</b>	35
	<b>4,155</b>	1,377

## Notes to the Accounts

## 14 Creditors – amounts falling due within one year

	<b>At 30 September 2011 £'000</b>	At 30 September 2010 £'000
Bank loan	<b>25,677</b>	6,346
Purchases for future settlement	<b>2,970</b>	2,821
Accrued expenses and other creditors	<b>1,021</b>	1,095
	<b>29,668</b>	10,262

The Company has a credit facility of US\$75 million (2010: US\$50 million) with ING Bank N.V.

As at 30 September 2011 US\$40 million (2010: US\$10 million) was drawn down. This facility has a revolving 364 day term, is chargeable at a floating rate linked to LIBOR, and is unsecured.

## 15 Called-up share capital

	<b>At 30 September 2011 £'000</b>	At 30 September 2010 £'000
Allotted, Called-up and Fully paid:		
Ordinary shares of 10p each:		
Opening balance of 167,737,237 ordinary shares (2010: 167,189,762)	<b>16,774</b>	16,719
Tender offer: share buy back of 25,711,701 ordinary shares (2010: nil)	<b>(2,571)</b>	–
Purchase and cancellation of 515,000 ordinary shares (2010: nil)	<b>(52)</b>	–
Issue of 4,410,584 ordinary shares on exercise of subscription shares (2010: 547,475)	<b>441</b>	55
Closing balance of 145,921,120 (2010: 167,737,237) ordinary shares of 10p	<b>14,592</b>	16,774
Subscription shares of 1p each:		
Opening balance of 32,890,180 subscription shares (2010: 33,437,655)	<b>329</b>	334
Exercise of 4,410,584 (2010: 547,475) subscription shares converted into ordinary shares	<b>(44)</b>	(5)
Closing balance of 28,479,596 (2010: 32,890,180) subscription shares of 1p	<b>285</b>	329
Total share capital	<b>14,877</b>	17,103

The subscription shares were issued as a bonus issue to the ordinary shareholders on 13 October 2009 on the basis of one subscription share for every five ordinary shares. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share on each 31 December, 31 March, 30 June and 30 September until 31 December 2012 when the rights under the subscription shares will lapse.

The conversion price has been determined as follows:

If exercised between and including 31 December 2011 and 31 December 2012, 245 pence.

Subsequent to the year end, on 14 October 2011, a further 27,995 ordinary shares were issued following the exercise of conversion rights of subscription shareholders. Following this there are 145,949,115 ordinary shares and 28,451,601 subscription shares in issue.

## Notes to the Accounts

## 16 Reserves

	Capital redemption reserve £'000	Share Premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve gains and (losses) £'000	Capital reserve holding gains and (losses) £'000	Revenue reserve £'000
Balance brought forward 1 October 2010	81	25,592	110,529	8,704	142,410	78,691	5,003
Gains on disposal of investments	–	–	–	–	24,438	–	–
Net change in investment holding gains	–	–	–	–	–	(49,710)	–
Transfer on disposal of investments	–	–	–	–	39,182	(39,182)	–
Realised exchange gains on currency balances	–	–	–	–	(986)	–	–
Unrealised exchange losses on loan facility	–	–	–	–	–	(732)	–
Special dividend allocated to capital	–	–	–	–	242	–	–
Capital gains tax	–	–	–	–	(75)	–	–
Dividends paid	–	–	–	–	–	–	(4,542)
Net revenue return for the year	–	–	–	–	–	–	4,033
Share purchase for cancellation	52	–	(1,157)	–	–	–	–
Tender offer share buy back	2,571	–	(60,893)	–	–	–	–
Issue of ordinary shares on exercise of subscription shares	–	8,152	–	–	–	–	–
<b>Balanced carried forward 30 September 2011</b>	<b>2,704</b>	<b>33,744</b>	<b>48,479</b>	<b>8,704</b>	<b>205,211</b>	<b>(10,933)</b>	<b>4,494</b>

