

06

Aberdeen Asian Income Fund Limited

Interim Report and Accounts
Six months ended 7 May 2006



Chairman's Statement

Background

I am pleased to report that your Company got off to a satisfactory start for the first six months of its existence. During the period, which included the fund raising exercise and the subsequent investment of the proceeds, the net asset value increased 5.6% from 100.6p at close of business on 21 December 2005 (the initial net asset value of the Company following launch) to 106.2p on 7 May 2006, the period end. The benchmark MSCI Asia Pacific ex-Japan Index rose 12.8% over the same period. The Company's underperformance was largely attributable to poor stock selection, particularly in Australasia where the holding in Telecom New Zealand suffered from harsh proposed regulatory changes and that in Qantas fell sharply due to continued high jet-fuel prices. Nonetheless, both companies have maintained their dividend policies thus far and your Manager remains comfortable with their valuations. Since the end of the period under review, stock markets have fallen sharply, and, at the time of writing (27 July 2006), the Company's unaudited net asset value is 94.26p.

During the period HKD137.6 million (£9.5 million) and USD12.2 million (£6.6 million) was drawn down under the Company's credit facility with Barclays Bank. The funds were borrowed at all-in interest rates of 4.7 per cent. and 5.3 per cent. respectively and fixed for an initial period to 18 July 2006 – subsequent to that period the gearing was rolled for two and three month periods respectively. There is approximately £14 million remaining available for drawdown under the credit facility and the Board will consider further utilisations subject to market conditions and on advice from the Manager.

Income generation from the portfolio in the first six months has been in-line with expectations. In accordance with the timetable set out in the launch Prospectus, on 20 July 2006 the Company declared a first interim dividend of 2.0p per Ordinary share which will be payable on 18 August 2006 to Ordinary shareholders on the register on 28 July 2006 (xd 26 July 2006). Going forward your Company expects to be in a position to announce a second interim dividend in January 2007 which will be payable in February 2007, equating to the annualised 4.5 per cent. yield stated in the launch Prospectus – this remains subject to unforeseen circumstances and is not a profit forecast.

Overview

The past six months have been positive for Asia: many stock markets rose strongly, while economic growth continued to outpace much of the developed world, led by the burgeoning economies of China and India.

Clearly, the region's structural health has improved vastly since the financial crisis of 1997/98. On the economic front, governments have been adroit in maintaining stricter monetary and fiscal prudence. The resultant large surpluses in many countries have, in turn, afforded Asian policymakers more leverage in implementing stimulus measures and the economic benefits have been forthcoming, spurring higher growth and an improved outlook in a number of countries.

Underpinned by this supportive foundation and strong inflows of foreign liquidity, several stock markets made new highs, notably in Australia, India and Indonesia, while both Hong Kong and the Philippines performed well too. In contrast, Taiwan and Thailand were the worst-performing markets: Taiwan has been beset by political infighting, and increasing concerns over the build-up in credit card misuse and its impact on consumer consumption; while Thailand continues to be weighed down by uncertainty surrounding prime minister Thaksin Shinawatra's leadership, following the annulment of April's elections. Although Thaksin has returned to office after a self-imposed absence, ostensibly to tackle pressing national issues, such as continued violence in the south and a slowing economy, the government remains in limbo until the fresh polls which are scheduled for October.

At the corporate level, companies have made encouraging progress. Not only has the quality of earnings improved, but substantial progress has been made in strengthening balance sheets and raising the standard of governance. In addition, the resultant surge in corporate cash flow is no longer being directed towards non-productive investments or diversification, but is being paid out to shareholders in

the form of increased dividend distributions. Certainly dividends announced so far this year on your Company's investments have matched or exceeded forecasts. This bodes well for investor sentiment and, for those able to take a long term view, should place the region in good stead to weather future storms.

Outlook

Although the backdrop for the Asian region itself is benign, global factors are more concerning and we have seen these impact both Asian and global markets since May. Inflationary pressures have been building worldwide for some time now, exacerbated by the steep rise in the price of oil and other commodities. Central banks across the world have been raising interest rates to attempt to contain this and it remains to be seen how long it takes for these inflationary pressures to subside.

