

Schroder

Oriental Income Fund Limited

Report and Accounts to 31 August 2009



Schroders

Investment Objective

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

Directors

Robert Sinclair*† (Aged 60)

(Chairman)

was appointed as a non-executive Director of the Company on 17 June 2005. Mr Sinclair is the Managing Director of Artemis Trustees Limited. Mr Sinclair has over 40 years experience in finance and accountancy of which 30 years have been spent in the Guernsey Financial Services industry. Mr Sinclair has extensive experience of offshore trusts and corporate entities and financial planning for both individuals and corporations. Mr Sinclair is a director of ING UK Real Estate Investment Trust Limited which is quoted on the London Stock Exchange. Mr Sinclair is also a director of several fund management companies. He is a fellow of the Institute of Chartered Accountants in England and Wales. Mr Sinclair is a resident of Guernsey.

Fergus Dunlop*† (Aged 51)

was appointed as a non-executive Director of the Company on 21 April 2008. Mr Dunlop is a Director of Resolution Limited and several other Channel Island based investment funds. Mr Dunlop has over twenty years' experience in investment companies in London, Frankfurt, Munich and the Channel Islands. Mr Dunlop joined Mercury Asset Management (later Merrill Lynch Investment Managers) in London in 1987 and managed their joint venture with Munich Reinsurance, and its Jersey subsidiary. In 1997 he moved

to Mercury's office in Frankfurt. After leaving Mercury at the end of 2001 he was a managing director at SÜDPROJEKT in Munich until 2007. Mr Dunlop is a resident of Guernsey.

Peter Rigg*† (Aged 61)

was appointed as a non-executive Director of the Company on 17 June 2005. Mr Rigg is the Chairman of Polarcus, a Dubai-based seismic survey company. He is a board director of two private equity funds managed by General Enterprise Management Services Limited ("GEMS") investing principally in Asian companies. Between 1989 and 1995, Mr Rigg worked for the CS First Boston Group in Hong Kong, where he held various roles, including acting as board representative of International Investment Trust Co., a leading Taipei-based fund management company; managing director and Hong Kong-based head of Asian equity capital markets; and managing director and head of investment banking for CS First Boston (Hong Kong) Limited. Prior to that, Mr Rigg worked for Credit Suisse First Boston Limited in London as director for Asian investment banking and as a solicitor in banking and private practice. Mr Rigg is a resident of the United Kingdom.

Christopher Sherwell† (Aged 61)

was appointed as a non-executive Director of the Company on 17 June 2005. Mr Sherwell is a non-executive director of a number of investment-related companies. He was Managing Director of Schroders (C.I.) Limited from April 2000 until January 2004, and served as a director of various Schroder group companies and investment funds. He remains a non-executive Director of Burnaby Insurance (Guernsey) Limited, a wholly-owned subsidiary of Schroders plc. His other directorships include chairmanship of Goldman Sachs Dynamic Opportunities Limited, a fund of hedge funds, and of the Hermes Commodities Umbrella Fund. Before joining Schroders in 1993, Mr Sherwell worked as Far East regional strategist with Smith New Court Securities in London and Hong Kong. Mr Sherwell was previously a journalist, working for the Financial Times. Mr Sherwell is a resident of Guernsey.

* member of the Audit and Management Engagement Committees.

† member of the Nomination Committee.

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

Mr Sinclair is chairman of the Nomination Committee.

Advisers

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Financial Highlights

	31 August 2009	31 August 2008	% Change
Shareholders' funds	£167.60m	£179.01m	(6.4)
Net asset value per ordinary share	109.31p	115.31p	(5.2)
Net asset value per ordinary share (excluding undistributed current year revenue)	105.51p	110.61p	(4.6)
Share price	106.00p	101.50p	4.4
Premium/(discount) (based on NAV excluding undistributed current year revenue)	0.5%	(8.2)%	
Total expense ratio*	0.98%	0.95%	
	For the year ended 31 August 2009	For the year ended 31 August 2008	
Net revenue return per ordinary share	6.27p	7.14p	(12.2)
Dividends per share	5.50p	5.43p	1.4
Share price total return**	16.3%	(10.1)%	
NAV total return**	3.0%	(6.7)%	

* Calculated in accordance with AIC guidance and based on operating costs, excluding performance fees, finance costs and expressed as a percentage of average monthly net assets.

** Source: Fundamental Data

Ten Largest Investments

Company	Industrial Classification	31 August 2009		31 August 2008	
		Market Value of Holding £'000	% of Shareholders' Funds	Market Value of Holding £'000	% of Shareholders' Funds
QBE Insurance Group	Reinsurance	6,465	3.86	–	–
Fortune Real Estate Investment Trust	Real Estate Investment Trust	6,463	3.86	4,043	2.26
Hang Seng Bank	Banks	6,090	3.63	–	–
Jardine Matheson	General Industrials	5,924	3.53	–	–
Suncorp-Metway	Banks	5,359	3.20	3,768	2.10
Ascendas Real Estate Investment Trust	Real Estate Investment Trust	4,780	2.85	4,570	2.55
China Steel	Industrial Metals	4,666	2.78	2,852	1.59
National Australia Bank	Banks	4,345	2.59	–	–
Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	4,338	2.59	4,201	2.35
Taiwan Mobile Company	Mobile Telecommunications	4,118	2.46	3,732	2.08
		52,548	31.35		

Chairman's Statement

Performance

During the year ended 31 August 2009, the Company's net asset value produced a total return of 3.0% (2008: -6.7%). The share price produced a total return of 16.3% (2008: -10.1%), as sentiment towards the asset class significantly improved during the year.

The Investment Manager's Review provides a more detailed description of the performance of the portfolio over the year. The year has been extremely volatile for all equity markets. As I indicated in my half-yearly Statement, the Company produced a negative net asset value total return of 31.5% for the 6 month period ended 28 February 2009. However, regional markets strongly recovered during the second half of the year and have continued to rise after the year end. At 31 October 2009 the net asset value was over 7% higher than its position as at 31 August 2009.

Dividends

A second interim dividend of 3.0p per share has been declared for the year ended 31 August 2009, giving a total dividend of 5.50p for the year (2008: 5.425p) representing an increase of 1.4% on total dividends paid last year. This is in spite of a 12.2 per cent. reduction in earnings per share for the year ended 31 August 2009 when compared to the previous year. The second interim dividend will be paid on 4 December 2009 to shareholders on the register on 20 November 2009. In view of the uncertain economic outlook, Directors have decided to retain further reserves. It remains difficult to predict income over the coming twelve months but the Company has further reserves from which to draw and is therefore confident that current dividends can be maintained.

Discount Management

During the year under review, the Company's ordinary shares traded at an average discount of 5.6% to the underlying net asset value, in line with the Company's discount target of 5% over the long term.

The Company's active discount management policy was maintained with a total of 2,079,500 ordinary shares being purchased for cancellation, predominantly during the first half of the year. The second half of the year saw better performance and increased demand for the Company's shares and 175,000 ordinary shares were issued in June 2009. Since the end of the year, a further 950,000 ordinary shares have been issued.

A resolution to renew the authority to buy back shares is included in the Notice of the Annual General Meeting. The renewal of this authority would allow the Company to purchase up to 14.99% of the share capital of the Company for cancellation for a further year. The granting of this authority would allow the Directors to continue to implement an active discount management policy with the intention of reducing discount volatility over the coming year.

Gearing

As I reported in the Half-Yearly Report, the amount of gearing available under the Company's facility was reduced from £35 million to £24.5 million during the first half of the year and since the end of the year, the facility has been renewed for a further year to August 2010. Net effective gearing stood at 10.1% at the beginning of the year and at 3.9% at 31 August 2009. The level of gearing will continue to be monitored closely by the Board and managed as necessary.

It remains the intention, as stated in the Company's Listing Particulars, that borrowing will be permitted up to 25% of the Company's net asset value. However, during the year under review borrowing was much lower than this and the average borrowings (based on the month-end net asset values) employed by the Company were 7.1%.

