Schroder
AsiaPacific Fund plc

Report and Accounts to 30 September 2008

Schroders

Investment Objective

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

Directors

The Hon. Rupert Carington*† (Aged 59) (Chairman)
was appointed as a director of the Company on 18 September 1995. He has run his own financial advisory business since leaving Morgan Grenfell, the merchant bank, in 1987 after a career of 17 years including a period as Chief Executive of the Hong Kong office. He has considerable experience of investment trust companies having been Chairman of the Korea Asia Fund for ten years and Chairman of the Schroder Emerging Countries Fund for seven years as well as a director of the Fleming Natural Resources Investment Trust. He is also a director of an open ended investment company. He sits on a number of corporate advisory boards including those of two Asian businesses.

The Rt. Hon. the Earl of Cromer*† (Aged 62)
was appointed as a director of the Company on 24 November 1995, and is Chairman of the Audit Committee and the Management Engagement Committee. He is a former director of Inchcape Pacific Ltd. in Hong Kong and worked in the Far East for 28 years. He is currently chairman of the JF China Region Fund Ltd. and Pedder Street Asia Absolute Return Fund Ltd. He is also a director of the Western Provident Association (WPA), China IPO Limited and the Japan High Yield Property Find Limited.

Jan Kingzett† (Aged 53)
was appointed as a director of the Company on 18 September 1995. He has worked for Schroder Investment Management in London, Tokyo and Singapore since 1977. He is also a non-executive director of Schroder Japan Growth Fund plc, Thos. Agnew & Sons (Holdings) Limited and a trustee of the Psychiatric Research Trust.

Robert Binyon*† (Aged 57)
was appointed as a director of the Company on 17 February 2000. Until March 2003, he was a Managing Director of CDC Capital Partners responsible for CDC's investments and operations in the Asia Pacific region. He continues to be based in the region and to serve as a director on a number of funds and companies in Asia.

Anthony Fenn*† (Aged 66)
was appointed as a director on 1 June 2005. He retired at the end of 2003 after 38 years as an Investment Executive with Sun Life Financial of Canada. He held various positions in the course of his career and was for the last 6 years Head of Investments, Asia, in which he oversaw the setting up of a mutual fund management company in the Philippines. He also has investment experience in Hong Kong, Japan, China, Indonesia and India.

* member of the Audit Committee and the Management Engagement Committee.

† member of the Nomination Committee.

Advisers

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*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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Financial Highlights

	30 September 2008	30 September 2007	% Change
Total assets (£'000)*	**263,593**	370,121	(28.8)
Total borrowings (£'000)	**39,272**	34,358	14.3
Shareholders' funds (£'000)	**224,321**	335,763	(33.2)
Shares in issue ('000)	**167,190**	167,190	0.0
Net asset value per share	**134.17p**	200.83p	(33.2)
Share price	**113.00p**	179.00p	(36.9)
Share price discount	**15.78%**	10.87%	
NAV total return**	**(33.41)%**	46.30%	
MSCI All Countries Far East (Free) ex Japan Total Return Index – Sterling terms***	**(29.93)%**	47.71%	
Total expense ratio****	**0.84%**	0.89%	
Market capitalisation (£'000)	**188,925**	299,270	(36.9)

* Calculated in accordance with AIC guidance and comprises shareholders' funds plus borrowings used for investment purposes.
** Source: Fundamental Data.
*** Source: Thomson Financial Datastream.
**** Calculated in accordance with AIC guidance (excluding finance costs but after allowing for tax relief on expenses) and expressed as a percentage of average monthly net assets.

Long Term Record

As at 30 September	Total assets** £'000	Shareholders' funds £'000	Diluted net asset value per share pence***	Undiluted net asset value per share pence	Share price pence	Share price discount %	Price of warrants pence*
2008	263,593	224,321	–	134.17	113.00	(15.78)	–
2007	370,121	335,763	–	200.83	179.00	(10.87)	–
2006	254,786	233,372	–	139.59	124.75	(10.63)	–
2005	193,486	170,876	118.94	122.74	109.75	(7.73)	11.50
2004	144,577	125,235	89.97	89.97	84.25	(6.36)	6.50
2003	126,634	111,586	80.16	80.16	74.75	(6.75)	9.25
2002	98,671	85,953	61.75	61.75	56.00	(9.31)	5.50
2001	85,477	77,312	55.54	55.54	45.00	(18.98)	8.50
2000	137,926	124,399	88.85	88.85	81.25	(8.55)	20.50
1999	115,090	108,942	77.82	77.82	70.75	(9.09)	18.50

	Revenue return per share	Dividends per share	Actual gearing ratio#	Potential gearing ratio##
2008	2.49p	2.40p	1.04	1.17
2007	1.49p	1.50p	1.07	1.10
2006	1.76p	1.70p	1.04	1.09
2005	1.97p	1.90p	1.02	1.13
2004	1.35p	1.10p	1.07	1.15
2003	0.79p	0.75p	1.12	1.13
2002	0.44p	0.40p	1.09	1.15
2001	0.26p	–	1.00	1.11
2000	(0.33)p	–	0.99	1.11
1999	0.35p	0.50p	1.00	1.06

* The final date for the exercise of warrants was 31 January 2006.

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

*** After the final date for the exercise of warrants, there was no dilution.

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

Total assets divided by shareholders' funds.

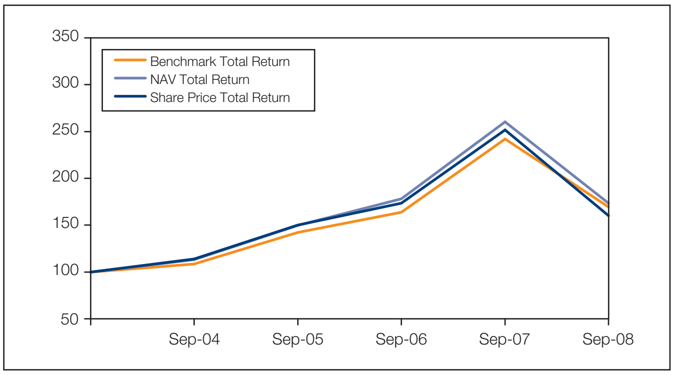
Total Returns to 30 September 2008

	NAV* %	Share price** %	Benchmark** %
1 year	(33.41)	(36.35)	(29.93)
2 years	(2.66)	(7.53)	3.49
3 years	15.81	6.85	19.07
4 years	53.13	40.89	56.37
5 years	73.33	60.24	69.43

* Source: Fundmental Data.

** Source: Thomson Financial Datastream: The benchmark is the MSCI All Countries Far East (Free) ex Japan Total Return Index in Sterling Terms.

NAV/Benchmark/Share price performance (5 years)



Rebased to September 2003 = 100

Chairman's Statement

Investment Performance

Following six successive years of growth in the Company's net asset value, the year ended 30 September 2008 was dreadful for equity markets in Asia and the Company's net asset value per share produced a negative total return of 33.4%. The Company's benchmark, the Morgan Stanley All Countries Far East (Free) excluding Japan Index, produced a negative total return of 29.9% over the same period the reasons for which are outlined in the Investment Manager's Report. Performance remains ahead of the benchmark index over the longer term.

Final Dividend

The Directors recommend the payment of a final dividend of 2.40p per share for the year ended 30 September 2008, an increase of 60.0% from the 1.50 pence per share paid in respect of the previous financial year. Although income for the year increased when compared to the previous year (2008: £4,160,000 - 2007: £2,497,000), the Company's investment objective remains to achieve capital growth and income generation continues to play a secondary role. If the resolution proposed at the Annual General Meeting to pay a final dividend is passed, the dividend will be paid on 4 February 2009 to shareholders on the Register on 5 January 2009.

Gearing

During the year, the amount of the Company's gearing facility remained at US$100 million and drawings at US$70 million. Net gearing at the beginning of the year was 7.4% and by the end of the year had decreased to 4.7%. Since the end of the year, the drawings under the facility have been reduced to US$25 million and the facility itself to US$75 million. As at 1 December 2008, the net gearing position was 9.4%. The Board continues to review the gearing position on a regular basis and believes that the ability to gear will add value over the long term.

Purchase of Shares for Cancellation

At the Company's last Annual General Meeting on 31 January 2008, the Company was given the authority to purchase up to 14.99% of its issued share capital for cancellation. The share buy-back facility is one of a number of tools that may be used to enhance shareholder value and to reduce the discount volatility. During the year ended 30 September 2008, the Directors did not utilise the authority given to them and no purchases were made for cancellation. The Directors will seek to use the facility whenever they consider the discount as being too high and out of line with the peer group average and when shares are available to purchase in the market.

The Board continues to consider whether purchases should be made on a regular basis, and therefore proposes that the authority be renewed at the forthcoming Annual General Meeting.

Amendment to the Articles of Association

As a result of changes to company law, further changes are proposed to the Company's Articles of Association to allow the Company to comply with the new requirements of the Companies Act 2006. An explanatory note detailing the proposed changes to the Articles of Association appears on page 43 of the accounts.

Annual General Meeting

The Annual General Meeting will be held on Wednesday 28 January 2009 and shareholders are encouraged to attend. As in previous years, Matthew Dobbs, on behalf of the Investment Manager, will give a presentation on the prospects for Asia and the Company's investment strategy.