## 17 Net asset value per ordinary share

	At 30 September 2011 £'000	At 30 September 2010 £'000
Undiluted;		
Net assets attributable to ordinary shareholders (£'000)	307,280	388,113
Ordinary Shares in issue at end of period	145,921,120	167,737,237
Net asset value per ordinary share (undiluted)	210.58p	231.38p
Diluted		
Net assets attributable to ordinary shareholders (£'000)	366,518	450,933
Ordinary Shares in issue at end of period if subscription shares converted	174,400,716	200,627,417
Net asset value per ordinary share (diluted)	210.16p	224.76p

The diluted net asset value per ordinary share has been calculated on the assumption that the 28,479,596 (2010: 32,890,180) subscription shares in issue are fully converted at 208 pence per share (2010: 191 pence per share) resulting in a total number of ordinary shares in issue of 174,400,716 (2010: 200,627,417).

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

	For the year ended 30 September 2011	For the year ended 30 September 2010
Net return before finance costs and taxation	(21,651)	85,518
Stock dividends	(163)	(252)
Losses/(gains) on investments held at fair value	25,272	(79,797)
Other currency losses/(gains)	1,718	(141)
Decrease/(increase) in accrued income (gross)	221	(557)
Decrease/(increase) in prepayments and other debtors	18	(10)
(Decrease)/increase in accrued expenses (excl. interest)	(93)	105
Net cash inflow from operating activities	5,322	4,866

## Notes to the Accounts

### 19 Analysis of changes in (debt)/funds

	At 30 September 2010 £'000	Cash flow £'000	Movement in borrowings £'000	Exchange gain/(loss) £'000	At 30 September 2011 £'000
Cash at bank and short-term deposits	20,648	(25,987)	18,599	(986)	<b>12,274</b>
Net cash at 30 September	20,648	(25,987)	18,599	(986)	<b>12,274</b>
Bank loan	(6,346)	–	(18,599)	(732)	<b>(25,677)</b>
Net funds/(debt) at 30 September	14,302	(25,987)	–	(1,718)	<b>(13,403)</b>

### 20 Related party transactions

The Company has appointed Schroder Investment Management Limited (SIM), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services.

Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on page 14.

The total management fee payable under this agreement to SIM in respect of the year ended 30 September 2011 was £3,527,000 (2010: £3,310,000), of which £769,000 (2010: £889,000) was outstanding at the year end. The total secretarial fee (excluding VAT) payable to SIM in respect of the year ended 30 September 2011 was £84,000 (2010: £81,000), of which £37,000 (2010: £22,000) was outstanding at the year end.

Current account facilities were provided during the year by Schroder & Co Limited (a wholly owned subsidiary of Schroders plc) on an arm's length basis. At 30 September 2011, the balance held at Schroder & Co Limited was £498,000 (2010: £496,000) and the interest receivable at the year end was £nil (2010: £nil).

In addition to the above services, SIM also provided investment trust dealing services. The Schroder Investment Trust Dealing Service was closed in January 2011. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 30 September 2011 was £3,000 (2010: £5,000), of which £6,000 (2010: £nil) was outstanding at the year end.

### 21 Financial Instruments

#### Risk management policies and procedures

The Company's investment objective is to achieve capital growth through investment primarily in equities of companies located in the continent of Asia (excluding the Middle East and Japan), together with the Far Eastern countries bordering the Pacific Ocean (excluding Australasia), with the aim of achieving growth in excess of the MSCI all Countries Asia excluding Japan Index in sterling over a longer term.

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

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of revenue profits available for dividend. As an investment trust, the Company invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk. The Board reviews and agrees a policy for managing these risks, as summarised below. These policies have remained unchanged throughout the current and preceding year.

#### 1. 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 – price risk, currency risk and interest rate risk.

The Company's investment 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.

##### a. Price Risk

The Company is an investment company and its performance is dependent on the valuation of its investments. Consequently price risk is the most significant risk that the Company is exposed to. A detailed breakdown of the investment portfolio is given on pages 8 and 9. Investments are valued in accordance with the Company's accounting policies as stated in Note 1. Uncertainty arises as a result of future changes in the market prices of the Company's investments and the effect changes in exchange rates may have on the sterling value of these investments.