Chairman's Statement

Outlook

A year ago, with markets in free fall, it seemed unlikely that the Company's share price today would be close to the 106p at the end of last fiscal year. That the price today is well over 10% higher is partly a reflection of a global recovery in nerve, as investors believe that government stimulus worldwide has avoided the risk of economic depression, but also that Asian markets have benefited from the region's long-term strengths. Companies, households and governments in the region generally have healthy balance sheets, and the economies went into the downturn with more growth momentum – helped more than anything else by China's success – than in the West.

These strengths will be tested again this year, with the region's key Western export markets unlikely to recover fast. The Company's portfolio is well diversified, and it would be disappointing to see another fall in investment income on the scale of last year's. At a time when the global investment outlook remains unclear, your Board continue to believe in the appeal of an income-oriented approach to one of the most successful parts of the world economy.

Annual General Meeting

The Annual General Meeting will be held in Guernsey at 12.00 noon on Wednesday 9 December 2009 and shareholders are invited to attend.

Robert Sinclair

Chairman

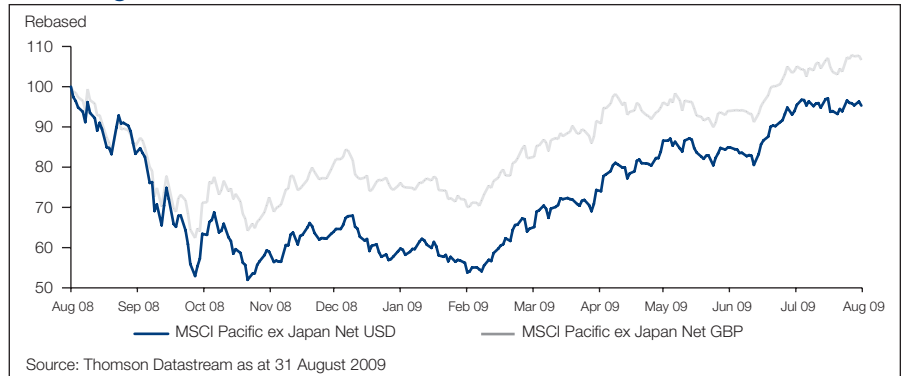
10 November 2009

Investment Manager's Review

The net asset value of the Company recorded a total return of 3.0% over the year to 31 August 2009. A second interim dividend of 3.00p is proposed making 5.50p for the year.

The twelve months under review have encompassed a period of extraordinary volatility in global financial markets. It could indeed be characterised as a game of two halves. For Schroder Oriental Income Fund itself, it meant that a negative return of 31.5% at the interim stage has been followed by a 50.0% rise in the second half of the year.

Performance of the MSCI AC Pacific ex Japan Index 31 August 2008 to 31 August 2009



For the year as a whole, the regional markets performed well compared to global averages. The 6.7% rise in the MSCI All Country Pacific ex Japan Index compares favourably with an 8.5% fall in the UK market, 9.5% decline in the United States and a 0.5% rise in Japan (all figures in sterling terms).

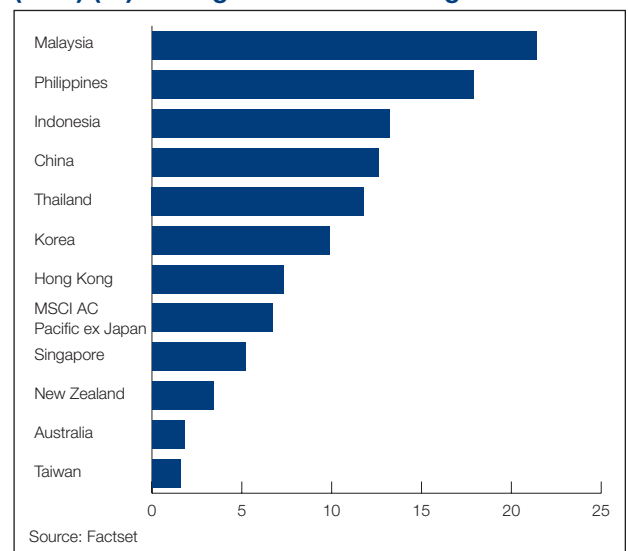
Much of the strength in regional markets has reflected the improvement in the global environment. Central banks, led by the Federal Reserve, have sought to stem the loss of confidence in credit markets through both interest rate cuts and quantitative easing, while sizeable fiscal stimulus has been unveiled in all major economies. With economic expectations reaching a nadir in the first quarter, since then data has almost uniformly surprised on the upside. Global leading indicators are now consistent with a return to positive growth in the fourth quarter, while Asian export and industrial production performance displayed incremental improvement as the year progressed.

After the initial shock of the credit crisis, the region has also benefited from investor realisation that it does not, in general, share the financial weaknesses common to much of the developed world and can adapt effectively to the external shock through fiscal flexibility (most notably in China, Singapore and Australia) and a resilience conferred by saving rates and high foreign exchange reserves.

In terms of individual country performance, the best returns have been across the emerging ASEAN markets of Indonesia (which in sterling terms doubled in the second half), the Philippines, Malaysia and Thailand, along with China which responded well to massive bank credit growth and a big government spending package.

The laggards have been Australia, despite a surge in the final quarter on domestic recovery hopes, and Taiwan due to its export sensitivity, political problems and a lack of significant cross-Straits developments.

MSCI AC Pacific ex Japan net returns by country (GBP) (%) 31 August 2008 to 31 August 2009



Investment Manager's Review

Performance and Portfolio Activity

Despite a strong recovery in relative performance in the second half, the Company's total return for the year as a whole was behind the return on the MSCI AC Pacific ex Japan index. Stock selection was strong in China, Taiwan, Thailand, New Zealand and the Philippines, but lagged in Australia, Korea, Hong Kong and Malaysia.

In terms of policy, the key regional exposures continued to be Australia, Hong Kong, Singapore and Taiwan, along with a 7.3% exposure across emerging ASEAN markets. The exposures to Korea and China were constrained by their lower income yields. Over the year, we added exposure to Australia, particularly in the second half as domestic recovery looked more probable, and Hong Kong, while reducing Indonesia and the Philippines. The main sector exposures remain real estate, telecoms, banks, other financials and materials.

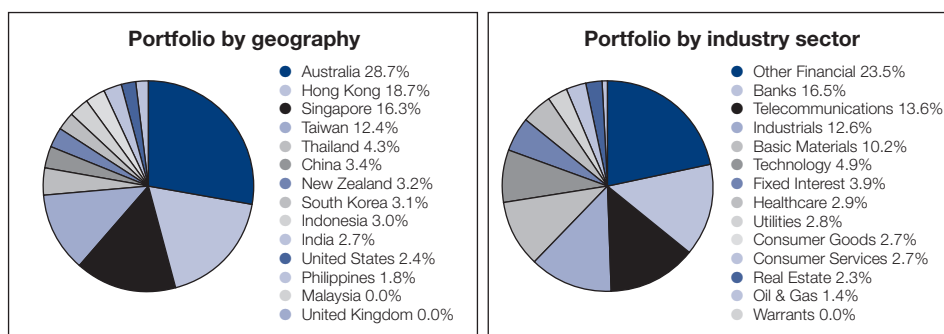
Investment Outlook

The sheer scale and pace of the recovery in regional markets over the last six months or so begs the question of whether the scope for global recovery had now been fully discounted. However, one should bear in mind the starting point for the current rally. By late last year, regional valuations had fallen to levels last seen at the depths of the Asian crisis of 1997/98. Consequently, much of the rally had simply been a reversion to more normalised valuations, and even following the recent rise in markets, valuations are now only slightly above historic averages.

Furthermore, the near-term news flow should be supportive as comparisons get easier vis-a-vis the depressed conditions of twelve months ago. Any rebuilding in inventories, which are still at depressed levels, should be supportive for industrial production and employment in the region while global monetary conditions are likely to remain loose. Some of the regional monetary authorities have signalled an end to domestic easing (e.g. Korea, Australia) but this should not be a significant hindrance to markets.