Outlook

The markets in which the Company invests have continued to fall sharply since the end of September, with the Company's net asset value per share at 16 December 2008 at 111.81p per share, 16.7% lower than at the end year. The causes are both well-known and far from unique to Asia: a collapse in investor sentiment triggered by a global decline in liquidity and the prospect of a very difficult economic environment for at least a year.

This environment makes any forecast about the outlook more than usually difficult. While the risks to share prices are high, the Board takes comfort from the Manager's belief that share valuations in the region are attractive, and that most Asian economies are in a strong position to withstand a slowdown. The region's last major downturn, in 1998-99, was with hindsight an opportunity to buy the shares of excellent companies at bargain prices. News flow from the region will remain bad for a while but, your Board would not be surprised if the same is not true this time.

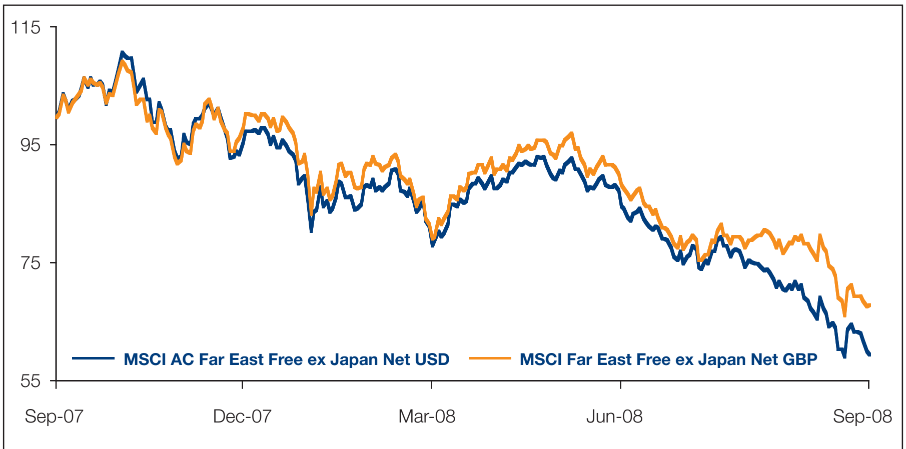
The Hon Rupert Carington
Chairman

22 December 2008

Investment Manager's Review

It has been an extraordinary period for global equity markets over the twelve months to end September. Asian equity markets have not been immune, as reflected in the 33.4% decline in the net asset value of the Fund over the period.

Performance of the MSCI AC Far East ex Japan Net Dividends Reinvested Index in GBP and USD – 30 September 2007 to 30 September 2008

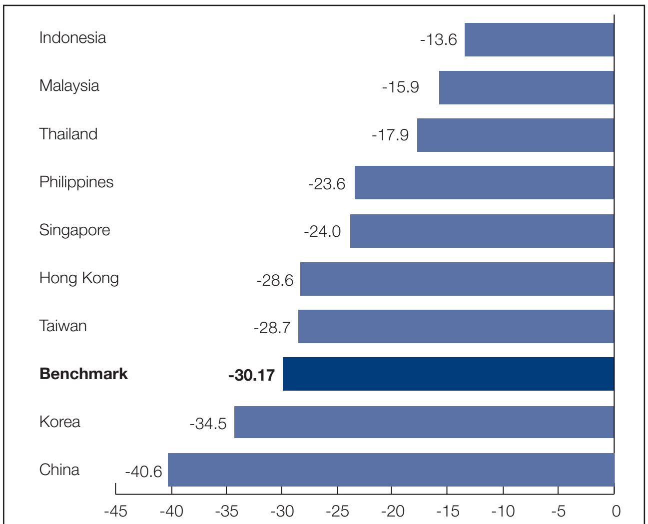


Source: Thomson Datastream as at 30 September 2008

Although the regional markets were quite resilient in the closing months of 2007 as growing evidence of strain in global credit markets emerged, there has been a significant correction in 2008. Although Asia itself has few of the property and financial excesses that lie at the root of the current adjustment in the United States and Europe, the region has proved disappointingly vulnerable to the sharp contraction in global credit conditions.

Global financial conditions have clearly been important as foreign investors sold, and liquidity conditions tightened. Unsurprisingly, domestic consumer confidence round the region has plunged, exacerbating the impact on domestic asset markets. Activity and prices in residential property markets have weakened throughout the region. Additionally the surge in commodity prices in the first half of the fiscal period eroded consumer confidence and spending power, as well as putting great pressure upon exporters lacking pricing power in increasingly tough end markets. The consequently high headline inflation has also constrained regional monetary authorites from cutting domestic interest rates. Regional interest rates have therefore not mirrored the declining trend in US Federal Reserve rates.

Country returns of the MSCI AC Far East ex Japan Net Dividends Reinvested Index in GBP - 30 September 2007 to 30 September 2008



Source : Factset

A number of regional markets have been relatively resilient. Commodity exposure has underpinned the outperformance of Indonesia. Singapore and Hong Kong have performed broadly in line with the regional average. While relatively conservative corporate management and balance sheets have been at a premium, the markets have suffered given the relatively heavy exposure to financials.

In terms of the markets that have been most disappointing, Korea has suffered from a surprising degree of weakness in the currency, and growing concern over financial fragility in the construction and real estate sectors. Chinese stocks have reflected concerted efforts by the domestic authorities to cool inflationary pressures through steady increases in interest rates, direct controls on credit growth and intervention in the residential property market.

Investment Manager's Review

Performance and Portfolio Activity

Performance relative to the benchmark return of -29.9% has been disappointing, due partly to the gearing which was retained throughout the period. Other contributory factors include the smaller company exposures in the Fund, which have been notably weak due to limited marketability and the impact of forced selling, and the overweighting in real estate, particularly in Singapore.

In terms of policy, we have maintained a modest level of gearing throughout the year. Within the portfolio, we have raised exposure in Singapore and Hong Kong, which offer defensive merits in an increasingly hostile environment. We also added to Taiwan and Thailand, primarily on valuation grounds as both markets fell to historically attractive levels. Areas of reduced exposure included Korea on concerns over a weakening financial position and deteriorating operating environment, and Malaysia which provides the least attractive combination of value to growth of any of the emerging ASEAN markets amid rising political uncertainty.

In sector terms we reduced the industrials exposure on concern over economic deceleration, while increasing the overweight in financials where we see excellent long-term value as stocks have been overly depressed by the poor global sentiment. The Fund's portfolio shifted to a neutral stance in energy, while remaining underweight to utilities, telecoms and materials throughout the year.

Outlook and Policy

Since the end of the reporting year, global and regional markets have fallen further despite concerted efforts to shore up the global banking system. Investors are increasingly focused on the scale and duration of the impending economic contraction. With global equity markets now cheap on almost every conventional measure, markets are indicating a recession with few parallels since the 1930s. Unlike most global equity markets, the Asian region has experienced something similar relatively recently, viz the trough of the Asian crisis exactly ten years ago. At that time economic contractions were similar (and worse) than those currently becoming the implied consensus for the United States and Europe. The Asian crisis did not have the same risks of contagion as a significant contraction in the world's two largest economic blocs, but provides a possible reference point for valuations.

On this measure, the region's equities do look good value, with valuations near the trough seen at the bottom of the 1998 Asian crisis, and well below more recent low points including the SARS crisis of 2004 and the World Trade Centre attacks of 2001. There are also some important fundamental supports for the region including abundant savings, generally lowly geared financial systems, and strong fiscal positions. Clearly, corporate earnings are likely to undergo significant downward revisions, but we believe investment on a longer-term view will prove rewarding. Furthermore, with commodity and oil prices in retreat, inflationary pressures are easing and there is considerable scope for regional interest rates to fall.

In the short term, further volatility cannot be ruled out, and there has been evidence of an indiscriminate aspect to market activity. The portfolio is focused on resilient business models, good management and relatively strong balance sheets. We therefore remain overweight Hong Kong and Singapore at the expense of Korea given the relatively high leverage in that economy. Direct exposure to China remains fairly limited, but we look to raise exposure in view of declining inflation and interest rates, and valuations that now look more reasonable.