#### Management of the risk

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

## Notes to the Accounts

### Price risk exposure

The Company's exposure to other changes in market prices on its quoted investments was as follows:

	<b>At 30 September 2011 £'000</b>	At 30 September 2010 £'000
Fixed asset investments at fair value through profit or loss	<b>320,519</b>	376,350

### Concentration of exposure to price risk

The portfolio is invested in many different industry sectors within a variety of countries, which significantly spreads the risk of individual investments performing poorly and reduces the concentration of exposure. The classification of investments is provided on pages 8 and 9.

### Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the net assets to an increase or decrease of 20% in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's investments at each balance sheet date, with all other variables held constant.

	<b>At 30 September 2011</b>		At 30 September 2010	
	<b>Increase in fair value £'000</b>	<b>Decrease in fair value £'000</b>	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	<b>(609)</b>	<b>609</b>	(715)	715
Effect on capital return	<b>64,104</b>	<b>(64,104)</b>	75,270	(75,270)
Effect on total return and on net assets	<b>63,495</b>	<b>(63,495)</b>	74,555	(74,555)

### b. Currency Risk

The Company is exposed to foreign currency risk through its investment in securities listed on overseas stock markets. Both the amount and the currency split of the financial instruments are expected to fluctuate as cash flow payments and receipts are made on a regular basis in currencies other than sterling.

#### Management of the risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis, and reports to the board on a regular basis. It is the policy of the Company to consider entering into forward foreign exchange contracts, in addition to foreign currency loans, to hedge against foreign currency movements affecting the value of the investment portfolio. At 30 September 2011 and at 30 September 2010 the Company had no forward foreign exchange contracts in place.

#### Foreign currency exposure

The fair values of the Company's monetary assets that have foreign currency exposure are shown below.

Where the Company's investments (which are not monetary assets) are priced in foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

#### (a) Financial assets

	<b>At 30 September 2011</b>			At 30 September 2010		
	<b>Fixed asset investments at fair value through profit or loss £'000</b>	<b>Current assets £'000</b>	<b>Total £'000</b>	Fixed asset investments at fair value through profit or loss £'000	Current assets £'000	Total £'000
Australian Dollar	11,664	227	11,891	8,904	3,062	11,966
Canadian Dollar	4,053	255	4,308	13,593	5	13,598
Chinese Yuan	–	37	37	–	106	106
Euro	–	–	–	856	410	1,266
Hong Kong Dollar	87,450	75	87,525	119,827	294	120,121
Indian Rupee	11,949	30	11,979	5,589	–	5,589
Indonesian Rupiah	6,183	166	6,349	16,873	161	17,034
Malaysian Ringgit	6,342	–	6,342	–	–	–
Philippine Peso	4,713	–	4,713	15,526	–	15,526
Singapore Dollar	26,591	243	26,834	20,050	2,564	22,614
South Korean Won	51,254	–	51,254	50,260	–	50,260
Swedish Krona	2,920	1	2,921	–	–	–
Taiwan Dollar	31,577	62	31,639	47,685	263	47,948
Thai Baht	14,777	13	14,790	–	–	–
United States Dollar	56,065	13,228	69,293	77,186	6,125	83,311
	<b>315,538</b>	<b>14,337</b>	<b>329,875</b>	376,349	12,990	389,339

## Notes to the Accounts

**(b) Financial liabilities**

The Company's financial liabilities comprise bank loans, overdraft balances and other payables. Details of the Company's credit facility are disclosed in note 14.

The foreign currency exposure of these financial liabilities was as follows:

	At 30 September 2011			At 30 September 2010		
	Loan facility £'000	Short-term payables £'000	Total £'000	Loan facility £'000	Short-term payables £'000	Total £'000
Hong Kong Dollar	-	(1,750)	(1,750)	-	(1,671)	(1,671)
Indonesian Rupiah	-	-	-	-	(788)	(788)
United States Dollar	(25,677)	(1,274)	(26,951)	(6,346)	(22)	(6,368)
	<b>(25,677)</b>	<b>(3,024)</b>	<b>(28,701)</b>	<b>(6,346)</b>	<b>(2,481)</b>	<b>(8,827)</b>

**Foreign currency sensitivity**

From the currency exposure table above, the following analysis illustrates the sensitivity of the profit after taxation for the year and the equity in regard to the Company's monetary financial assets and financial liabilities.