Longer term growth dynamics for Asia remain attractive, with its strong balance sheet fundamentals and structural growth trends in consumption and investment. We expect continued urbanisation to support a more diversified economy and one that can eventually evolve from the pure export-led model as Asia has in the past been characterised. These longer term supports are reflected in the retention of net effective gearing of 8.7% as at 31 October 2009. However, it would be foolish to pretend that Asian markets can shrug off an air pocket in global recovery, and in that regard momentum beyond global re-stocking remains very unclear given the continued burden of debt and a continued lack of broader credit growth.

Sector and Country Weights



Source: Schroders as at 31 August 2009

*Other includes India, Philippines and Malaysia

Schroder Investment Management Limited

10 November 2009

Investment Portfolio

As at 31 August 2009

Company	Industrial Classification	Location and Activity	Market Value of Holding £'000	% of Shareholders' Funds
QBE Insurance Group	Reinsurance	Australian based global insurance company	6,465	3.86
Fortune Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT, with shopping malls in Hong Kong	6,463	3.86
Hang Seng Bank	Banks	Banking and related financial services	6,090	3.63
Jardine Matheson	General Industrials	Diversified Hong Kong holding company with interests in property, retailing and hotels	5,924	3.53
Suncorp-Metway	Banks	Australian bank and general insurance group	5,359	3.20
Ascendas Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT, which owns a diversified portfolio of commercial properties	4,780	2.85
China Steel	Industrial Metals	Taiwan based manufacturer of steel	4,666	2.78
National Australia Bank	Banks	Australian banking group	4,345	2.59
Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	Taiwanese manufacturer of semiconductor products	4,338	2.59
Taiwan Mobile	Mobile Telecommunications	Taiwanese provider of mobile communications services	4,118	2.46
Fletcher Building	Construction & Materials	New Zealand based building materials manufacturer and distributor	3,792	2.26
Suntec Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT, owns and manages retail and commercial properties	3,728	2.22
Orica	Chemicals	Australian mining services and consumer products	3,652	2.18
GZI Real Estate Investment Trust	Real Estate Investment Trust	Hong Kong based REIT with a portfolio of Guangdong properties	3,526	2.10
MobileOne Ltd	Telecommunications	Provider of mobile telecommunications in Singapore	3,453	2.06
Far EasTone Telecommunications	Telecommunications	Taiwanese provider of mobile communications services	3,411	2.04
The Link Real Estate Investment Trust	Real Estate Investment Trust	Hong Kong based REIT owns and manages shopping centres	3,364	2.01
Australia & New Zealand Banking Group	Banks	Australian banking group	3,349	2.00
Westfield Group	Real Estate	Australian property group investing and managing retail shopping centres	3,262	1.95
Cambridge Industrial Estate	Real Estate Investment Trust	Singapore based REIT, with a portfolio of industrial properties	3,082	1.84
Twenty Largest Investments			87,167	52.01
Siliconware Precision	Technology Hardware & Equipment	Taiwanese semiconductor testing group	3,022	1.80
DBS Group	Banks	Singapore based provider of financial services	2,955	1.76
Hong Kong Electric Holdings	Utilities	Electric utility	2,900	1.73
Sonic Healthcare	Healthcare Provider	Australian medical diagnostics company	2,804	1.67
Sembcorp Marine	Marine engineering	Singapore based global marine and engineering group	2,673	1.60
Gunns	Forestry & Paper	Integrated hardwood forest products company based in Australia	2,629	1.57
Niko Resources	Oil & Gas Producers	Developer and producer of petroleum and natural gas	2,388	1.43
Sino Forest Corporation 10.25% Bonds 28/7/2014	Fixed Interest	Chinese corporate bond	2,309	1.38
Orica Floating Rate Note	Speciality Chemicals	Australian mining services and consumer products	2,260	1.35
China Mobile (HK)	Telecommunications	Chinese provider of mobile communications services	2,255	1.35
SK Telecom	Telecommunications	Korean provider of mobile communications services	2,248	1.34
Telstra Corporation	Telecommunications	A provider of telecommunication services in Australia	2,204	1.32
Westpac Banking	Banks	Australian banking group	2,179	1.30

Investment Portfolio

As at 31 August 2009

Company	Industrial Classification	Location and Activity	Market Value of Holding £'000	% of Shareholders' Funds
Crown	Travel & Leisure	Australian entertainment group	2,105	1.26
Advanced Information	Telecommunications	Thai provider of mobile communication services	2,074	1.24
Glow Energy	Utilities	Supplier of electricity and steam, based in Thailand	2,022	1.21
Texwinca Holdings	Clothing & Accessories	Hong Kong based producer of dyes and sells knitted fabric and yarn.	2,006	1.20
Indonesia (Govt) 11% 15/12/2012	Fixed Interest	Indonesian treasury stock	1,975	1.18
China Construction Bank	Banks	Chinese provider of banking and other financial services	1,944	1.16
Hong Kong Land Holdings	Real Estate	Property investment	1,874	1.12
Chunghwa Telecom	Telecommunications	Taiwanese provider of telecommunication services	1,873	1.12
Guoco Group	Financial Services	Diversified holding company	1,747	1.04
Industrial & Commercial Bank of China	Banks	Chinese provider of banking and other financial services	1,733	1.03
Semirara Mining	Mining	Coal producer in the Philippines	1,649	0.98
Swire Pacific	General Industrials	Diversified Hong Kong holding company	1,514	0.90
Boral	Building Materials	Manufactures and supplies building and construction materials in Australia and internationally	1,509	0.90
LPN Development	Real Estate	Property developer in Thailand	1,454	0.87
DMCI Holdings	Mining	Philippine holding company	1,434	0.86
Denway Motors	Automobiles & Parts	Manufacture, assembly and trading of motor vehicles in China	1,385	0.83
Ansell	Medical Supplies	Australian latex manufacturing company	1,328	0.79
LG Chemical Preferred	Chemicals	A chemical manufacturer based in Korea	1,315	0.78
CPN Retail Growth	Real Estate Investment Trust	A property fund with investments in shopping complex projects based in Thailand	1,306	0.78
Hanjaya Mandala Sampoerna	Tobacco	Leading tobacco company in Indonesia	1,248	0.74
Mirvac	Real Estate	Involved in property investment, management and development in Australia and New Zealand	1,246	0.74
Adelaide Brighton	Construction & Materials	Australian building materials company	1,244	0.74
Shenzhen Expressway	Industrial Transportation	Manages and operates toll expressways in China	1,210	0.72
Panva Gas Holdings Ltd 8.25% Bonds 23/09/2011	Fixed Interest	Corporate bond	1,135	0.68
MGTI Finance Co Ltd 9.125% Bonds 15/09/2010	Fixed Interest	Corporate bond	1,110	0.66
James Hardie Industries	Construction & Materials	Australian manufacturer of home building products	1,070	0.64
LG Telecom	Mobile Telecommunications	Provides a wide range of personal communications services based in South Korea	1,059	0.63
Computershare	Computer Services	Operates share registries and shareholder communication services	1,045	0.62
Jiangsu Expressway	Transportation Services	Manages and operates toll expressways in China	1,017	0.61
GuocoLeisure	Travel & Leisure	Investment holding company	1,007	0.60
Indocement Tunggal Prakarsa	Construction & Materials	Large cement producer in Indonesia	967	0.58
Panin Life	Life Insurance	Indonesia based life insurance company	962	0.57
Telecom Corp of New Zealand	Telecommunications	Provides telecommunication services in New Zealand and Australia	898	0.54
Esprit Holdings	General Retailers	Clothing retailer	885	0.53

Investment Portfolio

As at 31 August 2009

Company	Industrial Classification	Location and Activity	Market Value of Holding £'000	% of Shareholders' Funds
Downer EDI	Heavy Construction	Provides engineering and infrastructure management services in Australia, New Zealand, Asia and the Pacific	877	0.52
Fisher & Paykel Healthcare	Medical Equipment	New Zealand based healthcare group	820	0.49
Daishin Securities	Investment Services	Securities trading, brokerage and underwriting services based in Korea	810	0.48
Fairfax Media	Publishing	Australian-based media group	725	0.43
Cheuk Nang Holdings	Real Estate	Hong Kong based property development and investment group	706	0.42
Kiatnakin Finance	Financial Services	Provision of financial services, brokerage, and investment advice. Based in Thailand	678	0.40
Cheuk Nang Holdings warrants	Real Estate & Investment	Hong Kong based property development and investment group	68	0.04
Total Investments			173,027	103.24
Net current liabilities			(5,423)	(3.24)
Total equity shareholders' funds			167,604	100.00

At 31 August 2008, the twenty largest investments represented 51.36% of shareholders' funds.