Meanwhile, the recent sharp correction in stock markets suggests further volatility ahead, at least in the short term. Much depends on the direction of US interest rates and new Federal Reserve governor Ben Bernanke will need to settle in to the position rapidly. Investors have also turned acutely sensitive to the risks to growth. The steady rise in input costs, in particular the price of oil, remains a source of vulnerability and general levels of risk aversion have increased worldwide.

Notwithstanding these risks, your Manager does not anticipate a prolonged flight of liquidity that has thus far supported Asian markets. Instead, it is likely that investors will become more discriminating in their choice of investments: individual stocks will be more sensitive to newsflow and companies that miss their earnings guidance will be more susceptible to downward pressures on their share prices.

The Company's portfolio of investments is trading, at the time of writing, on a price/earnings multiple of 14.3 times for calendar year 2006 and 13.8 times for calendar year 2007, according to your Manager's estimates, with a low debt/equity ratio of 28% and a gross dividend yield (before expenses) of more than 5%.

Looking ahead, your Board remains confident that the Company is well positioned to take advantage of market trends, given your Manager's conservative investment style.

Future reporting

The Company's first accounting reference period will end on 31 December 2006 and it is anticipated that the Annual Report in respect of this period will be posted to shareholders during March and the first Annual General Meeting of the Company will be held in Jersey in April 2007. In the meantime shareholders can find regular monthly updates from the Manager, more up to date NAV and share price information and copies of Stock Exchange announcements on the Company's website www.asian-income.co.uk. The Company participates in the Aberdeen Investment Trust Share Plan and ISA (the "Plans") and shareholders should contact 0500 00 00 40 for further information on the regular investment and dividend reinvestment schemes that are available.

31 July 2006

Peter Arthur
Chairman

Income Statement (unaudited)

	Notes	Period from 8 November 2005 to 7 May 2006		
		Revenue £'000	Capital £'000	Total £'000
Investment income				
Dividend income		2,877	–	2,877
Interest income		355	–	355
Total revenue		3,232	–	3,232
Gains on financial assets at fair value through the profit or loss		–	3,516	3,516
Currency gains		–	220	220
		3,232	3,736	6,968
Expenses				
Management fees		(169)	(254)	(423)
Other operating expenses	5	(240)	–	(240)
Set up costs		(75)	–	(75)
Profit before finance costs and tax		2,748	3,482	6,230
Finance costs		(87)	(132)	(219)
Profit for the period attributable to equity Shareholders		2,661	3,350	6,011
Earnings per Ordinary share (pence)	3	2.42	3.05	5.47

The total column of this statement represents the total returns of the Company, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Aberdeen Asian Income Fund Limited. There are no minority interests.

The accompanying notes are an integral part of the financial statements.

Balance Sheet (unaudited)

	Notes	As at 7 May 2006 £'000
Non-current assets		
Investments at fair value through profit and loss		130,453
Current assets		
Other receivables		1,547
Cash and cash equivalents		1,445
		2,992
Current liabilities		
Other payables		(525)
Bank loan		(16,128)
		(16,653)
Net current liabilities		(13,661)
Net assets		116,792
Capital and reserves		
Ordinary share capital		110,000
Warrant reserve		2,200
Capital reserve		1,931
Retained earnings		2,661
Equity Shareholders' funds		116,792
Net asset value per Ordinary share (pence):		
Basic	4	106.17

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity (unaudited)

Period from 8 November 2005 to 7 May 2006

	Share capital £'000	Warrant reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Opening balance	–	–	–	–	–
Issue of shares	110,000	–	–	–	110,000
Issue of Warrants	–	2,200	–	–	2,200
Share issue costs	–	–	(1,419)	–	(1,419)
Profit for the period	–	–	–	6,011	6,011
Transferred from retained earnings to capital reserve*	–	–	3,350	(3,350)	–
Balance at 7 May 2006	110,000	2,200	1,931	2,661	116,792

* Represents the capital profit attributable to equity Shareholders per Income Statement.