It is not possible to forecast how much exchange rates might move in the next year, but based on the movements in the major currencies above in the last two years. It appears reasonably possible that rates could change as noted below.

Assumed exchange rate movements:

Sterling/Hong Kong dollar +/- 10% (2010: 10%)

Sterling/US dollar +/- 10% (2010: 10%)

Sterling/South Korean won +/- 10% (2010: 10%)

Sterling/Taiwan dollar +/- 10% (2010: 10%)

Sterling/Singapore dollar +/- 10% (2010: 10%)

Sterling/Thai baht +/- 10% (2010: 10%)

Sterling/Indian rupee +/- 10% (2010: 10%)

Sterling/Australian dollar +/- 10% (2010: 10%)

If sterling had weakened against the exposure currencies shown, with all other variables held constant, this would have the following effect:

	At 30 September 2011			At 30 September 2010		
	Effect on Revenue return £'000	Effect on Capital return £'000	Total return and net assets £'000	Effect on Revenue return £'000	Effect on Capital return £'000	Total return and net assets £'000
Hong Kong Dollar	12	8,566	8,578	16	11,829	11,845
United States Dollar	4	4,230	4,234	14	7,681	7,695
South Korean Won	-	5,125	5,125	-	5,026	5,026
Taiwan Dollar	6	3,158	3,164	28	4,767	4,795
Singapore Dollar	24	2,659	2,683	3	2,258	2,261
Thai Baht	1	1,478	1,479	-	-	-
Indian Rupee	-	1,198	1,198	-	59	59
Australian Dollar	14	1,176	1,190	15	1,181	1,196
	<b>61</b>	<b>27,590</b>	<b>27,651</b>	<b>76</b>	<b>32,801</b>	<b>32,877</b>



## Notes to the Accounts

If Sterling had strengthened against the exposure currencies shown, with all other variables held constant, this would have the following effect:

	At 30 September 2011			At 30 September 2010		
	Effect on Revenue return £'000	Effect on Capital return £'000	Total return and net assets £'000	Effect on Revenue return £'000	Effect on Capital return £'000	Total return and net assets £'000
Hong Kong Dollar	(12)	(8,566)	(8,578)	(16)	(11,829)	(11,845)
United States Dollar	(4)	(4,230)	(4,234)	(14)	(7,681)	(7,695)
South Korean Won	–	(5,125)	(5,125)	–	(5,026)	(5,026)
Taiwan Dollar	(6)	(3,158)	(3,164)	(28)	(4,767)	(4,795)
Singapore Dollar	(24)	(2,659)	(2,683)	(3)	(2,258)	(2,261)
Thai Baht	(1)	(1,478)	(1,479)	–	–	–
Indian Rupee	–	(1,198)	(1,198)	–	(59)	(59)
Australian Dollar	(14)	(1,176)	(1,190)	(15)	(1,181)	(1,196)
	<b>(61)</b>	<b>(27,590)</b>	<b>(27,651)</b>	<b>(76)</b>	<b>(32,801)</b>	<b>(32,877)</b>

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

### (c) Interest Rate Risk

Although the majority of the Company's financial assets are equity investments, which pay dividends, not interest, interest is earned on any cash balances and paid on any overdrawn or loan balance.

Interest rate changes will also have an impact in the valuation of investments, although this forms part of price risk, which has already been considered separately above.

The Company has a credit facility of US\$75 million (2010: US\$50 million) with ING Bank N.V.

As at 30 September 2011 US\$40 million (2010: US\$10 million) was drawn down. This facility has a revolving 364 day term, is chargeable at a floating rate linked to LIBOR, and is unsecured.

### Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the credit facility. The level of gearing is reviewed by the Board on a regular basis.

The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required.

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

### Interest rate exposure

The exposure of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set;
- fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	At 30 September 2011			At 30 September 2010		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash at bank and short-term deposits	12,274	–	12,274	20,648	–	20,648
Creditors: amounts falling due within one year						
Bank loan	(25,731)	–	(25,731)	(6,364)	–	(6,364)
Total exposure to interest rates	<b>(13,457)</b>	<b>–</b>	<b>(13,457)</b>	<b>14,284</b>	<b>–</b>	<b>14,284</b>

The exposures disclosed above are all within one year and at floating rates. There has been no exposure to long-term or fixed interest rates during the year.