Analysis of Investments

As at 31 August 2009

	Market Value of Holdings £'000	% of Shareholders' Funds
Equities	166,498	96.23
Fixed Interest Securities	6,529	3.77
	173,027	100.00

Report of the Directors

Business Review

Company's Business

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

Investment Objective

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

Investment Strategy

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

Investment Policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government, quasi-government, corporate and high yield bonds and preferred shares. A full breakdown of the investment portfolio may be found on pages 7 to 9.

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

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

Spread of Investment Risk and Investment Restrictions

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

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

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

Report of the Directors

- (iii) invest more than 40% (calculated at the time of any relevant investment) of its gross assets in another collective investment undertaking;
- (iv) expose more than 20% of its gross assets to the creditworthiness or solvency of any one counterparty;
- (v) invest in physical commodities; or
- (vi) invest in derivatives except for the purposes of efficient portfolio management.

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

No breaches of these investment restrictions took place during the year ended 31 August 2009.

The Investment Portfolio on pages 7 to 9 and the Investment Manager's Review on pages 5 to 6 demonstrate that, as at 31 August 2009, the portfolio was invested in 12 countries and in many different industry sectors within such countries. There were 70 equity holdings and 4 fixed interest holdings in the portfolio at that time. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Gearing

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

At the beginning of the year under review, the net effective gearing (as a percentage of the Company's net asset value) was 10.1% and at the end of the year it was 3.9%. The average percentage, based on month-end net assets, was 7.1%. The Company's gearing continues to operate within pre-agreed limits so that actual gearing does not represent more than 25% of shareholders' funds.

Performance

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

Measuring Success – Key Performance Indicators

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

Investment Performance

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

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

For the year ended 31 August 2009, the Company produced a total return on net asset value of 3.0%.

Discount Management

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

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

Report of the Directors

Share buy-backs are a more direct way of managing the discount. The discount of the Company's share price to its underlying net asset value and the discounts of peer group companies are monitored. As indicated in the launch Prospectus, the Directors have implemented an active discount management policy through the use of share buy-backs to seek to maintain the price at which the ordinary shares trade relative to their prevailing net asset value at no greater than a 5% discount over the longer term. A total of 2,079,500 ordinary shares were purchased for cancellation during the year.

During the year under review the share price traded at an average discount of 5.6% in line with the Company's discount target of 5% over the long term.

Control of Total Expenses

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

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

The TER for the Company for the year to 31 August 2009 (calculated in accordance with AIC guidance as total annualised net operating expenses; excluding finance costs and performance fee after tax divided by average net assets during the year) was 0.98% (2008: 0.95%).

Principal Risks and Uncertainties

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

Financial Risk

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

The Company invests predominantly in underlying assets which are denominated in currencies other than Sterling and therefore has an exposure to changes in the exchange rates between Sterling and these currencies which has the potential to have a significant effect on returns. While the Directors consider the Company's hedging policy on a regular basis, the Company did not engage in currency hedging to reduce the risk of currency fluctuations and the volatility of returns which might result from such currency exposure during the year ended 31 August 2009.

The Company utilises a credit facility, currently in the amount of £24.5 million, which increases the funds available for investment through borrowing ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the share price is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. The Company's gearing continues to operate within pre-agreed limits so that net effective gearing does not represent more than 25% of shareholders' funds.

Strategic Risk

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

Legal and Regulatory Risk

Breaches of the UK Listing Rules, Guernsey Companies Law 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 Manager and other advisers to assist it in ensuring continued compliance.

A full analysis of the financial risks facing the Company is set out in note 25 on pages 34 to 39.

Report of the Directors

The Directors submit their Report and the Audited Accounts of the Company for the year ended 31 August 2009.

Dividend Policy

Dividends on the ordinary shares are expected to be paid twice a year, normally in respect of the six months to 28 February and 31 August. All dividends will be paid as interim dividends. In accordance with the Company's Articles of Association, no dividends can be paid otherwise than out of the profits available for the purpose.

Having already paid a first interim dividend of 2.50p (2008: 2.475p) per share, the Board has now declared a second interim dividend of 3.00p (2008: 2.95p) per share for the year ended 31 August 2009 which is payable on 4 December 2009 to Shareholders on the Register on 20 November 2009. Thus, dividends for the year amount to 5.50p (2008: 5.425p) per share. This represents an increase of 1.4% over the rate of dividends paid in respect of the previous year.

Total dividend payments for the year of £8,429,000 (2008: £8,431,000) would have resulted in retained revenue for the year of £7,828,000 but in accordance with accounting standards, the second interim dividend amounting to £4,600,000 will not be accounted for until it has been paid.

Directors and their Interests

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

In accordance with the Company's Articles of Association, Mr Sinclair will retire by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

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

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

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 August 2009, all of which were beneficial, were as follows:

Director	Ordinary shares of 1p each 31 August 2009	Ordinary shares of 1p each 1 September 2008
Robert Sinclair	10,000	10,000
Fergus Dunlop	10,000	10,000
Peter Rigg	60,000	10,000
Christopher Sherwell	10,000	10,000

There have been no changes in the above holdings between the end of the financial year and 10 November 2009.

As at the date of this Report, the Company had 154,284,500 ordinary shares of 1p each in issue. Accordingly, the total number of voting rights in the Company at the date of this Report is 154,284,500.

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

Report of the Directors

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
Rensburg Sheppards Investment Management	19,816,942	12.84
Allianze SE	11,277,658	7.31
Rathbone Investment Management	11,069,985	7.18

Investment Manager

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

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

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

The performance fee is only payable in respect of any period to the extent that the closing adjusted net asset value per ordinary share, taking account of the performance fee, exceeds the higher of 100p or the highest adjusted net asset value per ordinary share (reduced to the level at which any cap as described below applied) in respect of which a performance fee was previously paid. The total amount of any performance fee payable in respect of any one accounting period is capped at 1% of the net assets of the Company calculated at the end of that period. No performance fee was payable in respect of the year ended 31 August 2009 (2008: £Nil).

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

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

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

Secretarial and Administration Arrangements

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

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors at 31 August 2009 (2008: Nil).

Environmental Policy

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

Report of the Directors

Statement of Directors' Responsibilities

The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period, and are in accordance with applicable Guernsey law and International Financial Reporting Standards ("IFRS").

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. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

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

The Directors believe that they have complied with these responsibilities.

The Directors, who are listed on the inside front cover of this report, each confirm to the best of their knowledge that

- the accounts are prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company, and
- this annual report includes a fair view 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 the Company faces.

Independent Auditors

The Company's Auditors, Ernst & Young 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 has adopted a policy on the engagement of the Auditors to supply non-audit services to the Company. The Auditors did not supply any non-audit services during the year under review.

Provision of Information to Auditors

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

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. 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, 9 December 2009 at 12.00 noon. The formal notice of the AGM is set out on page 40.

Special Business to be proposed at the AGM

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

At the AGM on 9 December 2008, the Company was granted authority to make market purchases of up to 23,162,248 ordinary shares for cancellation. A total of 2,079,500 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 21,082,748 ordinary shares. This authority will expire at the forthcoming AGM.