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement (unaudited)

	Period from 8 November 2005 to 7 May 2006	
	£'000	£'000
Operating activities		
Profit for the period		6,011
Add back interest payable		219
Gains on financial assets at fair value through the profit or loss		(3,516)
Net gains on foreign exchange		(220)
Net purchases of financial assets at fair value through the profit or loss		(126,937)
Increase in amounts due from brokers		(231)
Increase in other receivables		(1,314)
Increase in loan arrangement fee amortised		28
Increase in other payables		525
Net cash outflow from operating activities before and after interest and taxation		(125,435)
Financing activities		
Net proceeds of share issue	110,780	
Draw-down of borrowings	17,091	
Net cash inflow from financing activities		127,871
Net increase in cash and cash equivalents		2,436
Effect of foreign exchange rate changes		(991)
Cash and cash equivalents at the end of the period		1,445

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

1. Principal activity

The Company is a closed-end investment company incorporated in Jersey, with its shares being listed on the London Stock Exchange.

2. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 34 – 'Interim Financial Reporting', as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Reporting Interpretations Committee of the IASB (IFRIC). The principal accounting policies are set out below.

(a) Basis of preparation

The financial statements are prepared on a fair value basis for derivative financial instruments and financial assets and liabilities at fair value through the profit or loss. Other financial assets and liabilities are stated at historical cost.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period from 8 November 2005 to 7 May 2006.

The financial statements have been prepared in accordance with the guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trust Companies ("AITC") and revised in December 2005.

(b) Segmental reporting

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

(c) Income

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Where a company has elected to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Interest receivable from cash and short-term deposits is accrued to the end of the financial period.

(d) Expenses and interest payable

All expenses, with the exception of interest expenses which are recognised using the effective interest method, are accounted for on an accruals basis. Expenses are charged through the Revenue Account except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed in note 6;
- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- the Company charges 60% of investment management fees and finance costs to capital, in accordance with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company.

(e) Taxation

The Company has been granted exempt status for Jersey income tax purposes and thus pays only the flat rate exempt company charge of £600 per annum.

(f) Investments designated as held at fair value through profit or loss

Purchases of investments are recognised on a trade date basis and designated upon initial recognition as at fair value through the profit or loss. Sales of assets are also recognised on a trade date basis. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs.

The fair value of the financial instruments is based on their quoted bid price at the balance sheet date, without deduction for any estimated future selling costs.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains on investments held at fair value through profit and loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(g) Other receivables and payables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value. Other payables are non interest bearing and are stated at their nominal value.

(h) Dividends payable

Dividends will be paid twice a year (the Company does not intend to pay final dividends). The first interim dividend will be paid on 18 August 2006 and the second interim dividend is expected to be paid in February 2007, both in respect of the period from Admission to 31 December 2006. Under IFRS dividends are reflected in the financial statements in the period in which they are paid.

In future, the Company expects to pay, in respect of each financial year, a first interim dividend in August and a second interim in February.

(i) Foreign currency

Overseas monetary assets and liabilities are converted into Sterling at the rate of exchange ruling at the balance sheet date. Transactions during the period involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss and recognised in the Income Statement.

(j) Borrowings

Monies borrowed to finance the investment objectives of the Company are stated at the amount of the net proceeds immediately after issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance costs of such borrowings are allocated to years over the term of the debt at a constant rate on the carrying amount and are charged 40 per cent to revenue and 60 per cent to capital reserves to reflect the Company's investment policy and prospective income and capital growth.

3. Earnings per share

The earnings per Ordinary share is based on the net income after taxation of £6,011,000 and on 110,000,000 Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The earnings per Ordinary share detailed above can be further analysed between revenue and capital as follows:

	Period from 8 November 2005 to 7 May 2006		
	Revenue	Capital	Total
Net profit (£'000)	2,661	3,350	6,011
Weighted average number of Ordinary shares in issue	110,000,000	110,000,000	110,000,000
Return per Ordinary share (p)	2.42	3.05	5.47

4. Net asset value per share

The basic net asset value per Ordinary share is based on a net asset value of £116,792,000 and on 110,000,000 Ordinary shares, being the number of Ordinary shares in issue at the period end.

5. Other operating expenses	£'000
Directors' fees	47
Administration fees	38
Marketing contribution	30
Auditors' remuneration	7
Custodian charges	65
Other	53
	<hr/>
	240

6. Transaction costs

During the period from 8 November 2005 to 7 May 2006 expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	£'000
Sales	3
Purchases	210
	<hr/>
	213

7. On 20 December 2005 the Company issued 110,000,000 Ordinary shares and 22,000,000 Warrants at 100p and 10p respectively pursuant to the Enlarged Placing and Offer Issue, incurring £1,494,000 of Issue expenses.