The above year end amounts are generally representative of the exposure to interest rates during the year. Although the level of cash held may change, the level of loan drawn down has remained constant throughout the year. This is not necessarily indicative of the exposure to interest rates in the year ahead, since the level of borrowings and/or cash held during the year will be affected by the strategy being followed in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any one time.

### Interest rate sensitivity

The following table illustrates the sensitivity of the revenue and capital return for the year and net assets to an increase or decrease of 0.50% (2010: 0.50%) in interest rates with regard to the Company's monetary financial assets and 0.50% (2010: 0.50%) with regard to the Company's monetary liabilities, which are subject to interest rate risk.

This level of change is considered to be reasonably possible based on observation of current market conditions.

## Notes to the Accounts

The sensitivity analysis is based on the Company's monetary financial instruments held at each balance sheet date, with all other variables held constant.

	At 30 September 2010		At 30 September 2009	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	(67)	67	72	(72)
Effect on capital return	-	-	-	-
Effect on total return and on net assets	(67)	67	72	(72)

In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure may change frequently throughout the year.

### 2. Liquidity Risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

#### Management of the risk

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

#### Liquidity risk exposure

A summary of the Company's financial liabilities is provided below in Section 5 to this note.

### 3. Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

#### Management of the risk

This risk is not considered significant. The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of SIM.

These arrangements were in place throughout the current year and the prior year.

#### Credit risk exposure

The exposure to credit risk at the year end comprised:

	At 30 September 2011 £'000	At 30 September 2010 £'000
Balances due from brokers	3,384	408
Accrued income	695	843
Cash at bank	12,274	20,648
	<b>16,353</b>	21,899

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

### 4. Fair Values of Financial Assets and Financial Liabilities

The Company's financial instruments are stated at their fair values at the year end. The fair value of shares and securities is based on last traded market prices. Borrowings under the credit facility are short term in nature and hence do not have a value materially different from their capital repayment amount.

### 5. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Company's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

	At 30 September 2011 £'000	At 30 September 2010 £'000
<b>Financial Assets</b>		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	320,519	376,350
Loans and receivables:		
Current assets:		
Debtors (due to brokers, dividends receivable and accrued income)	4,155	1,377
Cash at bank and short-term deposits	12,274	20,648
	<b>16,429</b>	22,025

## Notes to the Accounts

<b>Financial Liabilities – held at amortised cost</b>	<b>At 30 September 2011 £'000</b>	At 30 September 2010 £'000
Creditors: amounts falling due within one year		
Borrowings under the currency credit facility	<b>25,677</b>	6,346
Due to brokers	<b>2,970</b>	2,821
Accruals	<b>1,021</b>	1,095
	<b>29,668</b>	10,262

### 6. Fair Value Hierarchy

The Company adopted the amendments to FRS29 'Financial Instruments: Disclosures' effective of periods beginning on or after 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of these inputs used in making the measurements. The fair value hierarchy shall have the following levels:

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

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices 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 of input that is significant to the fair value measurement of the relevant asset as follows:

Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 30 September 2011 as follows:

	<b>Note</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Financial assets at fair value through profit or loss					
Quoted equities	<b>a</b>	<b>320,519</b>	–	–	<b>320,519</b>
Open derivative contract	<b>b</b>	–	–	–	–
Net fair value		<b>320,519</b>	–	–	<b>320,519</b>

Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 30 September 2010 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a	375,232	–	–	375,232
Open derivative contract	b	–	1,118	–	1,118
Net fair value		375,232	1,118	–	376,350

#### a. Quoted equities

The fair value of the Company's investments in quoted equities have been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges.

#### b. Open derivative contract

The fair value of the Company's investments in quoted equities have been determined by reference to their quoted bid prices at the reporting date. The derivative is a tradeable security.

### 7. Capital management policies and procedures

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective, set out on the inside front cover.

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

- (i) the planned level of gearing through the Company's credit facility;
- (ii) the need to buy back or issue equity shares; and
- (iii) the determination of dividend payments.

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

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 UK Corporation Tax Act 2010 and the Companies Act respectively.