Report of the Directors

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue at the date of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its Shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled. The authority to be given at the 2009 AGM will lapse at the conclusion of the AGM in 2010, 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 1p, being the nominal value per ordinary share.

Recommendation

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

By Order of the Board
Schroder Investment Management Limited
Company Secretary

10 November 2009

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 limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 31 August 2009, Directors received fees of £20,000 per annum and the Chairman received fees of £25,000 per annum to reflect his more onerous role. With effect from 1 September 2009, the Chairman of the Audit Committee will now receive an additional £2,500 per annum to reflect his more onerous role.

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

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

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

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

Remuneration

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

Director	For the year ended 31 August 2009	For the year ended 31 August 2008
	£	£
Robert Sinclair	25,000	25,000
Fergus Dunlop	20,000	7,300*
Peter Rigg	20,000	20,000
Christopher Sherwell	20,000	20,000
	85,000	72,300

*Mr Dunlop was appointed as a Director on 21 April 2008.

By order of the Board
Schroder Investment Management Limited
Company Secretary
10 November 2009

Corporate Governance

Compliance with the Combined Code

Due to its Guernsey incorporation the Company is not required to comply with the Combined Code (the “Code”) appended to the Rules of the UK Listing Authority. However, the Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate to comply with the principles of the Combined Code. The Financial Reporting Council published a revised version of the Combined Code in 2008, which applies to accounting periods beginning on or after 29 June 2008. The disclosures in this Statement therefore relate to the requirements of the 2008 Combined Code (the “Code”). The Code is published by the FSA and is available to download from 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 set out on page 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 the best practice provisions in Section 1 of 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 leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of Code Principles

Role of the Chairman

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

Role of the Board

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

Composition and Independence

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

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

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company’s website at www.schroderorientalincomefund.com. Details of

Corporate Governance

membership of the Committees at 31 August 2009 may be found on the inside front cover of this report and information regarding attendance at Committee Meetings during the year under review may be found on page 20.

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 competence in accounting.

To discharge its duties, the Committee met on two occasions during the year ended 31 August 2009 and considered the annual and half-yearly report and accounts, the external Auditors' year-end reports, 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 Committee is to review the terms of the management contract with the Investment Manager. In addition, the Committee reviews Directors' fees and makes recommendations to the Board in this regard. The Board considers each member of the Committee, with the exception of Mr Sherwell, to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 August 2009 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 and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Sherwell, to be independent.

The Committee did not have cause to meet during the year ended 31 August 2009.

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 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 use of external consultants.

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

Induction and Training

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

Corporate Governance

Board Evaluation

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

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

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

Meetings and Attendance

The Board meets at least four times 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 is set out in the table below.

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

Information Flows

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

Directors' and Officers' Liability Insurance

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

Directors' Indemnities

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

Conflicts of Interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and 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 14.

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

Corporate Governance

and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

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

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on page 40 sets out the business of the meeting.

Environmental Policy

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

Exercise of Voting Powers

The Company has delegated responsibility for voting to Schroders who votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website at www.schroderorientalincomefund.com.

Internal Control

The Code requires the Board at least annually to conduct a review of the adequacy of the Company's systems of internal control 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 adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually.

The Board believes that the key risks identified and the implementation of an on-going system to identify, evaluate and manage these risks are based upon and relevant to the Company's business. 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 our 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 internal audit is needed.

Independent Auditors' Report¹

To the Members of Schroder Oriental Income Fund Limited

We have audited the company's accounts for the year ended 31 August 2009 which comprise the Income Statement, Statement of Changes in Equity, Balance Sheet and Cash Flow Statement and the related notes 1 to 25. These accounts have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, the accounts are not in agreement with the accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only Directors and Advisors, Financial Highlights and Ten Largest Investments, the Chairman's Statement, Investment Manager's Review, Investment Portfolio, Report of the Directors, Remuneration Report, Corporate Governance, Notice of the Meeting and Company Summary and Shareholder Information. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 31 August 2009 and of its loss for the year then ended; and have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

Ernst & Young LLP
Guernsey
10 November 2009

¹ The report and accounts are published on the Company's website, www.schroderorientalincomefund.com. The maintenance and integrity of the website maintained by the Company is the responsibility of the Company. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the report and accounts may be published and accordingly, the Auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in Guernsey governing the preparation and dissemination of the report and accounts may differ from legislation in their jurisdiction.

Income Statement

	Note	For the year ended 31 August 2009			For the year ended 31 August 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	2	-	(8,631)	(8,631)	-	(14,705)	(14,705)
Other currency losses	3	-	(1,673)	(1,673)	-	(2,672)	(2,672)
Income	4	11,520	-	11,520	13,276	-	13,276
Investment management fee	5	(293)	(684)	(977)	(437)	(1,020)	(1,457)
Administrative expenses	6	(385)	(4)	(389)	(393)	(52)	(445)
Net return/(loss) before finance costs and taxation		10,842	(10,992)	(150)	12,446	(18,449)	(6,003)
Finance costs							
Interest payable and similar charges	7	(133)	(304)	(437)	(405)	(889)	(1,294)
Net return/(loss) on ordinary activities before taxation		10,709	(11,296)	(587)	12,041	(19,338)	(7,297)
Taxation on ordinary activities	8	(1,061)	-	(1,061)	(871)	-	(871)
Net return/(loss) after taxation attributable to equity shareholders		9,648	(11,296)	(1,648)	11,170	(19,338)	(8,168)
Net (return)/loss per ordinary share	10	6.27p	(7.34)p	(1.07)p	7.14p	(12.36)p	(5.22)p

The total column of this statement represents the Company's Income Statement, prepared in accordance with IFRS.

The Revenue and Capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Statement of Changes in Equity.

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

The notes on pages 27 to 39 form an integral part of these accounts.

Statement of Changes in Equity

	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 August 2007	1,571	–	–	153,887	33,697	8,110	197,265
Net (loss)/return on ordinary activities	–	–	–	–	(19,338)	11,170	(8,168)
Cost of shares bought back for cancellation	(18)	18	–	(1,973)	–	–	(1,973)
Second interim dividend paid for year ended 31 August 2007	–	–	–	–	–	(4,240)	(4,240)
First interim dividend paid for year ended 31 August 2008	–	–	–	–	–	(3,873)	(3,873)
At 31 August 2008	1,553	18	–	151,914	14,359	11,167	179,011
At 31 August 2008	1,553	18	–	151,914	14,359	11,167	179,011
Net (loss)/return on ordinary activities	–	–	–	–	(11,296)	9,648	(1,648)
Cost of shares bought back for cancellation	(21)	21	–	(1,540)	–	–	(1,540)
Issue of shares	2	–	166	–	–	–	168
Second interim dividend paid for year ended 31 August 2008	–	–	–	–	–	(4,558)	(4,558)
First interim dividend paid for year ended 31 August 2009	–	–	–	–	–	(3,829)	(3,829)
At 31 August 2009	1,534	39	166	150,374	3,063	12,428	167,604

The notes on pages 27 to 39 form an integral part of these accounts.

Balance Sheet

	Note	At 31 August 2009 £'000	At 31 August 2008 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	173,027	195,672
		173,027	195,672
Current assets			
Other receivables	12	1,566	1,915
Cash and cash equivalents	13	7,248	5,425
		8,814	7,340
Total assets		181,841	203,012
Current liabilities			
Bank loans	14	(13,805)	(22,636)
Other payables	15	(432)	(1,365)
		(14,237)	(24,001)
Net assets		167,604	179,011
Equity attributable to equity holders			
Called up share capital	16	1,534	1,553
Capital redemption reserve	17	39	18
Share premium account	18	166	–
Special reserve	19	150,374	151,914
Capital reserve	20	3,063	14,359
Revenue reserve	21	12,428	11,167
Equity shareholders' funds		167,604	179,011
Net asset value per ordinary share	22	109.31p	115.31p

These accounts were approved by the Board of Directors and authorised for issue on 10 November 2009.