Country Weights – Schroder AsiaPacific Fund vs MSCI AC Far East ex Japan Index

	Net Asset Value Weightings (%)		Benchmark (%)
Market	**30-Sep-07**	**30-Sep-08**	**30-Sep-08**
HK/China	44.4	38.7	39.8
Korea	17.5	13.1	23.1
Taiwan	11.1	13.3	18.1
Singapore	13.6	16.1	8.2
Malaysia	3.3	1.1	4.5
Indonesia	5.2	6.4	2.9
Thailand	1.1	2.9	2.5
India	5.6	6.7	0.0
Philippines	5.3	5.8	0.9
Vietnam	0.3	0.0	0.0
Other net assets	(7.4)	(4.1)	0.0
Total	**100.0**	**100.0**	**100.0**

Source: Schroders

Schroder Investment Management Limited

22 December 2008

Investment Portfolio

As at 30 September 2008

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Swire Pacific 'A'	General Industrials	Diversified Hong Kong company with interests in property, aviation, beverages, marine services and trading & industrial	12,390	5.52
Jardine Strategic Holdings	General Industrials	Large holding company in Singapore, including stakes in dairy farms, hotels and financial services.	10,138	4.52
Taiwan Semiconductor Manufacturing	Technology Hardware & Equipment	Taiwanese manufacturer of semiconductor products	9,120	4.07
Jardine Matheson	General Industrials	Diversified Hong Kong holding company with interests in property, retailing and hotels	8,594	3.83
Samsung Electronics	Technology Hardware & Equipment	Korean producer of memory semiconductors	7,894	3.52
Cairn India P-Note 24/10/2012	Oil & Gas Producers	Indian based oil & gas exploration and production company	7,569	3.38
KT & G	Tobacco	Indonesian manufacturer of tobacco products	7,096	3.16
China Unicom	Mobile Telecommunications	Chinese provider of mobile communication services	6,226	2.78
Niko Resources	Oil & Gas Producers	Indian based developer and producer of petroleum and natural gas	6,063	2.70
Cathay Financial Holding	Financial Services	Taiwanese financial services group	5,820	2.60
CNOOC Limited	Oil & Gas Producers	Chinese state-owned offshore oil and gas producer	5,429	2.42
Cheuk Kong Holdings	Real Estate Investment Services	Investing, developing, leasing, trading and managing properties based in Hong Kong	4,983	2.22
Siliconware Precision	Technology Hardware & Equipment	Taiwanese turnkey solutions provider	4,868	2.17
Philippine Long Distance Telephone	Fixed Line Telecommunications	Domestic cellular and international long distance telephone provider in the Philippines	4,776	2.13
BOC Hong Kong Holding	Banks	Hong Kong banking group	4,416	1.97
Far Eastern Textiles	Personal Goods	Taiwanese textile manufacturer	4,334	1.93
PT United Tractors	Industrial Engineering	Supplier of heavy equipment and related services in Indonesia	4,270	1.90
Guoco Group	Financial Services	Diversified holding company, whose subsidiary companies provide a range of banking and financial services based in Hong Kong	4,039	1.80
Hana Financial	Banks	South Korean financial services company	3,835	1.71
Goodpack Limited	General Industrials	Operates the world's largest fleet of intermediate bulk containers based in Singapore	3,487	1.55
Top Twenty Holdings			**125,347**	**55.88**
Fraser and Neave	General Industrials	Pan Asian consumer group with core expertise in the food and beverage, property and publishing & printing industries	3,483	1.55
Hong Kong Land Holdings	Real Estate Investment Services	Property investment, management and development group with a major portfolio in Hong Kong	3,323	1.48
Capitacommercial Trust	Real Estate Investment Trust	Singapore based REIT	3,316	1.48
Sinopac Holdings	Financial Services	Taiwanese financial services company	3,114	1.39
Telekomunikasi Indonesia	Fixed Line Telecommunications	Largest InfoCom company and network provider in Indonesia	2,957	1.32
Daewoo Shipbuilding & Marine Engineering	Industrial Engineering	Korea based contractor specialising in shipbuilding and engineering	2,845	1.27
Denway Motors	Automobiles & Parts	Manufacture, assembly and trading of motor vehicles in China	2,763	1.23

Investment Portfolio

As at 30 September 2008

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
LG Telecom	Mobile Telecommunications	South Korean provider of personal communication services	2,761	1.23
Jardine Cycle & Carriage	General Retailers	Distributes, retails, and assembles motor vehicles, parts and accessories in Singapore	2,730	1.22
Advanced Information Technology	Mobile Telecommunications	Distributor of communications hardware and software based in Thailand	2,653	1.18
Esprit Holdings	General Retailers	Designs, licenses, sources, wholesales, and retails high quality life-style products based in Hong Kong	2,566	1.14
Suntec Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT, which owns and manages a portfolio of retail and commercial properties	2,373	1.06
Indocement Tungall Prakarsa	Construction & Materials	Large cement producer in Indonesia	2,301	1.02
Keppel Land	Real Estate	The property arm of the Keppel Group, with a portfolio of properties and providing management and consultancy services based in Singapore	2,182	0.97
Bukit Sembawang Estates	Real Estate	Through its subsidiaries, operates in property development, property mortgage financing and the holding of properties and investments based in Singapore	2,126	0.95
China Insurance International	Non-Life Insurance	Underwrites all classes of reinsurance and life assurance businesses based in Hong Kong	2,116	0.94
Aboitiz Equity Ventures	General Industrials	Philippine based management and investment company	2,087	0.93
China Overseas Land & Investment	Real Estate	Through its subsidiaries, develops and invests in properties, constructs buildings, invests in treasury securities, and infrastructure projects based in Hong Kong	1,983	0.88
Ascendas Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT, which owns a diversified portfolio of commercial properties in business and science parks	1,977	0.88
Samsung Fire & Marine Insurance KRW500	Non-Life Insurance	Offers non-life insurance services to domestic and overseas clients through a network of branches and outlets in South Korea	1,952	0.87
China Communications Services	Technology Hardware & Equipment	Provides specialised telecommunications support to telecommunications operators based in China	1,893	0.84
Holcim Philippines	Construction & Materials	Manufactures and distributes portland and pozzolan cement based in the Philippines	1,803	0.80
Shenzhen Expressway	Industrial Transportation	Manages and operates toll highways and expressways in China	1,792	0.80
Fortune Real Estate Investment Trust	Real Estate Investment Trust	Singapore based REIT, with a portfolio of shopping malls in Hong Kong	1,786	0.80
Min Xin Holdings	Non-Life Insurance	Division of insurance services in Hong Kong and China	1,784	0.79
Hong Kong Aircraft Engineering Company	Industrial Transportation	Maintains and overhauls commercial aircraft based in Hong Kong	1,727	0.77
Beijing Jingkelong	Food & Drug Retailers	Owns and operates supermarket chains in China	1,720	0.77
Land and Houses	Household Goods	Develops real estate projects and builds on land that it develops and improves based in Thailand	1,684	0.75
Industrial & Commercial Bank of China	Banks	Provides a broad range of personal and corporate commercial banking services all over China	1,651	0.74
Security Bank	Banks	A Philippine bank holding company which provides retail banking, commercial and consumer lending	1,610	0.72

Investment Portfolio

As at 30 September 2008

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Samsung Fire & Marine Insurance KRW50	Non-Life Insurance	Korean non-life insurance company offering services to domestic and overseas clients through a network of branches and outlets	1,436	0.64
Shangri-La Asia	Travel & Leisure	Owns and operates hotels and provides management and related services based in Hong Kong	1,423	0.63
Semirara Mining	Mining	Large-scale coal producer in the Philippines	1,411	0.63
E-House China Holdings	Real Estate Investment Services	Offers primary real estate agency services to residential real estate developers in China	1,410	0.63
Ping An Insurance	Life Insurance	Provides a variety of insurance services in China	1,391	0.62
China Mengniu Dairy	Food Producers	Manufactures and distributes quality dairy products in China	1,369	0.61
Bank of Ayudhya	Banks	Thailand banking and financial services	1,351	0.60
China Everbright P-Note 8/10/2008	Financial Services	Hong Kong based Financial services company	1,303	0.58
Panin Life	Life Insurance	Indonesia-based life insurance company	1,291	0.58
Korea Exchange Bank	Banks	Financial services through its domestic and overseas branches based in Korea	1,272	0.57
Singapore Air Terminal Services	Industrial Transportation	Provides integrated ground handling and inflight catering services at Singapore Changi Airport	1,271	0.57
Vietnam Enterprise Investments	Equity Investment Instruments	Investment holding company with the primary objective of achieving a balanced portfolio of investments in Vietnam	1,269	0.57
Franshion Properties China`	Real Estate Investment Services	Invests and develops real estate projects in China	1,182	0.53
Far EasTone Telecommunications	Mobile Telecommunications	Taiwanese provider of mobile communications services	1,147	0.51
Hong Leong Credit	Banks	Provides a full range of banking and financial services	1,139	0.51
AKR Corporindo	Construction & Materials	Trading and distribution company in Indonesia	1,107	0.49
Ctrip.Com International ADR	Travel & Leisure	Consolidator of hotel accomodation and airline tickets in China	1,083	0.48
Infrastructure Development P-Note 20/01/2010	General Financial	Infrastructure project financing services based in Indonesia	1,073	0.48
Taiwan Cement	Construction & Materials	Manufactures and markets cement based in Taiwan	1,038	0.46
HKR International	Real Estate	Develops and invests in property based in Hong Kong	1,012	0.45
First Resources	Oil & Gas Producers	Produces crude palm oil and constructs and operates biodiesel plants based in Singapore	1,009	0.45
Dongfeng Motor Group	Automobiles & Parts	Designs, manufactures and markets diesel engines, light trucks, automobiles, castings and related spare parts based in Hong Kong	1,001	0.45
Manila Water	Gas Water & Multiutilities	A full service water utility company serving the Philippine market	984	0.44
USI holdings	Personal Goods	Provides insurance brokerage and employee health and welfare products based in Hong Kong	971	0.43
LPN Development	Real Estate Investment Services	Leader of condominium business and property sales in Thailand	966	0.43
International Nickel Indonesia	Mining	Indonesian based exploration and mining, processing, storage, transportation and marketing of nickel and associated mineral products	907	0.40