These provisions are unchanged since the previous year and the Company has complied with them.

## Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder AsiaPacific Fund plc will be held at 11.00 a.m. on Wednesday, 1 February 2012 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 7 will be proposed as Ordinary Resolutions and resolutions 8 and 9 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2011.
2. To approve a final dividend of 2.75p per share for the financial year ended 30 September 2011.
3. To approve the Remuneration Report for the year ended 30 September 2011.
4. To re-elect The Hon. Rupert Carington as a Director of the Company.
5. To re-elect Mr Robert Binyon as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company.
7. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors of the Company.
8. 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 693 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p 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 21,877,772, representing 14.99% of the issued ordinary share capital as at 16 December 2011;
  - (b) the minimum price which may be paid for a share is 10p;
  - (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 taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the 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 net asset value;
  - (e) the authority hereby conferred shall expire on the date falling 18 months following the date of the passing of the resolution unless the authority is renewed or revoked at the Company's Annual General Meeting in 2013 or at any other general meeting 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."
9. To consider and, if thought fit, to pass the following resolution as a special resolution:  
"That in addition to any existing authority granted to the Company at any General Meeting held before the passing of this resolution, the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its issued subscription shares, provided that:
  - (a) the maximum number of subscription shares hereby authorised to be purchased shall be 4,264,894 representing 14.99% of the issued subscription share capital as at 16 December 2011;
  - (b) the minimum price which may be paid for a subscription share is 1p;
  - (c) the maximum price which may be paid for a subscription share will not exceed the higher of (i) 5% above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of subscription shares on the trading venue where the purchase is carried out;
  - (d) the authority hereby conferred shall expire on the date falling 18 months following the date of the passing of the resolution unless the authority is renewed or revoked at the Company's Annual General Meeting in 2013 or at any other general meeting prior to such time; and
  - (e) the Company may make a contract to purchase subscription shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of subscription shares pursuant to any such contract notwithstanding such expiry."

By Order of the Board  
Schroder Investment Management Limited  
Company Secretary

Registered Office:  
31 Gresham Street  
London EC2V 7QA

Registered Number: 3104981  
16 December 2011

## Explanatory Notes to the Notice of Meeting

- Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6RF, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at <http://www.sharevote.co.uk>. Shareholders who are not registered to vote electronically, will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) and clicking on the link to vote under their Schroder AsiaPacific Fund plc holding details. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 11.00 a.m. on Monday, 30 January 2012. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers.

If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.
- Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 30 January 2012, or 11.00 a.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 11.00 a.m. on 30 January 2012 shall be disregarded in determining the right of any person to attend and vote at the meeting.
- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.
- Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
- The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 30 September 2011.
- As at 16 December 2011, 145,949,115 ordinary shares of 10 pence each and 28,451,601 subscription shares of 1p each were in issue (no shares were held in treasury). The subscription shares carry no voting rights, therefore the total number of voting rights of the Company as at 16 December 2011 was 145,949,115.
- A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's website, [www.schroderasiapacificfund.com](http://www.schroderasiapacificfund.com).
- Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.



## Company Summary and Shareholder Information

### The Company

Schroder AsiaPacific Fund plc was established in 1995. It is an independent investment trust whose shares are listed on the London Stock Exchange. As at 16 December 2011, the Company had 145,949,115 ordinary shares of 10p each and 28,451,601 subscription shares of 1p each in issue (no shares were held in treasury). The Company's assets are managed and it is administered by Schroders. The Company has, since its launch, measured its performance against the MSCI All Countries Asia ex Japan Index in Sterling terms. The Company measures its performance on a total return basis.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting of the Company in 2016 and thereafter at five yearly intervals.

### Website and Price Information

The Company has a dedicated website, which may be found at [www.schroderasiapacificfund.com](http://www.schroderasiapacificfund.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, Equiniti's shareview service and Schroders' website. 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](http://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 Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from landlines.

Equiniti maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers.

Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit [www.shareview.co.uk](http://www.shareview.co.uk) for more details.

### Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website, [www.theaic.co.uk](http://www.theaic.co.uk).



[www.schroderasiapacificfund.com](http://www.schroderasiapacificfund.com)