The Warrantheolders are entitled to subscribe in cash for one Ordinary share at 120p on the subscription date, which is the twentieth business day after the dispatch to Ordinary Shareholders of the Company's Annual Report and Accounts or half-yearly report for each year, commencing with the twentieth business day after the dispatch to Ordinary Shareholders of the Company's Annual Report and Accounts for the year ending 31 December 2009 and ending on the twentieth business day after the dispatch to Ordinary Shareholders of the Company's Annual Report and Accounts for the year ending 31 December 2012.

8. Related party transactions

Mr H Young is a director of Aberdeen Asset Management Asia Limited ('AAM Asia'), which is a subsidiary of Aberdeen Asset Management PLC ('AAM'). Aberdeen Private Wealth Management Limited has an agreement to provide management services to the Company, which it has sub-delegated to AAM Asia. AAM has an agreement to provide administration services to the Company.

The management fee is payable monthly in arrears based on an annual amount of 1% of the net asset value of the Company valued monthly. During the period £423,000 of management fees were paid and payable, with a balance of £206,000 being payable to AAM Asia at the period end.

The administration fee is based on an annual amount of £100,000, increased annually in line with any increases in RPI, payable quarterly in arrears. During the period £38,000 of fees were paid and payable, with a balance of £19,000 being payable to AAM at the period end.

Independent Review Report to Aberdeen Asian Income Fund Limited

Introduction

We have been instructed by the company to review the financial information for the six months ended 7 May 2006 which comprises the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the forthcoming annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

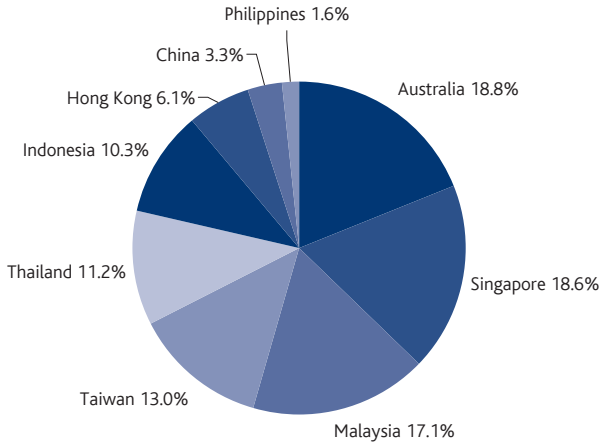
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 7 May 2006.

31 July 2006

Ernst & Young LLP
Jersey
Channel Islands

Asset Allocation

As at 7 May 2006



Stock Market Performance

MSCI Country Index	Indices 7 May 2006	Indices 21 December 2005*	% change
Australia	4,188.07	3,753.02	+11.6
China	42.05	34.36	+22.4
Hong Kong	34,731.70	32,437.69	+7.1
India	352.68	282.40	+24.9
Indonesia	635.43	471.58	+34.7
Korea	465.24	420.62	+10.6
Malaysia	368.80	338.34	+9.0
New Zealand	327.88	354.21	-7.4
Pakistan	322.98	278.51	+16.0
Philippines	269.29	230.60	+16.8
Singapore	544.10	476.29	+14.2
Taiwan	358.07	320.19	+11.8
Thailand	344.70	307.86	+12.0
Aberdeen Asian Income Fund Net Asset Value	106.17	100.63	+5.5
MSCI AC Asia Pacific Index ex Japan (sterling adjusted)	633.11	561.20	+12.8