Robert Sinclair

Director

The notes on pages 27 to 39 form an integral part of these accounts.

Cash Flow Statement

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Cash flows from operating activities		
Net loss before finance costs and taxation	(150)	(6,003)
Other currency losses	1,673	2,672
Overseas taxes paid	(1,106)	(824)
Adjustments for:		
Decrease in investments	22,645	23,851
Decrease in receivables	388	3,077
Decrease in payables	(924)	(1,893)
Net cash from operating activities	22,526	20,880
Cash flows from financing activities		
Dividends paid	(8,387)	(8,113)
Purchase of shares for cancellation	(1,540)	(1,973)
Issue of shares	168	–
Bank overdraft interest paid	(3)	(24)
Bank loan interest paid	(437)	(1,276)
Bank loans repaid	(13,184)	(9,852)
Net cash used in financing activities	(23,383)	(21,238)
Net decrease in cash and cash equivalents	(857)	(358)
Effect of foreign exchange gains	2,680	605
Cash and cash equivalents at 1 September	5,425	5,178
Cash and cash equivalents at 31 August	7,248	5,425

The notes on pages 27 to 39 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

The accounts of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and International Accounting Standards Committee ('IASC') as adopted by the European Union as effective at 31 August 2009.

The Company's functional currency and the currency used for the presentation of these accounts is pounds sterling, as that is the currency of the primary economic environment in which the Company operates.

(a) – Basis of Preparation

The accounts have been prepared on a going concern basis.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for financial statements of Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the accounts on a basis compliant with the recommendations of the SORP. The new SORP (adopted early) has not resulted in any changes to the accounting policies, or restatement of prior year figures.

(b) – Presentation of Income Statement

In order to better reflect the activities of the 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.

(c) – Income

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

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

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

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

(d) – Expenses and interest payable

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

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

The performance fee is allocated 100% to capital as the Directors believe it reflects capital performance.

Expenses incidental to the acquisition or disposal of investments are charged wholly to capital.

(e) – Taxation

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

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

(f) – Non-current asset investments held at fair value

Investments are recognised on trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost.

All the Company's investments are defined by IFRS as investments held at fair value through profit or loss.

All investments are classified as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Gains and losses arising thereon are recognised in the capital column of the Income Statement.

(g) – Foreign exchange

Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. The results and financial position of the Company are expressed in Sterling, which is the functional and presentational currency of the Company.

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

Foreign currency exchange differences arising on translation are recognised in the Income Statement.

(h) – Cash and cash equivalents

Cash and cash equivalents comprises cash at bank, short term deposits, and bank overdrafts.

These are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

Notes to the Accounts

(i) – Accounting estimates and judgements

The preparation of accounts in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period if the revision alters both current and future periods.

(j) – Single segment reporting

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

(k) – Capital reserve

The following are accounted for in this reserve:

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

(l) – Accounting developments

At the date of authorisation of these accounts, the following applicable Standards were in issue but not yet effective:

- IAS 1 (Revised), 'Presentation of Financial Statements' (effective for financial years beginning on or after 1 January 2009, subject to endorsement by the EU). Introduces financial statement name changes for the purposes of accounting standards. The new names are not mandatory for financial reporting and the Company does not currently expect to apply the new statement names.
- IAS 23 (Amendment), 'Borrowing costs' (effective for financial years beginning on or after 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Company has no qualifying assets but expects to apply the standard from 1 September 2009.
- IFRS 3 (Revised), 'Business combinations' (effective for financial periods beginning on or after 1 July 2009). Changes elements of the acquisition method for business combinations, including that all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt, subsequently re-measured through the income statement. The Company will apply IFRS 3 (Revised) to all business combinations from 1 September 2009.
- IAS 27 (Revised), 'Consolidated and Separate Financial Statements' (Consequential amendments arising from IFRS 3 'Business Combinations') (effective for financial years beginning on or after 1 July 2009). Unlikely to have any significant impact. The Company expects to apply IAS 27 (Revised) from 1 September 2009.
- IFRS 8, 'Operating Segments' (effective for financial years beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company expects to apply IFRS 8 from 1 September 2009. Unlikely to have a significant effect.
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment permits an entity to reclassify particular financial assets in some circumstances. The Company will apply the IAS 39 (Amendment) from 1 September 2009. It is not expected to have an impact on the accounts.

There are also a number of minor amendments to the following standards, which are part of the IASB's annual improvements project published in May 2008. These amendments are subject to endorsement by the EU and they are unlikely to have any significant impact on the Company's accounts.

- IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- IAS 10, 'Events after the reporting period'
- IAS 18, 'Revenue'
- IAS 29 (Amendment), 'Investments in associates'
- IAS 32, 'Financial Instruments: Presentation'
- IAS 34, 'Interim financial reporting'
- IAS 36 (Amendment), 'Impairment of assets'

The following list of standards, amendments and interpretations to existing standards will become effective in future accounting periods but are not relevant for the Company's operations:

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows')
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7)
- IAS 32 (Amendment), 'Financial instruments: presentation' and IAS 1, 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'
- IAS 38 (Amendment), 'Intangible assets'
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16)
- IAS 41 (Amendment), 'Agriculture'
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'
- IFRIC 13 'Customer loyalty programmes'
- IFRIC 15, 'Agreements for construction of real estates'

Notes to the Accounts

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

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
(Losses)/gains on disposal of investments held at fair value through profit or loss	(41,456)	15,940
Investment holding gains/(losses) during the year	32,825	(30,645)
	(8,631)	(14,705)

3. Other currency losses

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Exchange gains on currency balances	2,680	605
Exchange losses on the loan facility	(4,353)	(3,277)
	(1,673)	(2,672)

4. Income

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Income from investments:		
Overseas dividends	10,407	11,959
Interest on fixed interest securities	895	890
Stock dividends	106	65
	11,408	12,914
Interest on deposits	112	362
	11,520	13,276

5. Investment management fee

	For the year ended 31 August 2009			For the year ended 31 August 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	293	684	977	437	1,020	1,457

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

The Manager is also entitled to a performance fee based on the performance of the Company's adjusted net asset value per ordinary share, full details of which are set out on page 14 of this report.

Notes to the Accounts

6. Administrative expenses

	For the year ended 31 August 2009			For the year ended 31 August 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
General expenses	205	4	209	231	52	283
Directors' fees	85	-	85	73	-	73
Secretarial fee	75	-	75	75	-	75
Auditors' remuneration:						
Fees payable for the audit of the Company's annual accounts	20	-	20	20	-	20
Over accrual from prior year	-	-	-	(6)	-	(6)
	385	4	389	393	52	445

7. Interest payable

	For the year ended 31 August 2009			For the year ended 31 August 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank overdraft interest payable	3	-	3	24	-	24
Bank loan interest payable	130	304	434	381	889	1,270
	133	304	437	405	889	1,294

8. Taxation

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Irrecoverable overseas tax	1,061	871

9. Dividends

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Amounts recognised as distributions in the year:		
Second interim dividend of prior year of 2.95p (2008: 2.70p)	4,558	4,240
First interim dividend of 2.50p (2008: 2.475p)	3,829	3,873
Total dividends of 5.45p (2008: 5.175p)	8,387	8,113
Total dividends payable in respect of the financial year:		
First interim dividend of 2.50p (2008: 2.475p)	3,829	3,873
Second interim dividend of 3.00p (2008: 2.95p)	4,600	4,558
Total dividends of 5.50p (2008: 5.425p)	8,429	8,431

The first interim dividend of 2.50 pence per share (2008: 2.475 pence per share) was paid on 8 May 2009 to shareholders registered on 24 April 2009. The shares were quoted ex-dividend on 22 April 2009.

The second interim dividend of 3.00 pence per share (2008: 2.95 pence per share) was declared on 10 November 2009 and will be paid on 4 December 2009 to shareholders registered on 20 November 2009. The shares were quoted ex-dividend on 18 November 2009.

Dividends are reflected in the accounts in the period in which they are paid.