Investment Portfolio

As at 30 September 2008

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
First Pacific	Food Producers	Hong Kong based investment and management company	878	0.39
Polytec Asset Holdings	General Financial	Chinese based investment and management company	845	0.38
Alliance Financial Group	Banks	Malaysian banking and financial services company	808	0.36
Far EasTone Telecommunications GDR	Mobile Telecommunications	Taiwanese provider of mobile communications services	784	0.35
Cheuk Nang Holdings	Real Estate Investment Services	Investing, developing, leasing, trading and managing properties. Operates in Hong Kong, China and Malaysia	764	0.34
Mitra Adiperkasa	General Retailers	Distributor, retailer and operator of department stores in Indonesia	681	0.30
Shaw Brothers	Media	Leases properties, distributes films and provides studio sites and filming facilities	637	0.28
Daelim Industrial	Construction & Materials	Korean industrial design and construction company	551	0.25
IOI Properties	Real Estate Investment Services	Holding company with subsidiaries engaged in property development and investment	550	0.25
China State Construction International	Construction & Materials	Construction contractor in Hong Kong	541	0.24
GuocoLeisure	Travel & Leisure	An investment holding company which invests in the areas of hotels and resorts, and portfolio investments in Hong Kong	459	0.20
FU JI Food & Catering Services	Travel & Leisure	Offers catering services in Shanghai and Suzhou	457	0.20
Hotel Properties	Travel & Leisure	Through its subsidiaries, operates and manages hotels based in Singapore	424	0.19
GMA Network	Media	Media broadcasting company in the Philippines	361	0.16
MCL Land Limited	Real Estate	Investment holding company whose subsidiaries invest in commercial and residential properties based in Singapore	353	0.16
Hang Lung Group	Real Estate Investment Services	Owns and develops commercial, office, residential and industrial properties in Hong Kong and China	350	0.16
YGM Trading	Personal Goods	Hong Kong based textile and retail industry	326	0.15
Sunshine Holdings	Real Estate	Develops real estate in cities in Henan, China	282	0.13
Infrastructure Development	General Financial	Infrastructure project financing services based in Indonesia	215	0.10
Madras Cement P-Note 20/01/2010	Construction & Materials	Indian cement manufacturer	186	0.08
Modern Photo Film	Leisure Goods	Photographic business in Indonesia	38	0.02
Goodpack Limited warrants 16/07/2009	General Industrials	Operates the world's largest fleet of intermediate bulk containers based in Singapore	10	–
Peace Mark Holdings	Household Goods	Designs, manufactures and trades timepiece and its components based in Hong Kong	–	–
Camerlin Group	Construction & Materials	Provision of investment holding services in Malaysia	–	–
Total investments			**235,721**	**105.08**
Other net liabilities			**(11,400)**	**(5.08)**
Total equity shareholders' funds			**224,321**	**100.00**

At 30 September 2007 the twenty largest investments represented 44.55% of shareholders' funds.

Report of the Directors – Incorporating the Business Review

The Directors submit their Report and audited Accounts of the Company for the year ended 30 September 2008.

Business Review

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 833 of the Companies Act 2006 (as amended). The Company was established in 1995 and its ordinary shares are listed on the London Stock Exchange.

In order to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988. Such approval has been granted from HM Revenue and Customs for the year ended 30 September 2007 and the Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval.

Investment Objectives

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

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

Investment Strategy

The Board has delegated management of the Company's portfolio to Schroder Investment Management Limited (the "Manager"). The Manager manages the portfolio with the aim of helping the Company to achieve its investment objectives. Details of the Manager's strategy, and other factors that have affected performance during the year, are set out in the Investment Manager's Review on pages 5 and 6.

Investment Policy

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

The portfolio will mainly be invested in equities, but may also be invested in other financial instruments. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange but would normally not make such an investment except where the Manager expects that the securities will shortly become listed on a stock exchange. In order to maximise potential returns, gearing may be employed by the Company from time to time. The Directors do not anticipate gearing levels in excess of 20% of shareholders' funds. Where appropriate the Directors may authorise the hedging of the Company's currency exposure.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Board has imposed a number of restrictions on investment by the Manager. The key restrictions imposed on the Manager include a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; b) no more than 10% of the value of the Company's gross assets may

Report of the Directors – Incorporating the Business Review

be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; c) no more than 15% of the Company's total net assets may be invested in open-ended funds and; d) no more than 25% of the Company's total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company. The Investment Portfolio on pages 7 to 10 demonstrates that, as at 30 September 2008, the Manager held 100 investments spread over several countries and in a range of industry sectors. The largest investment, Swire Pacific, represented 5.52% of shareholders' funds at 30 September 2008. At the year end, the Company did not hold any unlisted investments, and did not hold open-ended funds. The Company had an interest amounting to 4.22% of shareholders' funds in REITs, closed ended investment companies. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Gearing

The Company utilises a credit facility, currently in the amount of US$75 million (30 September 2008: US$100 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 gearing does not represent more than a maximum 20% of shareholders' funds.

Measuring Success – Key Performance Indicators

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

1. Investment Performance

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

For the year ended 30 September 2008, the Company produced a negative total return on net asset value of 33.41% compared to a negative total return of 29.93% for the benchmark. A chart showing the Company's five-year performance against the benchmark as at 30 September 2008 can be found on page 3 of this Report. Country distribution can be found in the Investment Manager's Review on pages 5 and 6.

2. 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. The Board has therefore adopted a second KPI, which measures the success of the Board's strategy to limit volatility in the discount.

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

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

At 30 September 2008, the Company's share price stood at a discount of 16% to net asset value. During the year under review the discount reached a high of 16% and a low of 7%.

Report of the Directors – Incorporating the Business Review

3. Control of Total Expenses

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

An analysis of 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 30 September 2008 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year) was 0.84% (2007: 0.89%).

Market Risk

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

Discount

Investment vehicles and asset classes can fall out of favour with investors, or investment companies may fail to meet their investment objectives. This may result in a wide discount. The Board periodically reviews whether the Company's investment remit remains appropriate and continually monitors the success of the Company in meeting its stated objectives.

Regulatory Risks

The regulatory environment in which the Company operates is increasingly complex and the Company faces a number of regulatory risks. A breach of Section 842 ("S842") of the United Kingdom Income and Corporation Taxes Act 1988 could result in the Company being subject to capital gains tax on the sale of its portfolio investments. Breaches of other laws and regulations such as the Companies Act and the UK Listing Authority's Listing Rules could lead to a number of detrimental outcomes and damage the Company's reputation.

Resources

The Company has no employees; its investments are managed by Schroder Investment Management Limited, 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 on page 15.

Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focused on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement on pages 18 to 21.

Net Revenue Return and Dividends

The net revenue return for the year after expenses, interest and taxation was £4,160,000 (2007: £2,497,000), equivalent to a return of 2.49 pence per share (2007: 1.49 pence per share) and the Directors recommend the payment of a final dividend of 2.40 pence per share (2007: 1.50 pence per share), payable on 4 February 2009 to shareholders on the Register on 5 January 2009, subject to approval by shareholders at the Annual General Meeting.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of

Report of the Directors – Incorporating the Business Review

business. There were no outstanding trade creditors, other than purchases for future settlement, at 30 September 2008 (2007: nil).

Purchase of Own Shares

The total number of shares in issue on 22 December 2008 was 167,189,762. At the General Meeting held on 31 January 2008, an authority for the Directors to purchase up to 14.99% of the issued share capital of the Company was renewed by shareholders. The Directors wish to renew the authority to purchase ordinary shares at the forthcoming Annual General Meeting. Accordingly, a resolution authorising the Directors to purchase up to 14.99% of the share capital in issue on 22 December 2008 will be proposed at the forthcoming Annual General Meeting for which notice is given on page 42.

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy-back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. Purchases will only be made 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. This authority will lapse at the conclusion of the Company's Annual General Meeting in 2009 unless renewed earlier.

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 Robert Binyon will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. In addition, The Hon. Rupert Carington and The Rt. Hon. the Earl of Cromer retire in accordance with the Company's policy on tenure, having each served as non-executive Directors for more than nine years, and, being eligible, offer themselves for re-election. The Board has assessed the independence of all Directors. The Hon. Rupert Carington and The Rt. Hon. the Earl of Cromer are considered to be independent in character and judgement, notwithstanding that they have served on the Board for more than nine years.

Mr Jan Kingzett is an employee of Schroders, which receives fees from the Company in accordance with the Management Agreement referred to below, and is a Director of another investment trust managed by Schroders. He is not considered by the Board to be independent. He is also required to stand for re-election each year in accordance with the UK Listing Rules.

The Board supports the re-elections of Mr Robert Binyon, The Hon. Rupert Carington, The Rt. Hon. the Earl of Cromer and Mr Jan Kingzett, as it considers that each of these Directors continues to demonstrate commitment to their role and provide a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections.

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

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 30 September 2008, all of which were beneficial, were as follows:

Director	**Ordinary shares of 10p each 30 September 2008**	Ordinary shares of 10p each 1 October 2007
The Hon. Rupert Carington	**95,800**	95,800
Robert Binyon	**40,000**	40,000
The Rt. Hon. the Earl of Cromer	**75,000**	75,000
Anthony Fenn	**10,000**	10,000
Jan Kingzett	**12,000**	12,000

There have been no changes to the above holdings between the end of the financial year and the date of this Report.