* First day of trading of Company's shares

Source: Aberdeen Asset Management PLC, Factset and Fundamental Data

All Index figures are sterling adjusted

Investment Portfolio

By value at 7 May 2006

Company	Country of activity	Valuation £'000	Total assets % *
Siam Cement	Thailand	5,354	4.0
Taiwan Semiconductor	Taiwan	5,246	4.0
Taiwan Mobile	Taiwan	4,849	3.7
Fubon Financial	Taiwan	4,816	3.6
CLP Holdings	Hong Kong	4,789	3.6
Commonwealth Bank of Australia	Australia	4,775	3.6
British American Tobacco	Malaysia	4,773	3.6
Australia & New Zealand Bank Group	Australia	4,411	3.3
Indonesia Government 10% FR25 15/10/11	Indonesia	4,408	3.3
Petrochina	China	4,329	3.3
Top ten investments		47,750	36.0
Malayan Banking	Malaysia	4,305	3.2
Telstra Corporation	Australia	4,300	3.2
PTT Exploration & Production	Thailand	4,261	3.2
Telecom Corporation of New Zealand	Australia	4,095	3.1
Public Bank Berhad	Malaysia	3,968	3.0
Singapore Technologies Engineering	Singapore	3,506	2.6
United Overseas Bank	Singapore	3,451	2.6
Oversea-Chinese Banking Corporation	Singapore	3,317	2.5
Swire Pacific	Hong Kong	3,182	2.4
Guinness Anchor	Malaysia	3,146	2.4
Top twenty investments		85,281	64.2
Singapore Exchange	Singapore	3,059	2.3
Qantas Airways	Australia	2,710	2.0
Singapore Telecommunications	Singapore	2,684	2.0
Telekomunikasi Indonesia SER 'B'	Indonesia	2,580	1.9
SP Ausnet NPV	Australia	2,424	1.8
Indonesia Government 12.5% FR33 15/03/13	Indonesia	2,420	1.8
Carlsberg Brewery (Malaysia)	Malaysia	2,272	1.7
Unilever Indonesia	Indonesia	2,250	1.7
Bank of Philippine Islands	Philippines	2,130	1.6
POS Malaysia & Services	Malaysia	2,014	1.5
Top thirty investments		109,824	82.5

Investment Portfolio – continued

Company	Country of activity	Valuation £'000	Total assets % *
Sinopac Holdings	Taiwan	1,977	1.5
Siam Makro Public Co	Thailand	1,974	1.5
Hong Leong Finance Ltd	Singapore	1,929	1.5
Singapore Press	Singapore	1,889	1.4
Indonesia Recapital Bond 14% FR02 15/06/09	Indonesia	1,822	1.4
Singapore Post Ltd	Singapore	1,810	1.4
Tabcorp Holdings	Australia	1,796	1.4
Hong Leong Bank Berhad	Malaysia	1,788	1.3
Advanced Information Services	Thailand	1,728	1.3
SBS Transit	Singapore	1,348	1.0
Top forty investments		127,885	96.2
Hana Microelectronics	Thailand	1,343	1.0
Wheelock Properties	Singapore	1,225	0.9
Total fixed asset investments		130,453	98.1
Net current assets		2,467	1.9
Total assets		132,920	100.0

* Excluding bank loans of £16,127,704.

Financial Calendar

31 July 2006	Announcement of unaudited interim results
18 August 2006	Payment of first interim dividend for period ending 31 December 2006
August 2006	Interim Report posted to Shareholders
February 2007	Payment of second interim dividend for period ending 31 December 2006
March 2007	Announcement of unaudited results for the period ending 31 December 2006
April 2007	Annual Report posted to Shareholders
April 2007	Annual General Meeting

Corporate Information

Directors

Peter Arthur, Chairman
Andrey Berzins, Audit Committee Chairman
Duncan Baxter
Martyn Chambers
Dr Ana Cukic-Munro
Hugh Young

Manager

Aberdeen Private Wealth Management Limited
No.1 Seaton Place
St Helier
Jersey JE4 8YL

Aberdeen Asset Management Asia Limited
21 Church Street, #01-01 Capital Square Two
Singapore 049480

Secretaries and Registered Office

Aberdeen Private Wealth Management Limited
No.1 Seaton Place
St Helier
Jersey JE4 8YL

Registered in Jersey with number 91671

Registrars

Capita IRG (Offshore) Limited
Victoria Chambers
Liberation Square
1/3 Esplanade
St Helier
Jersey JE2 3QA

Sponsor

Intelli Corporate Finance Limited
63 Queen Victoria Street
London EC4N 4UA

Bankers

Barclay Bank plc
227 West George Street
Glasgow
G2 2ND

Solicitors

Maclay Murray & Spens
The City Law Partnership
5 Old Bailey
London EC4M 7JX

Jersey Lawyers

Bailhache Labesse
PO Box 207
13-14 Esplanade
St Helier
Jersey JE1 1BD

Auditors

Ernst & Young LLP
Unity Chambers
28 Halkett Street
St Helier
Jersey JE1 1EY

Website

www.asian-income.co.uk



Aberdeen