Notes to the Accounts

10. Return/(loss) per ordinary share

	For the year ended 31 August 2009	For the year ended 31 August 2008
Revenue (£'000)	9,648	11,170
Capital (£'000)	(11,296)	(19,338)
Total (£'000)	(1,648)	(8,168)
Weighted average number of shares	153,855,853	156,465,279
Revenue	6.27p	7.14p
Capital	(7.34)p	(12.36)p
Total	(1.07)p	(5.22)p

11. Investments held at fair value through profit or loss

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Movements of investments held as non current assets:		
Book cost brought forward	216,600	209,806
Acquisitions at cost	148,678	218,232
Proceeds of disposals	(162,680)	(227,316)
Net (losses)/gains realised on disposals	(41,456)	15,940
Amortisation on fixed interest securities	(12)	(62)
Book cost at 31 August	161,130	216,600
Investment holding gains/(losses)	11,897	(20,928)
Valuation of investments at 31 August	173,027	195,672

All investments are listed on a recognised stock exchange.

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

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
On acquisitions	263	469
On disposals	385	560
	648	1,029

12. Other receivables

	At 31 August 2009 £'000	At 31 August 2008 £'000
Amounts receivable within one year:		
Accrued income	1,555	1,910
Prepaid expenses	11	5
	1,566	1,915

Notes to the Accounts

13. Cash and cash equivalents

	At 31 August 2009 £'000	At 31 August 2008 £'000
Short-term deposits	3,243	2,216
Cash at bank	4,005	3,209
	7,248	5,425

14. Bank loans

	At 31 August 2009 £'000	At 31 August 2008 £'000
Bank loan	13,805	22,636

The Company has a multi currency loan facility of £24,500,000 (2008: £24,500,000) with ING Bank NV. This facility has a revolving 364 day term and is chargeable at a floating rate linked to LIBOR and is unsecured.

At 31 August 2009, £13,805,000 (2008: £22,636,000) was drawn down as follows:

	2009 £'000	2008 £'000
USD	13,805	16,448
Japanese Yen	–	6,188
	13,805	22,636

15. Other payables

	At 31 August 2009 £'000	At 31 August 2008 £'000
Amounts payable within one year:		
Purchases for future settlement	–	895
Accrued expenses	411	443
Overseas taxation payable on stock dividends	21	27
	432	1,365

16. Called up share capital

	At 31 August 2009 £'000	At 31 August 2008 £'000
Authorised:		
250,000,000 (2008: 250,000,000) ordinary shares of 1p each	2,500	2,500
Allotted, Called up and Fully paid:		
Balance brought forward: 155,239,000 (2008: 157,050,000) ordinary shares	1,553	1,571
Shares bought back for cancellation: 2,079,500 (2008: 1,811,000) ordinary shares	(21)	(18)
Shares issued: 175,000 (2008: nil) ordinary shares	2	–
Balance carried forward: 153,334,500 (2008: 155,239,000) ordinary shares	1,534	1,553

A total of 175,000 shares were issued during the year the proceeds from which were £168,000. Since the year end, the Company has issued an additional 950,000 shares the proceeds of which were £1,162,000.

Notes to the Accounts

17. Capital redemption reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	18	–
Shares bought back for cancellation	21	18
Balance carried forward	39	18

The Capital Redemption Reserve, which is non-distributable, holds the amount by which the nominal value of the Company's issued share capital is diminished when shares are redeemed or purchased out of the Company's profits.

18. Share premium account

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	–	–
Arising on the issue of ordinary shares	166	–
	166	–

19. Special reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	151,914	153,887
Shares bought back for cancellation	(1,540)	(1,973)
Balance carried forward	150,374	151,914

20. Capital reserve

	At 31 August gains and (losses) £'000	At 31 August Holding gains and (losses) £'000	At 31 August 2009 Total £'000
Balance brought forward at 31 August 2008	37,134	(22,775)	14,359
Losses on disposal of investments	(41,456)	–	(41,456)
Net change in investment holding gains	–	32,825	32,825
Realised exchange gains	2,680	–	2,680
Unrealised exchange losses	–	(4,353)	(4,353)
Investment management fee	(684)	–	(684)
Bank loan interest	(304)	–	(304)
Other expenses	(4)	–	(4)
Balance carried forward at 31 August 2009	(2,634)	5,697	3,063

Notes to the Accounts

21. Revenue reserve

	At 31 August 2009 £'000	At 31 August 2008 £'000
Balance brought forward	11,167	8,110
Net revenue return for the year	9,648	11,170
Dividends paid	(8,387)	(8,113)
Balance carried forward	12,428	11,167

22. Net asset value per ordinary share

	At 31 August 2009 £'000	At 31 August 2008 £'000
Net asset value per ordinary share	109.31p	115.31p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £167,604,000 (2008: £179,011,000) and 153,334,500 (2008: 155,239,000) ordinary shares in issue at the year end.

23. Notes to the cash flow statement

Cash and cash equivalents comprise cash at bank, short-term deposits and bank overdrafts.

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. However, the cash flows associated with these activities are presented below:

	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000
Proceeds on disposal of fair value through profit and loss investments	162,680	230,843
Purchases of fair value through profit and loss investments	149,467	218,098

24. Related party transactions

The Company has appointed Schroders to provide investment management, accounting, secretarial and administration services. Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on pages 10 to 16. The total basic management fee payable under this agreement to Schroders in respect of the year ended 31 August 2009 was £977,000 (2008: £1,457,000), of which £307,000 (2008: £324,000) was outstanding at the year end.

There was no performance fee payable to Schroders in respect of the year ended 31 August 2009 (2008: £nil). The total secretarial fee payable to Schroders in respect of the year ended 31 August 2009 was £75,000 (2008: £75,000), of which £19,000 (2008: £19,000) was outstanding at the year end.

25. Risk Management

Financial instruments

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

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

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks.

Events may occur that would result in either a reduction in the Company's net assets or a reduction in revenue profits available for dividend.

Notes to the Accounts

Set out below are the principal risks inherent in the Company's activities and the action taken to manage these risks.

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 as such 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 7 to 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 companies. 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.

The Company had no derivative instruments at the year end, but, in the event that it had, the value of derivative instruments held at the balance sheet date would be determined by reference to their market value at that date.

Price risks exposure

The Company's exposure to other changes in market prices at 31 August on its quoted investments was as follows:

	31 August 2009 £'000	31 August 2008 £'000
Non-current asset investments at fair value through profit or loss	173,027	195,672

Concentration of exposure to price risk

The Company normally holds around 100 stocks, with a mixture of equity and fixed interest investments in its portfolio. 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 by sector and region is provided on pages 7 to 9.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% (2008: 10%) 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.

	31 August 2009		31 August 2008	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	(39)	39	(44)	44
Effect on capital return	17,212	(17,212)	19,464	(19,464)
Effect on total return and on net assets	17,173	(17,173)	19,420	(19,420)

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 31 August 2009 and at 31 August 2008 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 at 31 August 2009 are shown below.

Where the Company's equity 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.

Notes to the Accounts

i Financial assets

	At 31 August 2009			At 31 August 2008		
	Non-current asset investments	Current assets	Total	Non-current asset investments	Current assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Australian Dollar	49,657	2,262	51,919	39,286	529	39,815
Canadian Dollar	2,388	–	2,388	4,167	5	4,172
Hong Kong Dollar	38,813	1,153	39,966	37,592	26	37,618
Indonesian Rupiah	5,152	44	5,196	9,117	85	9,202
Japanese Yen	–	5	5	–	146	146
Malaysian Ringgit	–	–	–	3,677	–	3,677
New Taiwan Dollar	16,144	715	16,859	18,485	3,168	21,653
New Zealand Dollar	5,510	–	5,510	3,933	3	3,936
Philippine Peso	3,083	–	3,083	8,946	92	9,038
Singaporean Dollar	21,678	237	21,915	23,256	184	23,440
South Korean Won	5,432	–	5,432	7,538	–	7,538
Thai Baht	7,534	135	7,669	7,610	75	7,685
United States Dollar	17,636	439	18,075	24,746	814	25,560
	173,027	4,990	178,017	188,353	5,127	193,480

ii Financial liabilities

The Company's financial liabilities comprise bank loans, overdraft balances and short-term payables. Details of the Company's bank loans are disclosed in note 14.