Report of the Directors – Incorporating the Business Review

Substantial Share Interests

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

	Number of Ordinary shares	Percentage of total voting rights
City of London Investment Management Limited	26,175,759	15.66
Rensburg Sheppards Investment Management	16,697,179	9.99

Investment Manager

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 and experience, thereby enhancing the ability of the Company to achieve its investment objective.

Schroder Investment Management Limited provides investment management, accounting and secretarial services to the Company. The agreement can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. The Investment Manager is entitled to a fee at a rate of 1.00% per annum on assets up to and including £100 million, of 0.95% per annum on assets between £100 million and £300 million and of 0.90% per annum on assets above £300 million, payable quarterly in arrears and calculated by reference to the value of the Company's assets under management (net of current liabilities other than short term borrowings) at the end of the preceding quarter. The Manager's periodic charge, in respect of Schroder funds in which the Company invests, are rebated to the Company so that no double charging occurs.

During the year ended 30 September 2008, Schroder Investment Management Limited was entitled to receive a fee of £78,000 per annum (plus VAT) for secretarial services provided to the Company. The fee continues to be subject to annual increases in line with changes in the Retail Price Index.

The Investment Manager is authorised and regulated by the Financial Services Authority (FSA).

Independent Auditors

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

The Audit Committee has adopted a policy on the engagement of the auditors to supply non-audit services to the Company. The Company did not incur any costs for non-audit services during the year under review (2007: £Nil).

Provision of Information to the 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

The Annual General Meeting will be held at 11.30 am on Wednesday, 28 January 2009. The Notice of Meeting is set out on page 42.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

22 December 2008

Directors' Remuneration Report

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

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs. During the year ended 30 September 2008, the Chairman was entitled to receive a fee of £21,000 per annum, and the other members of the Board were entitled to receive fees of £16,000 per annum.

Additional fees are also paid for membership of each of the Audit, Management Engagement and Nomination committees. The committee fees are payable to members of each committee for their contributions to the deliberations of such committees. Members of the Audit Committee each receive an additional fee of £2,000 per annum and members of the Management Engagement and Nomination Committees each receive an additional £1,000 per annum.

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

The Board believes that the principles of 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 Directors' terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter, Directors retire by rotation at least every three years. 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 that Director to seek an additional term in office.

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

Performance Graph

A graph showing the Company's share price total return compared with the MSCI All Countries Far East (Free) ex Japan Total Return Index, over the last five years, is set out on page 3.

Remuneration

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

Director	**For the year ended 30 September 2008**	For the year ended 30 September 2007
The Hon. Rupert Carington	**£25,000**	£25,000
Robert Binyon	**£20,000**	£20,000
The Rt. Hon. the Earl of Cromer	**£20,000**	£20,000
Anthony Fenn	**£20,000**	£20,000
Jan Kingzett	**£17,000**	£17,000
	£102,000	£102,000

The information in the above table has been audited (see the Independent Auditors' Report on pages 22 and 23).

By Order of the Board
Schroder Investment Management Limited
Company Secretary
22 December 2008

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 United Kingdom law and Generally Accepted Accounting Principles (UK GAAP).

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 Act. 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, 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 they face.

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the 2006 Combined Code (the "Code").

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 17, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with 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 trust. 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 the Code's Principles

Role of the Chairman

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

Role of the Board

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

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.schroderasiapacificfund.com. Details of membership of the Committees at 30 September 2008 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 recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 30 September 2008 and considered the annual and half-yearly report and accounts, the external Auditors' year-end reports and management letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Corporate Governance

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 to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 30 September 2008 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 Kingzett, to be independent.

The Committee met once during the year ended 30 September 2008 and considered an evaluation of the balance of skills and expertise of the Board, succession planning, the selection of suitable candidates for a new Director and arrangements for candidates to be interviewed.

Composition and Independence

The Board currently consists of five non-executive Directors. Profiles of each of the Directors, including their age and length of service, may be found on the inside front cover of this Report. The Board considers each of the Chairman, Mr Robert Binyon, The Rt. Hon. the Earl of Cromer and Mr Anthony Fenn to be independent of the Company's Investment Manager. Mr Jan Kingzett is not considered to be independent as he is employed by Schroders, which receives fees from the Company in accordance with the Investment Management agreement. The independence of each Director is considered on a continuing basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as the Company has contractually delegated management of the Company's investment portfolio, together with the provision of accounting and company secretarial services, to its Investment Manager.

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.

Tenure

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

Induction and Training

When a Director is appointed he or she receives a full, formal and tailored induction, which is administered by the Company Secretary. Directors are thereafter provided, on a regular basis, with key information on the Board's policies, regulatory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. In addition, other advisers to the Company provide relevant reports to the Board from time to time. Directors may attend ad hoc seminars and events covering issues and developments relevant to the investment trust industry.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation took place in September 2008. The evaluation takes place in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance

Corporate Governance

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.

The Board has developed evaluation criteria which focuses on each Director's individual contribution to the Board and its Committees and the responsibilities, composition and agenda of the Committees and the Board as a whole.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation. The Board is currently looking to appoint an additional non-executive Director.

Meetings and Attendance

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

Directors' Attendance at Meetings

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
The Hon. Rupert Carington	4/4	2/2	1/1	1/1
Robert Binyon	4/4	2/2	1/1	1/1
The Rt. Hon. the Earl of Cromer	4/4	2/2	1/1	1/1
Anthony Fenn	4/4	2/2	1/1	1/1
Jan Kingzett	4/4	n/a	1/1	n/a

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

Information Flows

The Chairman ensures that all Directors receive, in a timely manner, relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. Accordingly, the Board receives and considers regular reports from the Investment Manager and other key advisers, supplemented by ad hoc reports and information 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 United Kingdom law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably.

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. 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 all Directors and proceedings include a presentation by the Investment Manager. There is an

Corporate Governance

opportunity for individual shareholders to question the chairmen of the Board, Audit and Management Engagement Committees at the Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the Meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end, and holding the earliest possible Annual General Meeting, is valuable. The Notice of Meeting on page 42 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. Provided that this objective is not compromised in the process the Board does, however, believe that it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration by the Manager when selecting or retaining investments.

Exercise of Voting Powers

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

Internal Control

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

The Board believes that the key risks identified and the implementation of a continuing system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. The continuing 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 ongoing continuing risk assessment.

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

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

Independent Auditors' Report[1]

To the shareholders of Schroder AsiaPacific Fund plc

We have audited the accounts of Schroder AsiaPacific Fund plc for the year ended 30 September 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the accounts. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and the Investment Managers' Review and Investment Portfolio that is cross referenced from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, the Investment Managers' Review, the Report of the Directors, the Corporate Governance Statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 and the part of the Directors' Remuneration Report to be audited. 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 and the

Independent Auditors' Report[1]

part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008 and of its net loss and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the accounts.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

22 December 2008

[1] The Report and Accounts is published on the Company's website, www.schroderasiapacificfund.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 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 the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Income Statement

	Note	Year to 30 September 2008 Revenue £'000	Capital £'000	Total £'000	Year to 30 September 2007 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	2	–	(108,975)	(108,975)	–	99,841	99,841
Other currency (losses)/gains	3	–	(4,123)	(4,123)	–	1,977	1,977
Income	4	11,148	–	11,148	8,704	1,309	10,013
Investment management fee	5	(2,910)	–	(2,910)	(2,943)	–	(2,943)
Administrative expenses	6	(626)	–	(626)	(556)	–	(556)
Net (loss)/return before finance costs and taxation		7,612	(113,098)	(105,486)	5,205	103,127	108,332
Interest payable and similar charges	7	(1,504)	–	(1,504)	(1,473)	–	(1,473)
Net (loss)/return on ordinary activities before taxation		6,108	(113,098)	(106,990)	3,732	103,127	106,859
Taxation on ordinary activities	8	(1,948)	4	(1,944)	(1,235)	(391)	(1,626)
Net (loss)/return after taxation attributable to equity shareholders		4,160	(113,094)	(108,934)	2,497	102,736	105,233
Net (loss)/return per ordinary share	10	2.49p	(67.64)p	(65.15)p	1.49p	61.45p	62.94p

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

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

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

Reconciliation of Movements in Shareholders' Funds

	Note	Called up share capital £'000	Capital redemption reserve £'000	Share premium £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
At 30 September 2006		16,719	81	25,199	110,529	8,704	68,863	3,277	233,372
Net return from operating activities		–	–	–	–	–	102,736	2,497	105,233
Dividend paid in respect of the year ended 30 September 2006	9	–	–	–	–	–	–	(2,842)	(2,842)
At at 30 September 2007		16,719	81	25,199	110,529	8,704	171,599	2,932	335,763
Balance at 30 September 2007		16,719	81	25,199	110,529	8,704	171,599	2,932	335,763
Net return from operating activities		–	–	–	–	–	(113,094)	4,160	(108,934)
Dividend paid in respect of the year ended 30 September 2007	9	–	–	–	–	–	–	(2,508)	(2,508)
At 30 September 2008		**16,719**	**81**	**25,199**	**110,529**	**8,704**	**58,505**	**4,584**	**224,321**

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

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

Balance Sheet

	Note	At 30 September 2008 £'000	At 30 September 2007 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	235,721	361,756
Current assets			
Debtors	13	976	10,605
Cash at bank and short-term deposits		30,312	9,572
		31,288	20,177
Current liabilities			
Creditors – amounts falling due within one year	14	(42,688)	(46,170)
Net current liabilities		(11,400)	(25,933)
Net assets		224,321	335,763
Capital and reserves			
Called up share capital	15	16,719	16,719
Capital redemption reserve	16	81	81
Share premium	17	25,199	25,199
Share purchase reserve	18	110,529	110,529
Warrant exercise reserve	19	8,704	8,704
Capital reserve	20	58,505	171,599
Revenue reserve	21	4,584	2,932
Equity shareholders' funds		224,321	335,763
Net asset value per ordinary share	22	134.17p	200.83p

The accounts were approved by the Board of Directors on 22 December 2008 and signed on behalf of the Board by:

Rupert Carington
Director

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

Cash Flow Statement

	Note	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Operating activities			
Dividends and interest received from investments		**10,051**	7,424
Interest received on deposits		**658**	507
Stock lending fee income		**167**	–
Investment management fee paid		**(3,218)**	(2,663)
Administrative expenses paid		**(602)**	(446)
Net cash inflow from operating activities	**23**	**7,056**	4,822
Servicing of finance			
Interest paid		**(1,503)**	(1,294)
Net cash outflow from servicing of finance		**(1,503)**	(1,294)
Taxation			
UK tax paid		**(898)**	(604)
Overseas tax paid		**(1,040)**	(506)
Total tax paid		**(1,938)**	(1,110)
Investment activities			
Purchase of investments		**(349,062)**	(276,530)
Disposal of investments		**367,904**	260,578
Net cash inflow/(outflow) from investment activities		**18,842**	(15,952)
Equity dividends paid			
Ordinary shares		**(2,508)**	(2,842)
Net cash inflow/(outflow) before financing		**19,949**	(16,376)
Financing			
Bank loan drawn		–	15,144
Net cash inflow from financing		**–**	15,144
Net cash inflow/(outflow)		**19,949**	(1,232)

Reconciliation of net cash flow to movement in net debt

	Note	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net cash inflow/(outflow)		**19,949**	(1,232)
Movement in borrowings		**–**	(15,144)
Movement in net debt resulting from cash flows		**19,949**	(16,376)
Net debt at 1 October		**(24,786)**	(10,387)
Realised exchange gains/(losses) on currency balances		**791**	(223)
Unrealised exchange (losses)/gains on the loan facility		**(4,914)**	2,200
Net debt at 30 September	**24**	**(8,960)**	(24,786)

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

Notes to the Accounts

1 Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2008, are unchanged from 2007 (except for the first time adoption of FRS29) and are set out below.

a – Basis of Preparation

The accounts have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies" issued in January 2003 and revised in December 2005 by the Association of Investment Companies (AIC).

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in note 27 on pages 37 to 41.

b – Presentation of Income Statement

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

c – Income

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

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

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

d – Expenses and interest payable

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

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

e – Investments

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

Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

f – Foreign exchange

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

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

g – Taxation

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

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

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required by section 842 of the Income and Corporation Taxes Act 1988 to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

h – Dividends payable

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

Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend and become a liability of the Company.

Notes to the Accounts

1 – Capital reserve

The following are accounted for in the capital reserve:

– gains and losses on the realisation of investments

– increases and decreases in the valuation of investments held at the year end

– realised exchange differences of a capital nature

– unrealised exchange differences of a capital nature

– other capital charges and credits charged to this account in accordance with the above policies

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

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net profit on disposal of investments	**24,584**	51,186
Unrealised (depreciation)/appreciation of investments arising during the year	**(133,559)**	48,655
	(108,975)	99,841

3 Other currency (losses)/gains

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Realised exchange gains/(losses) on currency balances	**791**	(223)
Unrealised exchange (losses)/gains on the loan facility	**(4,914)**	2,200
	(4,123)	1,977

4 Income

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Income from investments:		
Overseas dividends	**9,957**	7,729
UK franked dividend income	**–**	86
Interest from overseas bonds	**204**	68
Stock dividends	**146**	305
Bank deposit interest	**684**	501
Stock lending fee income	**157**	15
	11,148	8,704
Allocated to capital:		
UK special dividend income taken to capital	**–**	6
Overseas special dividend income taken to capital	**–**	1,303
	–	1,309

Notes to the Accounts

5 Investment management fee

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Management fee	**2,910**	2,943

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

6 Administrative expenses

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Allocated to revenue:		
General expenses	**429**	363
Directors' fees	**102**	102
Secretarial fee	**78**	75
Auditors' remuneration:		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	**17**	16
	626	556

7 Interest payable and similar charges

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Bank loan interest payable	**1,490**	1,472
Bank overdraft interest payable	**14**	1
	1,504	1,473

8 Taxation

(a) Analysis of charge in the year:

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Corporation tax	**1,749**	1,239
Relief for overseas taxation	**(732)**	(521)
	1,017	718
Overseas taxation	**973**	768
Adjustment in respect of prior year	**(4)**	–
Total current taxation (note 8 (b))	**1,986**	1,486
Movement in deferred tax liability	**(42)**	140
Tax charge on ordinary activities	**1,944**	1,626

Notes to the Accounts

(b) Factors affecting tax charge for the year

No provision has been made for taxation on any realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 842 of the Income and Corporation Taxes Act 1988.

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

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 28%; (2007: 30%).

The differences are explained below:

	For the year ended 30 September 2008			For the year ended 30 September 2007		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
(Loss)/return on ordinary activities before tax	**6,108**	**(113,098)**	**(106,990)**	3,732	103,127	106,859
(Loss)/return on ordinary activities multiplied by the standard rate of:						
corporation tax in the UK of 30% (2007: 30%)	**916**	**(16,965)**	**(16,049)**	1,120	30,938	32,058
corporation tax in the UK of 28%* (2007: 30%)	**855**	**(15,834)**	**(14,979)**	–	–	–
Effects of:						
Capital returns on investments	**–**	**31,603**	**31,603**	–	(29,952)	(29,952)
Exchange gains	**–**	**1,196**	**1,196**	–	(593)	(593)
Irrecoverable overseas tax	**241**	**–**	**241**	247	–	247
Income not subject to corporation tax	**(42)**	**–**	**(42)**	(122)	(2)	(124)
Income taxed on a receipts basis	**17**	**–**	**17**	(153)	–	(153)
Expenses not deductible for tax purposes	**3**	**–**	**3**	3	–	3
Adjustment in respect of prior year amounts	**–**	**(4)**	**(4)**	–	–	–
Total current taxation	**1,990**	**(4)**	**1,986**	1,095	391	1,486

* Under the Finance Act 2008, the rate of corporation tax was lowered to 28% from 1 April 2008.

(c) Provision for deferred tax:

	At 30 September 2008 £'000	At 30 September 2007 £'000
Income taxable in different periods	**(17)**	153
Impact of reduction in corporation tax rate	**(14)**	–
Relief for overseas taxation	**(11)**	(13)
	(42)	140
Provision at start of the year	**198**	58
Deferred tax (credit)/charge for the year	**(42)**	140
Provision at the end of the year	**156**	198

Notes to the Accounts

9 Dividends

	At 30 September 2008 £'000	At 30 September 2007 £'000
Amounts recognised as distributions in the period		
Final Dividend of the prior year of 1.50p (2007: 1.70p)	**2,508**	2,842

The final dividend of the prior year of 1.50p (2007: 1.70p) is based on 167,189,762 (2007: 167,189,762) ordinary shares in issue.

The total dividend payable in respect of the financial year, which is the basis of the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered, is set out below:

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Final Dividend 2.40p (2007: 1.50p)	**4,013**	2,508

The proposed final dividend for the year is based on 167,189,762 (2007: 167,189,762) ordinary shares in issue.

10 (Loss)/Return per ordinary share

	For the year ended 30 September 2008	For the year ended 30 September 2007
Revenue (£'000)	**4,160**	2,497
Capital (£'000)	**(113,094)**	102,736
Total (£'000)	**(108,934)**	105,233
Weighted average number of shares	**167,189,762**	167,189,762
Revenue	**2.49p**	1.49p
Capital	**(67.64)p**	61.45p
Total	**(65.15)p**	62.94p

Notes to the Accounts

11 Investments held at fair value through profit or loss

	At 30 September 2008 £'000	At 30 September 2007 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	**270,748**	200,275
Acquisitions at cost	**341,202**	281,525
Proceeds of disposals	**(358,262)**	(262,238)
Net gains realised on disposals	**24,584**	51,186
Book cost at 30 September	**278,272**	270,748
Unrealised (depreciation)/appreciation of investments	**(42,551)**	91,008
Valuation of investments at 30 September	**235,721**	361,756

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 30 September 2008 £'000	For the year ended 30 September 2007 £'000
On acquisitions	**760**	825
On disposals	**1,280**	954
	2,040	1,779

12 Stock lending

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Aggregate value of securities on loan at year end	**12,084**	24,773
Maximum aggregate value of securities on loan during the year	**15,876**	24,773
Fee income from stock lending during the year	**157**	15

The Company carries out stock lending activities, and is entitled to income earned from these activities net of bank and agent fees amounting to £39,000 (2007: £4,000) which was deducted by JP Morgan Chase Bank, as shown in note 4.