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

	At 31 August 2009			At 31 August 2008		
	Loan facility	Short-term payable	Total	Loan facility	Short-term payable	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Australian Dollar	–	–	–	–	857	857
Hong Kong Dollar	–	–	–	–	38	38
Japanese Yen	–	–	–	6,188	1	6,189
New Taiwan Dollar	–	15	15	–	15	15
United States Dollar	13,805	9	13,814	16,448	17	16,465
	13,805	24	13,829	22,636	928	23,564

Foreign currency sensitivity

By using the five largest currency exposures from the 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 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 five major currencies above in the last two years, it appears reasonably possible that rates could change as noted below.

Assumed exchange rate movements:

Sterling/Australian Dollar +/- 10% (2008: 10%)

Sterling/Hong Kong Dollar +/- 10% (2008: 10%)

Sterling/US Dollar +/- 10% (2008: 10%)

Sterling/Singapore Dollar +/- 10% (2008: 10%)

Sterling/Taiwanese Dollar +/- 10% (2008: 10%)

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

Notes to the Accounts

	At 31 August 2009			At 31 August 2008		
	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
Australian Dollar	59	5,710	5,769	59	4,270	4,329
Hong Kong Dollar	13	4,427	4,440	3	4,173	4,176
US Dollar	53	420	473	63	948	1,011
Singapore Dollar	26	2,409	2,435	20	2,584	2,604
Taiwanese Dollar	(2)	1,873	1,871	30	2,374	2,404
	149	14,839	14,988	175	14,349	14,524

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

	At 31 August 2009			At 31 August 2008		
	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
Australian Dollar	(48)	(4,672)	(4,720)	(48)	(3,494)	(3,542)
Hong Kong Dollar	(11)	(3,622)	(3,633)	(2)	(3,414)	(3,416)
US Dollar	(44)	(344)	(388)	(52)	(775)	(827)
Singapore Dollar	(22)	(1,971)	(1,993)	(17)	(2,114)	(2,131)
Taiwanese Dollar	1	(1,533)	(1,532)	(25)	(1,942)	(1,967)
	(124)	(12,142)	(12,266)	(144)	(11,739)	(11,883)

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

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

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 loan 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, at 31 August, 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.

	31 August 2009			31 August 2008		
	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	7,248	–	7,248	5,425	–	5,425
Bank loan	(13,805)	–	(13,805)	(22,636)	–	(22,636)
Total exposure to interest rates	(6,557)	–	(6,557)	(17,211)	–	(17,211)
Exposure to fixed interest rates:						
Bonds	–	6,529	6,529	–	12,392	12,392
Total exposure to interest rates	–	6,529	6,529	–	12,392	12,392

Notes to the Accounts

The weighted average interest rate for the fixed rate financial assets held at 31 August 2009 was 5.6% (2008: 8.4%) and the effective average period for which the rate was fixed was 2.3 years (2008: 4.5 years).

The above year end amounts are not representative of the exposure to interest rates during the year, because the level of exposure changes as bonds are traded, borrowings are drawn down and repaid and the level of borrowings and/or cash held change during the year in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any one time.

	2009			2008		
	Exposure to floating rates £'000	Exposure to fixed rates £'000	Total £'000	Exposure to floating rates £'000	Exposure to fixed rates £'000	Total £'000
Maximum interest rate exposure	(15,400)	12,332	(3,068)	(32,184)	12,392	(19,792)
Minimum interest rate exposure	(2,497)	6,195	3,698	(13,385)	8,456	(4,929)

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue and capital return for the year and shareholders' funds to an increase or decrease of 50 (2008: 50) basis points in interest rates in regard to the Company's financial assets and 50 (2008: 50) basis points in regard to the Company's 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.

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

	31 August 2009		31 August 2008	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	16	(16)	(7)	7
Effect on capital return	(48)	48	(79)	79
Effect on total return and on net assets	(32)	32	(86)	86

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 in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any one time.

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 of this note below.

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

The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current year and the prior year.

Credit risk exposure

The exposure to credit risk at the year end comprised:

	31 August 2009 £'000	31 August 2008 £'000
Accrued income	1,555	1,910
Fixed Interest Securities	6,529	12,392
Cash at bank	7,248	5,425
	15,332	19,727

During the year all deposits placed were with banks that had ratings of A or higher.

Notes to the Accounts

All fixed interest securities held at the year end were non-investment grade.

The fair values of all of the above financial assets 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 loan 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:

Financial Assets

	31 August 2009 £'000	31 August 2008 £'000
Financial assets at fair value through profit or loss:		
Non-current asset investments – designated as such on initial recognition	173,027	195,672
Current assets:		
Other receivables (due from brokers, dividends receivable and accrued income)	1,566	1,915
Cash at bank and short-term deposits	7,248	5,425
	8,814	7,340

Financial Liabilities

	31 August 2009 £'000	31 August 2008 £'000
Measured at amortised cost		
Creditors: amounts falling due within one year		
Borrowings under the currency loan facility	13,805	22,636
Other payables	432	1,365
	14,237	24,001

6. 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 loan facility;
- (ii) the need to buy back or issue equity shares;
- (iii) the determination of dividend payments; and
- (iv) the loan covenant does not exceed 35% of adjusted net asset value.

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

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder Oriental Income Fund Limited will be held at 12.00 noon on Wednesday, 9 December 2009 at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 6 will be proposed as Ordinary Resolutions and resolution 7 will be proposed as a Special Resolution.

1. To receive the Report of the Directors and the audited accounts for the year ended 31 August 2009.
2. To approve the Remuneration Report for the year ended 31 August 2009.
3. To re-elect Mr Robert Sinclair as a Director of the Company.
4. To re-elect Mr Christopher Sherwell as a Director of the Company.
5. To re-appoint Ernst & Young LLP as Auditors of the Company.
6. To authorise the Board to determine the remuneration of Ernst & Young LLP as Auditors of the Company.
7. To consider and, if thought fit, to pass the following resolution as a special resolution:
"That the Company be and is hereby generally and unconditionally authorised in accordance with the Companies Guernsey Law 2008, to make market purchases of ordinary shares of 1p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased shall be 23,127,246, representing 14.99% of the issued share capital as at 10 November 2009;
 - (b) the minimum price which may be paid for a share is 1p;
 - (c) the maximum price which may be paid for a share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
 - (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract".

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Number: 43298
10 November 2009

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

Explanatory Notes

- 1 An ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (insofar as permitted by the Company's Articles of Association) to vote instead of him.
A proxy need not be a member. A form of proxy is enclosed for ordinary shareholders which should be completed and returned to the Company's registrar, C/o Computershare Investor Services C.I. Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, not later than 48 hours before the time fixed for the meeting. Completion of the proxy will not preclude an ordinary shareholder from attending and voting in person.
- 2 The biographies of each of the Directors offering themselves for election/re-election are set out on the inside front cover of this Report.
- 3 As at 10 November 2009, 154,284,500 ordinary shares of 1p were in issue. Accordingly, the total number of voting rights of the Company as at 10 November 2009 is 154,284,500.

Company Summary and Shareholder Information

The Company

Schroder Oriental Income Fund Limited is an independent, Guernsey resident company, whose shares are listed on the London Stock Exchange. As at 10 November 2009, the Company had 154,284,500 ordinary shares of 1p each in issue. The Company's assets are managed and it is administered by Schroders.

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

Website and Price Information

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

The Company releases its Net Asset Value on both a cum and ex income basis to the market on a daily basis.

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

Registrar Services

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

Dealing Codes

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

ISIN: GB00B0CRWN59

SEDOL: BOCRWN5

Ticker: SOI

www.schroderorientalincomefund.com