At 30 September 2008 the Company held £31,933,000 (2007: £54,431,000) as collateral, the value of which exceeded the value of the securities on loan by 264% (2007: 220%).

13 Debtors

	At 30 September 2008 £'000	At 30 September 2007 £'000
Amounts receivable within one year:		
Sales for future settlement	**65**	9,707
Accrued income	**891**	751
Other debtors	**20**	147
	976	10,605

Notes to the Accounts

14 Creditors

	At 30 September 2008 £'000	At 30 September 2007 £'000
Amounts falling due within one year:		
Bank loan	**39,272**	34,358
Purchases for future settlement	**1,610**	9,616
Accrued expenses & other creditors	**1,030**	1,493
Corporation tax payable	**620**	505
Deferred tax	**156**	198
	42,688	46,170

At the balance sheet date the Company had a loan facility of US$100 million (2007: US$100 million) with ING Bank N.V.

Since the year end, this facility has been reduced to US$75 million of which US$25 million is drawn down. This facility has a revolving 364 day term, is chargeable at a floating rate linked to LIBOR, and is unsecured.

15 Called up share capital

	At 30 September 2008 £'000	At 30 September 2007 £'000
Authorised:		
250,000,000 (2007: 250,000,000) ordinary shares of 10p each	**25,000**	25,000
Allotted, Called up and Fully paid:		
167,189,762 (2007: 167,189,762) ordinary shares of 10p each	**16,719**	16,719

16 Capital redemption reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward and carried forward	**81**	81

17 Share premium account

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward and carried forward	**25,199**	25,199

18 Share purchase reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward and carried forward	**110,529**	110,529

Notes to the Accounts

19 Warrant exercise reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward and carried forward	**8,704**	8,704

20 Capital reserves

	At 30 September 2008 Realised £'000	At 30 September 2008 Unrealised £'000	At 30 September 2008 Total £'000
Balance brought forward	**76,119**	**95,480**	**171,599**
Transfer of brought forward unrealised reserve*	**95,480**	**(95,480)**	**–**
Net profit on disposal of investments	**24,584**	**–**	**24,584**
Unrealised depreciation of investments arising during the year	**(133,559)**	**–**	**(133,559)**
Taxation on income taken to capital – prior year adjustment	**4**	**–**	**4**
Realised exchange gains on currency balances	**791**	**–**	**791**
Unrealised exchange losses on the loan facility	**(4,914)**	**–**	**(4,914)**
Balance carried forward	**58,505**	**–**	**58,505**

* Under a technical release issued by the ICAEW Tech 01/08 "Distributable Profits – Implications of Recent Accounting Changes", the definition of realised profits as originally defined in Tech 07/03 for Investment Companies has been amended to the extent that under fair value accounting, any mark to market gains and losses at the balance sheet date will be carried to realised rather than unrealised reserves provided that the gains and losses recognised are deemed to be readily realisable to cash. Accordingly, the brought forward unrealised reserve balance has been transferred to the realised reserve, and subsequent increases and decreases in the valuation of investments and the loan at the year end have been included within the capital reserve – realised, rather than capital reserve – unrealised.

21 Revenue reserve

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balance brought forward	**2,932**	3,277
Dividends paid	**(2,508)**	(2,842)
Net revenue for the year	**4,160**	2,497
Balance carried forward	**4,584**	2,932

22 Net asset value per ordinary share

	At 30 September 2008 £'000	At 30 September 2007 £'000
Net asset value per ordinary share	**134.17p**	200.83p

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £224,321,000 (2007: £335,763,000) and 167,189,762 (2007: 167,189,762) ordinary shares in issue at the year end.

Notes to the Accounts

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

	For the year ended 30 September 2008 £'000	For the year ended 30 September 2007 £'000
Net (loss)/return before finance costs and taxation	**(105,486)**	108,332
Stock dividends	**(146)**	(305)
Losses/(gains) on investments held at fair value	**108,975**	(99,841)
Other currency losses/(gains)	**4,123**	(1,977)
Special dividends taken to capital	**–**	(1,309)
Increase in accrued income	**(126)**	(468)
Decrease/(increase) in prepayments and other debtors	**127**	(35)
(Decrease)/increase in accrued expenses (excl. interest)	**(411)**	425
Net cash inflow from operating activities	**7,056**	4,822

24 Analysis of changes in net debt

	At 30 September 2007 £'000	Cash flow £'000	Exchange gain/(loss) £'000	**At 30 September 2008 £'000**
Cash at bank & short-term deposits	9,572	19,949	791	**30,312**
Bank overdraft	–	–	–	**–**
Net cash at 30 September	9,572	19,949	791	**30,312**
Bank loan	(34,358)	–	(4,914)	**(39,272)**
Net debt at 30 September	(24,786)	19,949	(4,123)	**(8,960)**

25 Related party transactions

The Company has appointed Schroder Investment Management Limited ("SIM"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services. Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on page 15. The total management fee payable under this agreement to SIM in respect of the year ended 30 September 2008 was £2,910,000 (2007: £2,943,000), of which £563,000 (2007: £871,000) was outstanding at the year end. The total secretarial fee (excluding VAT) payable to SIM in respect of the year ended 30 September 2008 was £78,000 (2007: £75,000), of which £20,000 (2007: £19,000) was outstanding at the year end.

In addition to the above services, SIM also provided investment trust dealing services. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 30 September 2008 was £9,000 (2007: £9,000), of which £16,000 (2007: £7,000) was outstanding at the year end.

Banking facilities were provided during the year by Schroder & Co Limited.

The total interest receivable from Schroder & Co Limited in respect of the year ended 30 September 2008 was £19,000 (2007:£25,000), and the balance held at the year end was £479,000 (2007: £155,000).

26 Post Balance Sheet Events

After the year end public market fluctuations have resulted in the NAV dropping 16.7% from 134.17p at 30 September 2008 to 111.81p at 16 December 2008.

Notes to the Accounts

27 Financial Instruments

Risk management policies and procedures

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

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

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

As an investment trust, the Company invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

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 10. Investments are valued in accordance with the Company's accounting policies as stated in Note 1. Uncertainty arises as a result of future changes in the market prices of the Company's investments and the effect changes in exchange rates may have on the sterling value of these investments.

Management of the risk

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

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 risk exposure

The Company's exposure to other changes in market prices at the balance sheet date on its quoted investments was as follows:

	At 30 September 2008 £'000	At 30 September 2007 £'000
Fixed asset investments at fair value through profit or loss	**235,721**	361,756

Concentration of exposure to price risk

The portfolio is invested in many different industry sectors within a variety of countries, which significantly spreads the risk of individual investments performing poorly and reduces the concentration of exposure. The classification of investments is provided on page 6.

Price risk sensitivity

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

	At 30 September 2008		At 30 September 2007	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Effect on revenue return	**(448)**	**448**	(687)	687
Effect on capital return	**47,144**	**(47,144)**	72,351	(72,351)
Effect on total return and on net assets	**46,696**	**(46,696)**	71,664	(71,664)

Notes to the Accounts

b. Currency Risk

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

Management of the risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis, and reports to the board on a regular basis. It is the policy of the Company to consider entering into forward foreign exchange contracts, in addition to foreign currency loans, to hedge against foreign currency movements affecting the value of the investment portfolio. At 30 September 2008 and at 30 September 2007 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 30 September 2008 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.

(a) Financial assets

	At 30 September 2008			At 30 September 2007		
	Fixed asset investments at fair value through profit or loss £'000	Receivables £'000	Total £'000	Fixed asset investments at fair value through profit or loss £'000	Receivables £'000	Total £'000
Canadian Dollar	**6,063**	**3**	**6,066**	7,335	2	7,337
Hong Kong Dollar	**72,411**	**1,889**	**74,300**	142,474	3,986	146,460
South Korean Won	**29,642**	**–**	**29,642**	59,014	15	59,029
New Taiwan Dollar	**29,441**	**8,042**	**37,483**	33,214	763	33,977
Singapore Dollar	**25,482**	**93**	**25,575**	33,566	222	33,788
Indonesian Rupiah	**13,552**	**–**	**13,552**	17,378	–	17,378
Malaysian Ringgit	**2,497**	**–**	**2,497**	10,995	12	11,007
Thai Baht	**6,654**	**–**	**6,654**	3,820	1,147	4,967
Philippine Peso	**13,032**	**105**	**13,137**	17,767	–	17,767
Chinese Yuan	**–**	**–**	**–**	–	77	77
Indian Rupee	**215**	**–**	**215**	–	9	9
United States Dollar	**36,732**	**3,816**	**40,548**	35,426	8,426	43,852
	235,721	**13,948**	**249,669**	360,989	14,659	375,648

(b) Financial liabilities

The Company's financial liabilities comprise bank loans, overdraft balances and other 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 30 September 2008				At 30 September 2007			
	Loan facility £'000	Short-term payables £'000	Non-current payables £'000	Total £'000	Loan facility £'000	Short-term payables £'000	Non-current payables £'000	Total £'000
Hong Kong Dollar	**–**	**(1,611)**	**–**	**(1,611)**	–	(3,679)	–	(3,679)
South Korean Won	**–**	**–**	**–**	**–**	–	(1,783)	–	(1,783)
Indonesian Rupiah	**–**	**–**	**–**	**–**	–	(2,799)	–	(2,799)
Philippine Peso	**–**	**–**	**–**	**–**	–	(410)	–	(410)
New Taiwan Dollar	**–**	**(8)**	**–**	**(8)**	–	(54)	–	(54)
United States Dollar	**(39,272)**	**–**	**–**	**(39,272)**	(34,358)	(950)	–	(35,308)
	(39,272)	**(1,619)**	**–**	**(40,891)**	(34,358)	(9,675)	–	(44,033)

Notes to the Accounts

Foreign currency sensitivity

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

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

Assumed exchange rate movements:

£/Hong Kong dollar +/- 10% (2007: 10%)
£/South Korean won +/- 10% (2007: 10%)
£/New Taiwan dollar +/- 10% (2007: 10%)
£/Singapore dollar +/- 10% (2007: 10%)
£/Philippine peso +/- 10% (2007: 10%)
£/United States dollar +/- 10% (2007: 10%)

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

	At 30 September 2008			At 30 September 2007		
	Effect on Revenue return £'000	**Effect on Capital return £'000**	**Total return and net assets £'000**	Effect on Revenue return £'000	Effect on Capital return £'000	Total return and net assets £'000
Hong Kong Dollar	**28**	**7,241**	**7,269**	31	14,247	4,278
South Korean Won	**–**	**2,964**	**2,964**	–	5,725	5,725
New Taiwan Dollar	**–**	**3,748**	**3,748**	20	3,373	3,392
Singapore Dollar	**9**	**2,548**	**2,557**	–	3,379	3,379
Philippine Peso	**11**	**1,303**	**1,314**	–	1,736	1,736
United States Dollar	**36**	**92**	**128**	10	844	854
	84	**17,896**	**17,980**	61	29,303	29,364

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

	At 30 September 2008			At 30 September 2007		
	Effect on Revenue return £'000	**Effect on Capital return £'000**	**Total return and net assets £'000**	Effect on Revenue return £'000	Effect on Capital return £'000	Total return and net assets £'000
Hong Kong Dollar	**(28)**	**(7,241)**	**(7,269)**	(31)	(14,247)	(14,278)
South Korean Won	**–**	**(2,964)**	**(2,964)**	–	(5,725)	(5,725)
New Taiwan Dollar	**–**	**(3,748)**	**(3,748)**	(20)	(3,372)	(3,392)
Singapore Dollar	**(9)**	**(2,548)**	**(2,557)**	–	(3,379)	(3,379)
Philippine Peso	**(11)**	**(1,303)**	**(1,314)**	–	(1,736)	(1,736)
United States Dollar	**(36)**	**(92)**	**(128)**	(10)	(844)	(854)
	(84)	**(17,896)**	**(17,980)**	(61)	(29,303)	(29,364)

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

c. Interest Rate Risk

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

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

The Company has a loan facility of US$75 million (2007: US$100 million) with ING Bank N.V.

As at 30 September 2008 US$70 million (2007: US$70 million) was drawn down. This facility has a revolving 364 day term, is chargeable at a floating rate linked to LIBOR, and is unsecured.

This facility has now been reduced to US$75 million of which US$25 million is currently drawn down.

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.

Notes to the Accounts

Interest rate exposure

The exposure, at 30 September, of financial assets and liabilities to interest rate risk is shown by reference to:

– floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set;

– fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	At 30 September 2008			At 30 September 2007		
	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	**30,312**	**–**	**30,312**	9,572	–	9,572
Creditors: amounts falling due within one year						
Bank loan	**(39,272)**	**–**	**(39,272)**	(34,358)	–	(34,358)
Total exposure to interest rates	**(8,960)**	**–**	**(8,960)**	(24,786)	–	(24,786)

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

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

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue and capital return for the year and net assets to an increase or decrease of 50 (2007: 50) basis points in interest rates with regard to the Company's monetary financial assets and 50 (2007: 50) basis points with regard to the Company's monetary liabilities, which are subject to interest rate risk.

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

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

	At 30 September 2008		At 30 September 2007	
	Increase in rate £'000	**Decrease in rate £'000**	Increase in rate £'000	Decrease in rate £'000
Effect on revenue return	**(45)**	**45**	(124)	124
Effect on capital return	**–**	**–**	–	–
Effect on total return and on net assets	**(45)**	**45**	(124)	124

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

2. Liquidity Risk

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

Management of the risk

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

Liquidity risk exposure

A summary of the Company's financial liabilities is provided below in section 5.

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 SIM.

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

Notes to the Accounts

Credit risk exposure

The exposure to credit risk at the year end comprised:

	At 30 September 2008 £'000	At 30 September 2007 £'000
Balances due from brokers	**65**	9,707
Accrued income	**891**	751
Cash at bank	**30,312**	9,572
	31,268	20,030

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

4. Fair Values of Financial Assets and Financial Liabilities

The Company's financial instruments are stated at their fair values at the year end. The fair value of shares and securities is based on last traded market prices. Borrowings under the 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	At 30 September 2008 £'000	At 30 September 2007 £'000
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**235,721**	361,756
Loans and receivables:		
Current assets:		
Debtors (due to brokers, dividends receivable and accrued income)	**976**	10,605
Cash at bank and short-term deposits	**30,312**	9,572
	31,288	20,177

Financial Liabilities	At 30 September 2008 £'000	At 30 September 2007 £'000
Creditors: amounts falling due within one year		
Borrowings under the loan facility	**39,272**	34,358
Due to brokers	**1,610**	9,616
Accruals	**1,030**	1,493
Taxation payable	**620**	505
	42,532	45,972
Creditors: amounts falling due after more than one year		
Deferred taxation	**156**	198

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 as 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; and

(iii) the determination of dividend payments.

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

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

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of section 842 Income and Corporation Taxes Act 1988 and the Companies Act respectively.

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Schroder AsiaPacific Fund plc will be held at 11.30 a.m. on Wednesday 28 January 2009 at 31 Gresham Street, London EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 will be proposed as Ordinary Resolutions and resolutions 9 and 10 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2008.
2. To approve a final dividend of 2.40p per share for the financial year ended 30 September 2008.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2008.
4. To re-elect Mr Robert Binyon as a Director of the Company.
5. To re-elect The Hon. Rupert Carington as a Director of the Company.
6. To re-elect The Rt. Hon. the Earl of Cromer as a Director of the Company.
7. To re-elect Mr Jan Kingzett as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.
9. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 10p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
   (a) the maximum number of shares hereby authorised to be purchased shall be 25,061,745, representing 14.99% of the issued share capital as at 22 December 2008;
   (b) the minimum price which may be paid for a share is 10p;
   (c) the maximum price which may be paid for a share is an amount equal to (i) 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
   (d) purchases may only be made pursuant to this authority if the shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to net asset value;
   (e) the authority hereby conferred shall expire 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."
10. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That the document presented to the meeting and signed by the Chairman for the purposes of identification be and is hereby adopted as the Articles of Association of the Company in substitution for the existing Articles."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 3104981
22 December 2008

Explanatory Notes Including Principal Changes to the Company's Articles of Association

1. Copies of the proposed new Articles of Association detailing changes to the existing Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the Annual General Meeting for at least 15 minutes prior to, and during, the Meeting.

   The principal changes to the Articles of Association are as follows:

Articles which duplicate statutory provisions

Provisions in the Current Articles (as defined in the Chairman's Statement) which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles (as defined in the Chairman's Statement). This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Votes of members

The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The new Articles give the directors discretion, when calculating the time limits, to exclude weekend and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

Age of directors on appointment

The Current Articles contain a provision stating that where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another investment trust (or other company) or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

General

Generally the opportunity has been taken to bring clearer language into the New Articles.

Explanatory Notes Including Principal Changes to the Company's Articles of Association

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

   A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0871 384 2454, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6GT, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting.

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

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m on 26 January 2009, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m on 26 January 2009 shall be disregarded in determining the right of any person to attend and vote at the meeting.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (IDRA19) by the latest time for receipt of proxy appointments.

6. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

7. The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 30 September 2008.

8. As at 22 December 2008, 167,189,762 ordinary shares of 10 pence were in issue (no shares were held in treasury). Accordingly, the total number of voting rights of the Company as at 22 December 2008 is 167,189,762.

Company Summary and Shareholder Information

The Company

Schroder AsiaPacific Fund plc was established in 1995. It is an independent investment trust whose shares are listed on the London Stock Exchange. As at 22 December 2008, the Company had 167,189,762 ordinary shares of 10p each in issue (no shares were held in treasury). The Company's assets are managed and it is administered by Schroders. The Company has, since its launch, measured its performance against the MSCI All Countries Far East (Free) ex Japan Index in Sterling terms. The Company measures its performance on a total return basis.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Company's Annual General Meeting in 2011 and thereafter at five yearly intervals.

Website and Price Information

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

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 Equiniti Limited at PO Box 28448, Finance House, Orchard Brae, Edinburgh, Scotland EH4 1WQ. The helpline telephone number of Equiniti Registrars is 0871 384 2454. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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

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

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website, www.theaic.co.uk.

www.schroderasiapacificfund.com

Schroders